INDIAN TARIFF BOARD

STATUTORY ENQUIRY—1933
Steel Industry

Volume II

The Oral Evidence given by the Tata Iron and Steel Company, Limited, before the Indian Tariff Board

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THE ORAL EVIDENCE GIVEN BY THE TATA IRON AND STEEL COMPANY, LIMITED.

THE TATA IRON AND STEEL COMPANY, LIMITED.

Evidence of Messrs. A. R. DALAL, R. MATHER and J. C. MAHINDRA, representing the Tata Iron and Steel Company, Limited, recorded at Calcutta on Monday, the 20th November, 1933.

President.—Mr. Dalal, you and Mr. Mather represent the Tata Iron and Steel Company in this enquiry?

Mr. Dalal.—Yes.

President.—What is your position in the Steel Company?

Mr. Dalal.—I am a Director of the firm of Managing Agents, Messrs. Tata Sons, Limited.

President.—You represent Messrs. Tata Sons, Limited, on the Directorate of the Steel Company?

Mr. Dalal.—I am not on the Directorate of the Steel Company.

President.—You are on the Directorate of Messrs. Tata Sons?

Mr. Dalal.—Yes.

President.—Mr. Mather, you are the chief technical adviser to the Steel Company?

Mr. Mather.—Yes.

President.—I think, Gentlemen, probably the most convenient course for us to follow will be to take the questions involved in this enquiry in the order in which you have raised them in your representation and discuss them in that order. That would suit you?

Mr. Dalal.—Yes.

President.—Then we begin with Chapter I of your representation. That Chapter is really in the nature of an introduction to the detailed discussion which follows in the rest of the representation, but there are one or two questions to which you refer in that representation which I should like to raise straightaway for discussion. If you look at paragraph 3 of that Chapter you find that you refer to three factors which govern the success of any scheme of protection—the cost of production, the volume of production and the prices of finished products. The point that I want to raise for consideration at this stage is whether there is not a fairly close connection between the volume of production and the prices of finished products. I am raising that point in order to avoid any misunderstanding. I am raising that for this reason that when we are trying to estimate the effect of the policy of protection in the past, it is necessary for us to have a fairly clear idea as to the way in which prices have reacted upon the volume of production and the consumption in the country. I was looking at the Indian wholesale index number. The only real index number for India is the Calcutta wholesale index number. Taking the past six years from 1927 to 1932, I find that the general fall in the prices of all commodities taken together is somewhere about 40 per cent. Now I should like to be able to state at least approximately the extent to which the prices of protected classes of steel have varied within the same period. I could not get any information of the kind necessary for that purpose from any of your statements. It is obviously out of the question to take your average price of finished steel because the average price has been affected to great extent by the variation in the distribution of the output of different classes of products. Is there any way in which you can compile for me, so to speak, an index number for prices of protected steel?

Mr. Dalal.—Shall we supply you with the average import prices of four or five classes of protected steel?

President.—That would not help us very much. What I want to get is the weighted average index for steel of all protected classes. We have got British import prices and Continental import prices for various classes of products. The problem would still remain how exactly you are going to prepare a weighted index number. That is the point on which I want some advice. I want to know whether you can help us?

Mr. Mather.—We will certainly try to help you.

President.—One method which I should like to put to you for consideration is this. What we want to get in the first place is the average of British and Continental prices. That is rather difficult to get from the figures we have. Suppose we take your realised prices which are, so to speak, the result of the reaction of British and Continental prices in the Indian market. Suppose we take your average realised prices for 1927-28 and take the consumption figures for 1927-28 of each class of product; suppose we retain the consumption figures of 1927-28 for 1932-33 and simply take the prices of 1932-33 and weight them on that basis, that might give us a fair index?

Mr. Mather.—I think it might. It is clear that we must take a fixed ratio of products for consumption.

President.—More or less a uniform rate.

Mr. Mather.—We must take a fixed ratio—either the ratio at the beginning or at the end or an average throughout.

President.—We must take a fixed ratio.

Mr. Mather.—Yes.

President.—Will you try to do it?

Mr. Mather.—We can certainly do that.

President.—I tried to work it out taking the consumption figures of 1927-28 as the basis for weighting and taking your realised prices and I got a fall of somewhere about 20 to 22 per cent. against a fall in all commodities as shewn by the Calcutta index number of 40 per cent.?

Mr. Mather.—May I try to make my note quite clear? You would like an average of our nett realised prices weighted according to the total consumption in India of these products.

President.—That is the correct basis.

Mr. Mather.—Yes, weighted on the basis of 1927-28 consumption figures?

President.—Yes, if you consider that as a fair thing to take?

Mr. Mather.—Yes.

President.—I want to tell you precisely the sort of idea that has occurred to me in connection with this question which is important from the point of view of estimating the effect of protection and which probably may have also a bearing on the scale of duties which we may impose hereafter. What I am trying to get at is this. We might fix a scale of duties high enough to give you all the protection that you want as measured by the difference between your costs and the c.i.f. prices. On the other hand considering the level of purchasing power in this country, such a scale of duties may have the effect of reducing consumption, therefore reducing your output and therefore increasing your costs. It is a vicious circle and the idea occurred to me chiefly in connection with galvanized sheets. The price of raw jute in Bengal which is the principal consuming centre for galvanized sheets has fallen during the past six years to the extent of about 55 to 60 per cent. The price of galvanized sheets in this country in the same period has fallen to the extent of about 8 per cent.—I am taking the British landed price including the duty. You will find during the same period the consumption has fallen by about 60 per cent. It looks to me, without going into the details of that question, taking simply a superficial view at this stage, that consumption has fallen almost in direct ratio to the fall in the price of jute.

Mr. Dalal.—That may apply to galvanized sheets, but as regards the other iron and steel materials that we are making, there would be a limit to the fall in the consumption. We have found that the prices and consumption do not vary in any regular proportion at all because the kinds of products that we manufacture are essential for the requirements of the country.

President.—The difficulty there is this. You admit in your representation—practically right through the representation—that the fall in the demand for tested steel has had a very serious reaction on your realisations and I suggest that the reduction in the demand for tested steel has had a good deal to do with the extent to which the general level of prices has varied during this period of protection, leaving out galvanized sheets.

Mr. Mather.—You mean the general level of steel prices?

President.—No, the general level of commodity prices.

Mr. Mather.—I see your point.

President.—I don't suggest for a moment at this stage that we are going necessarily to take this factor into account in fixing the scale of duties but we are anxious to get as clear an idea of the relation between consumption and the level of prices as possible, as I said, both for arriving at an estimate of the effect of protection and for fixing the scale of duties hereafter. If you could help us in that, we should be grateful.

Mr. Dalal.—May I point out that in the case of tested steel consumption and price may vary more or less in equal proportion but in the case of untested steel of the kind that is manufactured in the country, it is somewhat different?

President.—I take it that galvanized sheet is the most important class of untested steel?

Mr. Dalal.—Yes, as far as the Bengal demand is concerned.

President.—It is the most important class of untested steel?

Mr. Dalal.—That is one of the classes.

President.—Judging simply by the consumption figures, I should say it is the most important class of untested steel?

Mr. Mather.—It has been in the past.

President.—You know more or less the kind of idea that I am trying to get.

Mr. Mather.—We will try and get you the figures.

President.—There is another point that you raise in paragraph 5. It is a point which I think recurs several times during the rest of the representation. You refer there to the assumption which the Tariff Board has made in the past in all its enquiries that protection should be adequate not only to enable the Tata Iron and Steel Company to work at a profit but also to encourage other steel works to be established. Now I want to raise that question at this stage because it is a question which occurs over and over again in the rest of the representation. Taking facts as they stand at present, is there really room in the country for another steel works producing articles of the classes which are now protected? The way in which I tried to look at this question quite tentatively is this. I take your maximum output, say, at the end of the period of protection which you have proposed at approximately 650,000 tons. That would be more or less right?

Mr. Mather.—You are speaking now of our maximum capacity?

President.—Yes.

Mr. Mather.—Yes, if orders are available in suitable forms.

President.—If we give sufficient protection during the next seven years—assuming that is going to be the period of protection—to work up to your maximum capacity, then your output would be somewhere to the order of 650,000 tons?

Mr. Mather.—May I just make this modification of that? An output of 650,000 tons at the end of the period would necessarily depend on very large orders for rails. I do not know whether you assume that if adequate protection is given we should necessarily get such large orders for rails as that. It is true that our capacity for producing will be somewhere between 600,000 and 650,000 tons but whether we shall actually produce that at the end of the period, even if the scheme is generally satisfactory, would depend so much on the position of rail orders.

President.—Let me try to put it from another point of view. The present production of the Steel Company, taking 1932-33 figures, is about 450,000 tons?

Mr. Mather.—Yes.

President.—Your estimated average based upon a production of 80,000 tons of rails is 530,000 tons.

Mr. Mather.—Yes.

President.—Now if I assume that this average production is obtained by the averaging of stages in a progressive increase of production, then in order to get your 530,000 tons, you must have an ultimate production of 630,000 tons at the end of the seven-year period?

Mr. Mather.—Yes.

President.—In other words on an output of 80,000 tons of rails more or less you reach your maximum capacity short of about 30,000 tons.

Mr. Mather.—I do not know that the average is likely to be arrived at necessarily in that way. It is conceivable for example next year, *i.e.*, in 1934-35, the first year of the new scheme, that our actual production might be 500,000. The new sheet mill unit will be in operation at any rate towards the end of that year. I submit that we cannot make, and are not likely at the end of the period to be able to make, 650,000 tons or even 630,000 tons of saleable steel unless we have orders for rails somewhere between 150,000 and 200,000 tons.

President.—Unless the market for steel improves in the meantime?

Mr. Mather.—The rest of the market may improve. I am assuming for the moment it will improve. Even so, even if the rest of the market for steel improves, unless we get rail orders for 150,000 to 200,000 tons, I don't think we will actually make as much as 630,000 tons.

President.—If the market for steel improves and your third new sheet unit comes into operation, in consequence you would get an increase in the output of 40,000 tons.

Mr. Mather.—I admit that. If we are able towards the end of the period to put in the third unit of sheet mill, we will have an increased output of 30,000 tons.

Mr. Dalal.—Say 35,000 tons.

President.—Your present estimate is 90,000 tons of galvanized sheets and 25,000 tons of black sheets?

Mr. Mather.—Yes.

President.—If the third sheet mill came into operation?

Mr. Dalal.—We should raise it from 115,000 tons to 150,000 tons.

President.—Say 35,000 tons more?

Mr. Mather.—Yes.

President.—That would more or less make up, won't it?

Mr. Mather.—It would not make up for the difference between 80,000 tons and 150,000 to 200,000 tons.

President.—I am trying to make an estimate of the normal demand which under the circumstances we should be justified in postulating. What I did was to take the average of the past ten years. You have got a peak period in it; you have got a bottom period in it. So, we can take an average of the past ten years. If you take the average of the past ten years you get about 940,000 tons of steel of the class you make.

Mr. Dalal.—Apart from that there will be steel of the classes we do not make at present.

President.—That question does not arise, Mr. Dalal. The point I am trying to elucidate is that by continuing protection on the basis of your representation we are offering certain inducement to other people to come into the steel industry. That inducement would be restricted to the classes of steel on which protective duties are levied.

Mr. Dalal.—If any firm contemplates the establishment of steel works it would not only look to the classes of steel which are protected and which we are making; it would also contemplate classes of steel which we are not manufacturing at all on the assumption that these will be protected.

President.—If they come to that part of the industry it would have nothing to do with protection because there would be no protection on that class of steel.

Mr. Dalal.—That would be an inducement for them to start new steel works.

President.—Let us say that we continue protection on the classes of steel that Tata's make for the next seven years; at the end of seven years the need for protection to those classes of steel may completely disappear and the protection may lapse. That would roughly be the position; that is to say, if we recommended the continuance of protection, that would be confined to the classes of steel that you are making and there would be an implication that at the end of the period which we fixed the protective duties might lapse altogether. Under those conditions the effect of the protective duties would not be such as to bring in investors in respect of the branches of steel which are not protected because if they do come it would simply be as a result of the revival of steel prices generally. It would have nothing to do with the protection scheme.

Mr. Dalal.—It would have to do with the protection scheme inasmuch as unless they see that we are making reasonable profits, no one would be interested to invest extra capital.

President.—You make reasonable profit partly as a result of the protection which you are getting. The man coming into the industry has got to start an entirely new branch of the industry and will have no assurance from Government or the Legislature that it would be granted to him.

Mr. Dalal.—Suppose a firm came in with the idea of making, say, hoops and strips which we are not making: would not they have legitimate hope of getting protection if they chose to confine themselves to those kinds of steel which we were not making?

President.—I may draw your attention to the fact that we have never in the past recommended protection to a new industry; we have recommended protection only to existing industries.

Mr. Dalal.—They may start and then may have to make out a case as Mr. Indra Singh has done.

President.—There the protection was granted under different conditions. It was not entirely a new venture and, mark you, when we recommended protection last time, we did not give substantive protection. All that we did was to give him assistance, in view of the past history, which would just enable that concern to tide over temporary difficulties. Let us leave alone this question of new industries coming into existence during the period of protection. For our purposes let us confine ourselves to this question: is there room in the country during the next seven years for another steel works producing the classes of steel on which protective duties are at present levied? The way I am looking at it is this: I took your output as 655,000 tons and I took the average consumption of this class of steel during the past ten years at 940,000 tons. That gave me a balance of roughly 300,000 tons. If a steel works making the products that you are making is going to work on an aggregate output of 300,000 tons comprising different classes of steel, from what I have read in connection with steel enquiries in the past, it seems to me that the production would not be economical; that the output which is likely to be obtained by a new industry for those classes of steel would not enable economical working.

Mr. Mather.—I submit, Mr. President, that if a new company could see before it a market for 300,000 tons of steel of the kinds which are now protected and could see that we could make a profit on the supply of the balance of 600,000 tons, then that new company would think that there was sufficiently reasonable justification for starting a new concern—with this other possibility in mind that it would not necessarily be restricted to producing merely this 300,000 tons. As Mr. Dalal pointed out, there is a market, and a fairly substantial market, for other kinds of steel which are at present not protected. Take a new concern manufacturing hoops and strips, railway axles and so on. It would, I think, be a natural hope at any rate on the part of a new concern that when it has started manufacturing all these and could show reasonable progress and yet require some protection although it has not been protected in the past, it would still have a reasonable chance of having its request granted by the Legislature and the Government of India on the new kinds of steel. That hope might or might not be fulfilled, but it is a hope that it would be likely to entertain. Further, there is this, that if by the end of this hypothetical seven years period the manufacture of steel has developed in such a way and the progress and efficiency has been such that the existing forms of protected steel can then be made without the necessity of protection, it is reasonable to presume that other forms of steel may also be made without protection. It is a reasonable presumption that other forms of steel might also be made without the aid of protection, at any rate after the difficulties of the first few years of undertaking entirely new branches of the industry have been overcome. Such improvement in the efficiency in the manufacture of steel for ordinary bars, for instance, as would enable India to stand without protection would also be available for the manufacturer of hoops and strips and other kinds of steel. I submit that if a capitalist already having partial investments in the iron and steel industry saw that there was likely to be a reasonably steady market of about 300,000 tons of protected forms of steel for which he could reap during the first three or four years the benefit of the operation of the protective scheme and saw that there was a substantial market for other kinds of steel, he would think he was commercially justified in going ahead. In that event I think the possible output would be such as to make economical manufacture possible.

President.—You assume that a new works, producing about 300,000 tons of rolled steel of the kind you are manufacturing now, would come into existence in the expectation that other classes of steel which are not at present protected might be produced in connection with the production of 300,000 tons of rolled steel?

Mr. Mather.—That is my view.

President.—Would that be economical? In the first place you are going to produce an output of more or less 300,000 tons of rolled steel and you are going to tag on to that the production of an entirely different class of steel, tubes and pipes, hoops and strips, axles and things of that kind. It would be a steel works producing a somewhat miscellaneous range of products.

Mr. Mather.—True. There are many such steel works in the world. There are many on the Continent. The supply of steel to India from the Continent does not come to a preponderating extent from this type of works but it does come to a substantial extent from such works.

Mr. Dalal.—It would be commercially more profitable to take up lines which we are not making at present such as hoops and strips, railway axles and things of that kind, than to take up merely protected lines, and hoops and strips, for instance, is a more natural development.

President.—If you take classes of rolled steel which are not made now by Tata's but which are imported and to which the protective duties do not apply, as far as I can see the only classes you can consider are hoops and strips and the present unprotected class of bars—I am speaking of rolled steel. For hoops and strips there may be a market of 30,000 to 35,000 tons and for unprotected bars approximately the same amount.

Mr. Mather.—I have here the import figures for non-protected bars for each of the last six years from 1928-29.

President.—What average do you get?

Mr. Mather.—I have not actually struck an average. It will be somewhere about 45,000 to 50,000 tons. In 1928-29 and 1929-30 the imports were respectively 65,000 tons and 70,000 tons of unprotected bars.

President.—Between the two, on a basis of averages, you get, I suppose, about 100,000 tons of hoops and strips and unprotected bars?

Mr. Mather.—That is so. In those two years the total of hoops and strips and non-protected bars was over 100,000 tons; since then it has been down and the lowest in any single year was 64,000 tons. Last year, 1932-33, it was 72,000 tons.

President.—May I put it this way? I take a surplus, surplus in this sense that beyond the quantities that you are producing now of the standard forms of rolled steel there is a surplus of 300,000 tons. Assuming that the demand develops to a normal extent there is a surplus of 300,000 tons—hoops and strips and non-protected bars belong also to the same category?

Mr. Mather.—Yes.

President.—Between the two you get an aggregate market for rolled steel of about 400,000 tons. Without dragging into it the question of miscellaneous steel products of a kind which involves processes of manufacture which are essentially different, there is a surplus market for 400,000 tons which may be assumed to be an economical output. That would be roughly the position as you put it?

Mr. Mather.—That is so.

President.—I will now get on to Chapter II. This Chapter is simply an explanation of various statements and your Tables set out the relevant figures clearly so that it is not necessary for me to put any detailed questions. I will just run through the statements to which you make reference in this Chapter. Look at Statement I (A). 1928-29 was the strike year?

Mr. Mather.—That is so.

President.—That year you have higher costs practically in every department except the Sheets department?

Mr. Mather.—Yes.

President.—Because in the case of sheets costs have fallen as compared with the previous year. The strike did not affect the output of sheets, that is to say, in the sheet department, the output has on the whole increased in 1928-29 as compared with 1927-28?

Mr. Mather.—The output fell, but the costs did not rise. There was a fall in the cost of producing black sheets themselves. I think the main reason for that is that the mill was of a newer and more difficult type which had not been in operation by 1928-29 for more than four years and there was still much more room for improvement in the costs than in the other mills. Even in spite of the set-back we got some improvement; reduction in the cost was going on at a very rapid rate. For instance between 1926-27 and 1927-28 the cost was reduced by as much as Rs. 28 per ton. There was nothing corresponding with that in any other mill. With that very rapid rate of reduction the strike did not affect the costs completely.

President.—Taking your ingot costs the position now is that practically every year your Open Hearth cost is about Rs. 5 higher than your Duplex cost.

Mr. Mather.—Yes.

President.—That position, I take it, will continue until you are able to effect substantial improvements to your open hearth plant.

Mr. Mather.—There will be a difference until we can do that.

President.—You say somewhere in your representation that it is the result of special conditions in India that open hearth costs tend to be higher than Duplex costs.

Mr. Mather.—In para. 118, page 47, of the representation we say "in the Company's circumstances the Duplex process is the cheaper process". The reason for that is not that it is due to circumstances in India of a climatic nature or anything of that kind, but that the Duplex process is favoured by the low cost of making pig iron in India. By comparison with the open hearth process the Duplex process consumes more pig iron per ton of ingots. The duplex process is relatively more at a disadvantage in countries where the cost of pig iron is high than where the relative cost of pig iron is low.

President.—Under Indian conditions for that reason duplex might be cheaper.

Mr. Mather.—It certainly is cheaper so far with us.

President.—The general Indian circumstance which accounts for this difference in the costs is the fact that pig iron is so cheap.

Mr. Mather.—Yes.

President.—As far as you are concerned there is another circumstance that your open hearth plant happens to be an antiquated plant.

Mr. Mather.—That is so.

President.—Those are the two circumstances.

Mr. Mather.—That is so.

President.—That is a correct analysis.

Mr. Mather.—Yes, but I do not wish to support any inference that the duplex process is necessarily the most economical way of making ingots in India if one were to start a new steel plant.

President.—The cheapness of pig iron will remain a permanent factor.

Mr. Mather.—Yes.

President.—That is a permanent factor which will help a duplex plant in this country, but the variable factor is the condition of your open hearth plant. If you are therefore able to effect sufficient capital improvement to your open hearth plant, that factor might be completely eliminated.

Mr. Mather.—Yes.

President.—The combined result is that the two costs might be approximate.

Mr. Mather.—As I have indicated a moment ago, although the difference has been Rs. 5 for the last two years, it is possible we may reduce that gap to some extent even without very large scale capital improvement. We are constantly trying and we hope to succeed to some extent in reducing that gap. With large scale capital improvement we expect that the gap will disappear.

President.—We will raise that question later on when we come to the works costs. Take your Statement I (B). Take the January to June costs. The cost entered against rails is the average of the new rail mill.

Mr. Mather.—That is right.

President.—The average of the structural sections during that period is about a rupee higher.

Mr. Mather.—Yes.

President.—How do you account for the difference?

Mr. Mather.—Fairly large quantities of sections were rolled on the merchant mill and small quantities of sections were rolled on the old bar mill. The higher costs on these make a difference of one rupee on an average.

President.—And the other costs are simply the averages of the relevant departments.

Mr. Mather.—The cost of bars is the average cost of production of bars on the merchant mill and of the actual bars produced in the old bar mill.

President.—You allow a slight difference between tin bars and other semis.

Mr. Mather.—Yes.

President.—The cost of tin bars is the average of the sheet bar and billet mill.

Mr. Mather.—Yes. The reason for that is we are occasionally able to book small orders of few hundreds of tons which we can supply from the blooming mill direct.

President.—In the form of what?

Mr. Mather.—Blooms.

President.—You supply straight.

Mr. Mather.—Occasionally yes. It is only a small quantity.

President.—You mean the semis that you sell outside?

Mr. Mather.—Yes.

President.—Let us take Statement 2 (B). Those are the costs worked out on a uniform price of coal at Rs. 5-12 and spelter at Rs. 235.

Mr. Mather.—Yes.

President.—May I just raise here without going into the question in detail that you have adopted one kind of basis for averaging the price of coal and another for the price of spelter? Coal price is the average of 6 years and spelter price is the average of six months.

Mr. Mather.—Yes.

President.—I just want to know the kind of idea that you had in mind when you adopted this.

Mr. Mather.—The idea is mainly this. These two prices are the prices on which we suggested that the new protective scheme should be based excepting of course in so far as it appears to you that the average price of coal is likely to be different from this.

President.—We are not able to judge whether it will be different at all.

Mr. Mather.—We find it extremely difficult to form any definite estimate as to what the average price of coal would be in future. Therefore for purposes of calculation we based our figures on the average of the last six years and arrived at this figure of Rs. 5-12. We have stated here our past costs on the basis of prices of coal and spelter which, it may, as far as we know, be reasonable to presume, will persist in the future. So far as spelter is concerned, there is this difference that if the price of spelter rises, then the prices of the competing galvanized sheets will rise. We are not particularly affected by the price of spelter. We are affected, however, by the price of coal. We thought it might be more convenient for consideration for us to put our estimate of the future costs in lines with this record of the past costs on a uniform basis.

President.—You decided to take the average price of coal during the last six years in order to eliminate as far as possible the effect of coal prices over the whole period.

Mr. Mather.—Yes.

President.—In order to make the average a safe average.

Mr. Mather.—Yes.

President.—Whereas in regard to spelter you are not under the same necessity because an increased cost or a decreased cost of spelter would be more or less reflected in the prices of imported galvanized sheet.

Mr. Mather.—Yes.

President.—That would be more or less true in regard to spelter except to the extent of course that your consumption of spelter is different from theirs.

Mr. Mather.—Yes.

President.—Supposing we take your consumption of spelter as 2 cwts. per ton of sheet and taking a figure of $1\frac{1}{2}$ cwts.—the British practice is $1\frac{1}{2}$ cwts.—if the price of spelter falls, you benefit more.

Mr. Mather.—On the other hand if the price of spelter rose, we would lose more.

President.—Supposing you took a higher average for the spelter, it would not suit you.

Mr. Mather.—No.

President.—Taking your basis of costs in January—June, supposing you raise the price of spelter to the higher average that you would get over a period of six years, I expect that your relative position as compared with the imported sheets would be less satisfactory.

Mr. Mather.—Yes, that is so. The higher the price of spelter the less satisfactory our position is to the extent that we use more spelter than they.

President.—That is to say, as far as I can calculate, if there is a fall in the price of spelter, you benefit to the extent of 1/10th.

Mr. Mather.—Yes.

President.—Whereas they would benefit to the extent of 1/13th.

Mr. Mather.—Yes.

President.—The more important question is the question of coal which we want to deal with in detail when we come to your costs. Have you any information regarding this restriction scheme to which I have seen a reference in the press? The scheme has been placed definitely before the Coal industry?

Mr. Mather.—Yes.

President.—Have you any information what stage the scheme has reached so far?

Mr. Mather.—I understand that both the Indian Mining Association and the Indian Mining Federation and I think also the Indian Colliery Owners' Association were considering the matter last week. The matter is being considered by the committees of these three bodies.

President.—Are you represented in these Associations?

Mr. Mather.—We are members.

President.—Which Association?

Mr. Mather.—The Mining Association and the Mining Federation.

President.—The matter has been placed before this Association?

Mr. Mather.—It is being considered by a committee of the three Associations.

President.—I suppose the authority to whom we must refer for further information is the Chief Mining Engineer.

Mr. Mather.—He is much more closely in touch than we are.

President.—What is your own anticipation? When do you think the Associations concerned are likely to reach a settlement of this question? Have you any kind of information? In about two months from now can we expect a decision of this question in one way or the other.

Mr. Mather.—I think if the matter is not settled within two months, probably it will indicate that there are serious difficulties in the way of formulating a satisfactory scheme.

President.—By the time we have to begin formulating our proposals, I expect the question will have reached a final stage

Mr. Mather.—I think you will be able to get a much clearer view of the question then.

President.—If you take the January–June costs in Statement 2 (B), the rail costs are higher than the Tariff Board's estimated average. That you would explain with reference entirely to the question of rail orders?

Mr. Mather.—Yes.

President.—With regard to fishplates you have been able, in spite of the reduced output, to work up to the estimated average?

Mr. Mather.—Yes.

President.—The position with regard to structural sections is that although the cost of structural sections is affected by the output of rail orders, your costs are lower than the estimated average.

Mr. Mather.—Yes. May I suggest a reason for that and that is that the estimated average for 1927-34 included the rolling of a considerable quantity of structural sections in the old rail mill.

Mr. Wiles.—I will just remind you that this column is higher than the actual.

Mr. Mather.—Yes, that is so.

Mr. Wiles.—Because the price of coal is assumed to be higher than it actually was.

President.—If there has been a reduction in January—June 1933 costs as shown in these figures the reduction would be greater.

Mr. Mather.—That is so.

President.—So that the position would be to your advantage what I mean is the actual cost.

Mr. Mather.—Yes.

President.—The important point is to take the price of coal on a unit basis in order to estimate the reductions which have been possible.

Mr. Mather.—Yes.

President.—In regard to sleepers, your output was smaller than the Tariff Board's estimate.

Mr. Mather.—Yes, it was.

President.—The costs are lower.

Mr. Mather.—Yes.

President.—The costs are lower than the costs that we estimated for 1933-34. How do you explain that?

Mr. Mather.—I think the main reason is this: first of all during the production of sleepers in 1932-33 and for the first six months of 1933 we have been successful in producing a very much larger percentage of first class sleepers than was presumably anticipated by the Board in 1926. We have more experience of the plant and we find that the plant is operating very well. Therefore we have very few rejections and secondly the rejections being small we can get a good price for them. We don't have to put a large quantity of second class sleepers on the market and we take credit for 2nd class sleepers at Rs. 4-8 per sleeper. The consequence is that our rejections have little effect on the costs. Therefore the nett cost is actually lower.

President.—The estimated cost that you take for sheet bar and billet mill is what we estimated for tin bar.

Mr. Mather.—That is so.

President.—I was trying to get some idea of the output of sheet bar and billet mill corresponding to the Tariff Board's estimate for 1933-34. I looked through the evidence, I looked through the report and I got no kind of information on which I could work out what conceivably was their estimated output for sheet bar and billet mill.

Mr. Mather.—I don't remember that that was put on record. It could be calculated.

President.—If you took the quantity of tin bar which is likely to be taken up by the Tinplate Company and the quantities rolled on the merchant mill and the sheet mill, the three together would give the Tariff Board's estimated output.

Mr. Mather.—Yes, and the sleepers 30,000 tons.

President.—These 4 would cover.

Mr. Mather.—Yes. Would you like us to work out the figures on the assumption of the yields as obtained in 1932-33?

Mr. Mather.—Yes.

President.—Taking the cost of black sheets January—June, 1933, the figure is Rs. 98.

Mr. Mather.—Yes.

President.—I take it from the figures that you have submitted subsequently, the cost of black sheets has been coming down considerably.

Mr. Mather.—Yes.

President.—What is the latest figure that you have got? Have you got the October figures?

Mr. Mather.—Yes. We have not had time to convert it on this basis, but we shall give you the actual figure Rs. 86·4.

President.—That is for October?

Mr. Mather.—Yes.

President.—That is the average of the new and the old sheet mills?

Mr. Mather.—Yes.

Mr. Dalal.—That is the actual cost.

President.—Taking the coal at present prices?

Mr. Mather.—Yes.

President.—Please look at Statement 3 (*b*). If we are going to take your costs of January to June 1933 as our basis in the sense that all possible reductions in the future are to be estimated with reference to January to June costs, I take your yearly output at somewhere about 466,000 tons?

Mr. Mather.—Yes.

President.—We can double the first half year's output in order to arrive at the annual production?

Mr. Mather.—Yes, though the second half year's production will be slightly higher.

President.—If we take exactly double, it would not be unfair?

Mr. Mather.—No.

President.—Look at Statement 4. The most interesting fact which emerges from this statement of figures is that since the general depression started, the whole reduction in the consumption of steel in this country of the classes that you make has been borne by imports?

Mr. Mather.—Yes.

President.—Your output has remained steady?

Mr. Mather.—Yes, practically steady from 1927-28.

President.—That is one of the minor results of protection?

Mr. Mather.—Yes.

President.—As these figures stand for 1932-33, the largest room for expansion is in respect of sheets?

Mr. Mather.—Yes.

President.—The imports that you have taken into account are imports entirely of protected classes of steel?

Mr. Mather.—Yes.

President.—With the exception of fabricated steel, wire and wire nails and special classes of steel?

Mr. Mather.—Yes.

President.—As a result of the earlier discussion what you would suggest is that in estimating the normal market for rolled steel in this country the figures to be added to these are the figures of fabricated bars and hoops and strips?

Mr. Mather.—Yes.

President.—Would you like to think it over? I think generally the statement is correct if you are taking rolled steel?

Mr. Mather.—Yes.

President.—Taking Statement 5, the figures of prices that you have sent us for the months subsequent to January to June 1933 with regard to British materials do not show any variation?

Mr. Mather.—No.

President.—The January to June prices have been maintained?

Mr. Mather.—Yes.

President.—Taking the prices that you have sent us for July and August, 1933—we don't think that we have received anything later than these. I tried to get the latest quotations from the Iron and Coal Trades' Review. The particular number that I looked at was the issue of October 6th. The figures that you have sent us for July and August for British materials are slightly higher than the prices that I have seen in the Iron and Coal Trades' Review.

Mr. Mather.—Our prices are c.i.f. prices and those prices are f.o.b. prices.

President.—It will depend on what rate you are going to take the freight. I should like you to look into it. I will tell you why I am raising this point. The suggestion which has been made to us by some of the fabricated steel firms is that as a result of re-organisation and rationalisation which are going on in the British industry, British prices are likely to be somewhat lower in the future than the prices of last year or the prices of January to June, that is to say, as a result of reformation of the Cartel Continental prices are showing an upward trend but the result of rationalisation of the British industries is going to end in a slightly downward trend in British prices. A statement has been made to us to that effect. I do not know what importance I should attach to that. I presume such a thing as rationalisation in the British industry must take some time to get reflected in prices?

Mr. Mather.—May I suggest that reduced prices may not result from rationalisation? The object of rationalisation is not to reduce prices but to reduce costs. As you will see from figures, the British manufacturer seems to have followed from that point of view with considerable success the policy of maintaining prices over a long period, which is a period of very great fluctuation of Continental prices. It seems to me that the assumption which has been made would be difficult to justify—*viz.*, simply because in three or four years' time they may be able to produce more cheaply, they will also sell cheaply.

President.—If, as a result of re-organisation and rationalisation, they can reduce their cost, considering the depleted market for steel in the world and the importance of capturing more and more export markets, I take it that as wise men they would try to some extent to reduce prices and not retain prices and make a higher profit on the smaller turnover?

Mr. Mather.—A wise businessman's policy is to do what he can to increase his profits.

President.—It all depends on how he is going to make his larger profits—by retaining prices at a higher level and getting a smaller turnover or reducing prices and getting a larger turnover.

Mr. Mather.—I might also suggest another way of looking at it. As you yourself point out, due to reformation of the Continental Cartel during the last few months Continental prices have been rising. It does not seem likely that it would be to the interests of the British manufacturer, when his competitors' prices are rising, to lower his prices. If he has been able to keep the industry in existence, in times of very great difficulties, with these prices he may maintain them comparatively unchanged when the competition is less acute.

President.—It is very difficult to discuss hypothetical situations. There has been no indication at all?

Mr. Mather.—No, I don't see anything here (in the Iron and Coal Trades' Review).

President.—What number are you referring to?

Mr. Mather.—October 27th issue.

President.—If you take these prices they more or less correspond?

Mr. Mather.—These export prices *plus* freight are higher than our figures.

Mr. Dalal.—There is some indication of reduction in the fabricated steel.

Mr. Mather.—There are special considerations applying to that.

President.—The general result that follows from Statement 5 is that the prices of structural sections and plates have been always higher than the Tariff Board's estimates?

Mr. Mather.—Yes.

President.—And the prices of bars have been lower since 1930-31?

Mr. Mather.—Yes.

President.—And those of black and galvanized sheets have always been lower?

Mr. Mather.—Yes.

President.—As far as Continental prices are concerned, there is of course a distinct upward trend but the whole point is whether we should not be justified in assuming this upward trend to continue for any substantial period?

Mr. Dalal.—There are already indications that the Cartel may not stand very long. At least one of the Belgian firms has given notice of its desire to break away from the Cartel.

Mr. Mather.—From the 31st of December. The firm in question is Messrs. Clabecq.

President.—That is a fairly large one?

Mr. Mather.—It is not very large, but it is an important firm.

President.—Is that information obtained from any trade journal?

Mr. Dalal.—From our reporter.

Mr. Natesan.—You mean your commercial reporter?

Mr. Dalal.—Yes.

President.—If you have any information showing the developments of the Cartel we should like to be furnished with copies.

Mr. Dalal.—Yes.

President.—I have not come across anything in the Iron and Coal Trades' Review?

Mr. Dalal.—These things have appeared in the confidential reports (copy handed to the President and Members).

President.—In regard to Statement 7, the Tariff Board's prices for galvanized and corrugated sheets are arrived at in this way. We took the price of 1926 and the duty on spelter of Rs. 8 was deducted from it straightaway.

Mr. Mather.—Yes.

President.—As regards Statement 9, these are all realisations, f.o.r. Tatanagar?

Mr. Mather. Yes.

President.—I was trying to work out the actual difference between the British landed prices *plus* duty and your realisations for the past six years. In the case of structurals, the difference, that is to say, the difference against you, has increased from somewhere about Rs. 7 in 1927-28 to about Rs. 14 in 1932-33?

Mr. Mather.—Yes.

President.—If you take your realisations on tested steel and if you take the British landed price *plus* duty, the difference between the two is so much.

Mr. Mather.—Which section are you taking?

President. The average section? Take the year 1927-28.

Mr. Mather.—The difference is Rs. 7.

President.—Take 1932-33. The difference between the two prices is a little over Rs. 14?

Mr. Mather.—Over Rs. 13.

President.—In bars, you start with Rs. 9-9. Then in 1931-32, it goes up to Rs. 19-9.

Mr. Mather.—Yes.

President.—In 1932-33 it drops to Rs. 10-8?

Mr Mather.—Yes.

President.—I don't quite understand the way in which these figures vary—particularly the figure for 1931-32?

Mr. Mather.—We will examine the particular year, if you wish us to.

President.—Practically in 1932-33 the difference is more or less approximate to that of 1927-28. But in 1931-32, it is almost double—more than double the average of the rest of the years?

Mr. Mather.—We will examine that.

President.—In regard to plates, it starts with Rs. 6, goes up to Rs. 13-8, drops to Rs. 9, goes up again to Rs. 16 and remains at Rs. 15 in 1932-33?

Mr. Mather.—Yes.

President.—That sudden increase as between 1927-28 and 1928-29 I should like to have explained?

Mr. Mather.—Yes.

President.—As far as blacksheets are concerned, you started with an advantage. The advantage increased till 1929-30. In 1930-31, it was slightly less than that in 1929-30. In 1932-33, there was a slight disadvantage. The general explanation that you offer is the variation in freight advantage and freight disadvantage.

Mr. Mather.—Yes.

President.—That I can understand would bring about a definite difference. As regards the rest, I am not very clear. That, I suppose, is closely connected with the whole question of the lag between the import and realised prices. You had better raise this point again when we come to that question?

Mr. Mather.—Yes.

President.—The same type of question arises in connection with Continental prices. You take a thing like plates.

Mr. Mather.—We have given a foot-note.

President—What precisely was the position? What was this non-standardised plate sold this year? How did it arise?

Mr. Mather.—That was very largely because of the disorganisation in the plate mills; we found ourselves left with very large stocks of plates and set about clearing the stock during the strike. Since then as you are aware we have added new ways to the warehouse. We found that when the mill was first set up there was not sufficient space for storage and by 1928 we had accumulated quantities of surplus plates which we wanted to clear out of the way so that we could cope with our future production.

President.—You say a high proportion of non-standardised plates?

Mr. Mather.—These are plates which had been rolled against particular orders and which are no longer required in the sizes to which they have been cut and are therefore non-standard plates. What happened was that when a buyer wanted plates of a certain size we would pursuade him to take plates of a different size and give him a discount, in order to clear up the mill and in this way we disposed of these in a very short time. They were non-standard in the sense that they were sizes which are not normally demanded in the market.

President.—They were not defective?

Mr. Mather.—Not necessarily defective.

Mr. Natesan.—You mean these were the result of orders which purchasers refused to fulfil under the contract?

Mr. Mather.—Not necessarily that. What happens is, when we get an order for say, 100 plates we may roll 105 to provide for contingencies. We must deliver at a particular date the whole quantity and there is always a possibility when we despatch a certain tonnage there may be some defect in one or two of them and so we try to provide for such things. If we can dispose of these surpluses promptly in small lots we have no great difficulty, but if we have accumulation of several years we have to make large sacrifices.

President.—In connection with that same Table, take Continental bars: in 1927-28 that gave you an advantage of about Rs. 4-8-0: on that you have a disadvantage of Rs. 23-8-0 in 1928-29 the difference being very nearly Rs. 28. That is surprising.

Mr. Mather.—There again we cleaned up a lot of accumulated stock. During the strike year on most of the mills we brought our stocks nearly down to zero; we did that in the case of bars, and we found a lot of defective bars in the materials which we cleaned up.

President.—That might account for some part of it. But I am not convinced that in regard to a product like bars in the course of a single year there could be such a difference as Rs. 28 in the lag between the import price and the realised price and personally till the facts are placed more fully before us I must confess, while I am prepared to accept your explanation in regard to a part of the position, I am not convinced that would really account for such a big difference.

Mr. Dalal.—The man to whom we sell it has to cut it to his requirements and we have to bear the cost of cutting.

President.—We would like to have the most erratic of the figures looked into because it has a very important bearing upon the question of the lag between the import prices and the realised prices.

Mr. Dalal.—Yes.

Mr. Natesan.—Do I understand that you have certain standard sizes but when a party wants a different standard you manipulate the article either by cutting it . . . .

Mr. Dalal.—Normally he himself cuts it; he has to bear the expense of cutting.

Mr. Natesan.—Supposing it is a girder 20 feet long; you give him 20 feet and you give it to him at the price of 18 feet?

Mr. Dalal.—Yes.

President.—Let us take paragraph 15 of Chapter II. What is the price that you are now getting for rails?

Mr. Mather.—Rs. 110, f.o.r. Tatanagar for all rails up to 100 lbs. The only rails above that are 115 lbs. for which we get Rs. 120.

President.—This special price for 115 lb. rails has been in force from the beginning of this agreement?

Mr. Mather.—No. When the agreement was made in 1927-28 the railways were not requiring 115 lb. rails and the agreement was drawn up to cover rails up to 100 lbs. We began to sell 115 lb. rails in 1929-30: the first delivery was in 1929-30.

President.—What proportion of your total output is represented by 115 lb. rails?

Mr. Mather.—It varies from year to year.

President.—Take a year like 1932-33.

Mr. Mather.—May I suggest to you that you get the effect of it in Statement 20?

President.—The prices for 1930-31 and 1931-32 include also chromium rails?

Mr. Mather.—Yes.

President.—What is the largest order for 115 lbs. that you have supplied?

Mr. Mather.—We can give you the figures later on.

President.—We are taking a certain fair selling price for your rails and against that we are trying to fix a price that you ought to get from the railways for your rails.

Mr. Mather.—On a commercial basis.

President.—I am not concerned with the question of the basis. What I am thinking of is this: we are estimating on your costs of rails and the overheads which your rails ought to bear a fair selling price for your rails. That fair selling price I take it is the average fair selling price for all classes of rails manufactured in your works. As against that you get a certain price for rails of 100 lbs. and below; you get a special price for 115 lb. rails and special price again for chromium steel rails. Therefore I want to make quite sure that in taking your average fair selling price for all classes of rails as against the price fixed for the different classes of rails the two things are properly adjusted. Probably you may be making less or you may be making more. Could you explain the position in a statement?

Mr. Mather.—Yes.

President.—In that paragraph you refer to special arrangements which you have made with another Indian firm for converting sleeper bars. What is the arrangement and how long has this been in force?

Mr. Mather.—There is no standing arrangement. This firm has a special design of steel sleepers which I think is controlled by its own patent; this design is required by some of the Indian Railways. We have not got a licence for it nor is it particularly adaptable to manufacture on our plant. Therefore when enquiries for sleepers arise, if the enquiries are for that particular pattern of sleeper of course we have no option. We cannot supply the finished material and the only way in which the business can be handled is by the supply of our steel bars to this firm for conversion by them into finished sleepers. More frequently however in the case of a general enquiry for sleepers the railways ask for sleepers of the particular design laid down in Railway Board's drawing: it is normally of a design which we can manufacture as well and they are prepared to consider the alternative design, so that in connection with almost every enquiry for sleepers we quote for the supply of bars and we supply them if the Railway decides to buy sleepers of the special design.

President.—There is no agreement; whenever they want bars they make enquiries and you supply?

Mr. Mather.—That is right.

President.—Do you sell any considerable quantities of bars to them?

Mr. Mather.—The figures for these are given in Statement 12. The despatches of sleeper bars are given in thousands of tons for the years 1930-31 to 1932-33.

President.—An average of 7,400 tons over six years. The bulk of it was supplied in 1931-32?

Mr. Mather.—That is right.

President.—You have not supplied any since 1932-33?

Mr. Dalal.—And the quantity actually supplied in 1932-33 was to the best of my recollection the tail end of a fairly large order which accrued from 1931-32.

Mr. Wiles.—I take it these are independent of your own supplies. Supposing you had a full supply to make to the railways would your output of sleeper bars be affected.

Mr. Dalal.—If you look at these figures for 1932-33, we only supplied 2·8 thousand tons to this firm which was the tail end of an order which accrued from the previous year. We sold in the course of 1932-33 7,900 tons of sleepers direct. We quoted also for the finished steel to that particular railway; at the same time we did that we quoted to this firm for the supply of sleeper bars and they put competitive tender for their pattern of sleepers, so that we cut in and got both.

Mr. Wiles.—I suppose you have also supplied ordinary billets to this very firm?

Mr. Dalal.—In small quantities.

President.—In Statement 14 I take it the figures that you give as Tariff Board's estimates are figures that you have worked out from figures of prices in our report?

Mr. Mather.—Yes.

President.—I will now get on to Chapter III. I take it that what you attempt to do in this chapter is to make as approximate a calculation as the figures will justify of the losses which the Company has incurred during the past seven years as compared with the surplus here estimated for the Company under the scheme of protection by the Board?

Mr. Mather.—That is correct.

President.—It is just an approximate calculation because obviously some other factors are of a highly speculative nature.

Mr. Mather.—Yes.

President.—The first factor which you try to determine is the loss on c.i.f. prices. The nett loss you get is Rs. 73 lakhs. That is including the loss on sleeper bars and semis.

Mr. Mather.—Yes.

President.—Making allowance for the emergency duties and deducting the gain on prices.

Mr. Mather.—Yes.

President.—The next factor is the variation in the proportions of tested and untested steel. Similar calculation gives you a nett loss of Rs. 33 lakhs.

Mr. Mather.—Yes.

President.—The loss on account of increase in freight disadvantages is Rs. 23 lakhs.

Mr. Mather.—Yes.

President.—Precisely how have you estimated the effect of the strike? It is rather a difficult point. Your method of calculation is this: you first try and estimate the loss which you have incurred simply by reason of the fall in production.

Mr. Mather.—Yes.

President.—You take the production of 1927-28 and you assume the production of 1928-29, 1929-30 and the first half of 1930-31 must approximate to the production of 1927-28 and then having got that figure you take the difference between the output of these figures and the actual output, multiply that by the difference between the works cost and the realised price in 1928-29, is that right?

Mr. Mather.—Yes.

President.—You take the difference between the works cost and the realised price in the strike year.

Mr. Mather.—Yes.

President.—You apply that to the difference between the output of the $2\frac{1}{2}$ years as calculated on the 1927-28 basis and the actual output of those years.

Mr. Mather.—Yes.

President.—Then you get the additional amount that you might have obtained if strike had not reduced production. Having got that result you go further and then you estimate whether you might not have got something more than the difference between the works cost and the realised price in the strike year because if the strike had not occurred and if you had got your output, the works cost would have been less. The only way in which you can make a calculation of that factor is on the assumption that if the strike had not intervened and if you took the results of the other years, you would have approximated to the average works cost estimated by the Tariff Board.

Mr. Mather.—Yes.

Mr. Dalal.—We have got that result in the year preceding the strike.

President.—Then you calculate by how much the estimated works cost is exceeded by the actual works cost.

Mr. Mather.—Yes.

President.—Then calculate it on the output assuming that during the strike years, you get the same output as 1927-28.

Mr. Mather.—Yes.

President.—That is the calculation.

Mr. Mather.—I think that is correct.

President.—This Rs. 137 lakhs that you gave was arrived at on this basis. You assume that in 1927-28, 1929-30 and in the first half of 1930-31 you got more or less the same production that you got in 1927-28.

Mr. Mather.—Yes.

President.—You take the difference between the actual works cost and the estimated works cost, multiply the two and you get Rs. 137 lakhs.

Mr. Mather.—Yes.

President.—I am not in a position to offer any criticism on that. I suppose it is as approximate a calculation as you can make.

Mr. Mather.—That is what I feel. We gave a good deal of thought to this and it seems to us a reasonable and moderate statement.

President.—The one really speculative factor there is what is involved in the assumption that but for the strike your average costs would have been almost exactly the average cost estimated by the Tariff Board.

Mr. Dalal.—In that respect I think we are underestimating the effect of the strike. That is a matter for you, Gentlemen, to form your own independent conclusions. The effect is definitely there. In the very first year to which the average was to apply we got a substantial reduction. Towards the end when we got away from the effect of the strike, again we got a larger reduction in cost than was anticipated. It does therefore seem reasonable to assume that if there had not been this interruption, we would have at least reached the average even if we had not gone further below. All that we assume is that we would reach the average.

President.—The total of these two figures is your estimate of the aggregate loss.

Mr. Mather.—*Plus* the direct expenditure which does not go into the cost here—about Rs. 30 lakhs on strike account.

President.—You mean expenditure in connection with the strike.

Mr. Mather.—Yes.

President.—What sort of expenditure?

Mr. Mather.—Expenditure on the employment of men who were not able to get any production; payment for police protection, etc.

President.—Lawyers?

Mr. Mather.—Not to any appreciable extent.

President.—We might leave that out and retain this figure which I think is on the whole calculated on the safe basis.

Mr. Mather.—Yes.

President.—The total of that is Rs. 210 lakhs.

Mr. Mather.—It is Rs. 220 lakhs.

President.—With regard to the rail orders you have no complaint as regards 1927-28, 1928-29 and 1929-30?

Mr. Mather.—No.

President.—For the rest of the period you actually got 527,000 tons less than the estimate?

Mr. Mather. Yes.

President.—You multiply it by Rs. 39.

Mr. Mather.—Yes.

President.—You get this figure of Rs. 205 lakhs.

Mr. Mather.—Yes.

President.—You deduct the excess price that you got in 1930-31 and 1931-32.

Mr. Mather.—Yes.

President.—Then you make an allowance for the reduction which would have occurred in the output of structurals.

Mr. Mather.—Yes.

President.—How do you get this figure of 30,000 tons?

Mr. Mather.—That is a general estimate of the extent to which we have been in a position to roll more structurals than otherwise we should have done if we had rolled a bigger quantity of rails.

President.—It might be 60,000.

Mr. Mather.—It might. I don't think it would have been, because as I point out here we should during the last two years have kept the old 28" mill in operation unless in the interval we had been able to build the new 22" mill, which of course might have happened if we had not had the set-back due to the strike.

President.—I do not know of any kind of test to apply to this 30,000 tons. It makes a difference in your calculation of about Rs. 10 lakhs. If it was 60,000, it might mean about Rs. 20 lakhs. What I feel is this. The two big factors here are the strike and the rail orders. Strike of course involves very speculative factors. The method of calculation you have adopted is as near a correct method as you can think of. With regard to the rail orders for myself I am unable to form any real conviction about this 30,000 tons. That is my first criticism and my second criticism is that I am quite unable to verify this figure of Rs. 3 per ton by which you reduce the cost. That, I suppose, may be on the whole a safer figure than 30,000 tons.

Mr. Mather.—I think that is definitely a safe figure.

President.—If anything, it would have been higher.

Mr. Mather.—It might have been. I would not like to assess it very high. An estimate of that kind is very difficult to prepare. You may remember the memorandum we have submitted on the subject of the Ottawa arrangements with regard to galvanised sheets. There is just one item where we get a saving of Rs. 2-8-0 per ton.

President.—You increase your output of rails by 527,000 tons over 4 years. That is about an increase of about 130,000 tons. This 30,000 reduction in structurals is over the whole four-year period.

Mr. Mather.—Yes.

President.—You increase your output of rails by about 130,000 tons a year and you reduce your output of structurals by about 7,000 tons a year. Is that a correct relation?

Mr. Mather.—I think so. We should have done that, if we had kept the old 28″ mill in operation until we had put in this 22″ mill.

President.—You make an allowance for additional fishplates and you get a final figure of Rs. 240 lakhs for the four-year period which you work out on a three-year basis to Rs. 160 lakhs.

Mr. Mather.—That is right.

President.—Rs. 160 lakhs is not of course three-fourths of Rs. 240. It is a progressive increase.

Mr. Mather.—The effect is much greater this year than in the previous year.

President.—The next factor is what you call the wrong estimates of the Tariff Board. We may rule out this accidental error.

Mr. Mather.—We will not contest that.

President.—In your note you work out a weighted average of beams. If it is a straightforward average, we exactly get this.

Mr. Mather.—Yes.

President.—We estimate that if you eliminate what you call "the accidental error", then your Rs. 58 lakhs is reduced to about Rs. 45 lakhs.

Mr. Mather.—My recollection is that when I worked it out independently, I got Rs. 13 lakhs.

President.—We come to your gains due to fall in prices. You estimate the gain on account of the reduction in coal at about Rs. 2 crores.

Mr. Mather.—Yes.

President.—And the spelter reduction at about Rs. 16½ lakhs.

Mr. Mather.—Yes.

President.—I should like to get an approximate figure for stores. We do not like to leave it in that undetermined way in which you have left out. We have tried to look at it on the basis of the stores consumption figures which we received for 1925-26. You have got that, haven't you?

Mr. Mather.—Are you thinking of the total expenditure on stores which was given in Statement 53 in the previous enquiry on page 110?

Mr. Wiles.—That has been corrected, see paragraph 44 of the 1926 report. That is a complete statement of stores.

Mr. Mather.—Yes.

Mr. Wiles.—Rs. 87 lakhs.

Mr. Mather.—Yes.

President.—In considering the expenditure on stores for the purpose of this calculation, do we take Rs. 87 lakhs taken by the Tariff Board or do we take a figure of this year *minus* spelter?

Mr. Mather.—*Minus* spelter, because in the previous paragraph we have dealt with spelter separately. In that year it was Rs. 12½ lakhs.

President.—If we take this figure of Rs. 87 lakhs, deduct from it Rs. 12 lakhs on account of spelter, take the remaining figure of Rs. 75 lakhs and estimate the reduction on it of about 10 per cent., it gives you Rs. 7·5 lakhs a year.

Mr. Mather.—Yes.

President.—If we multiply it by six, it comes to Rs. 45 lakhs which is the saving for the six-year period.

Mr. Mather.—Due to the change in prices only, apart from economy in consumption.

President.—That would be a reasonable figure to take?

Mr. Mather.—Yes.

Mr. Wiles.—I see that the Board estimated the consumption of stores would go up to Rs. 124 lakhs owing to the increased output?

Mr. Mather.—It has not gone up so much as that; the output has not risen as much as was estimated.

President.—We may take it as a reasonable assumption that the increase in consumption due to increased output has been off-set by the economies in consumption. On the whole we may take that as correct?

Mr. Mather.—The indications are that.

Mr. Dalal.—Our rough figures show that the consumption of stores is Rs. 80 lakhs including spelter. If you deduct from it about Rs. 10 or 11 lakhs for spelter, it would be about Rs. 70 lakhs.

President.—If we take altogether Rs. 75 lakhs excluding spelter, we would not be far out?

Mr. Mather.—No.

Mr. Dalal.—We have got about Rs. 70 lakhs. Would the assumption that the prices have fallen from the very beginning of the period as you make be correct?

President.—We cannot make the same assumption as we do with regard to coal because practically the reduction in the price of coal has been due to special local factors besides the economic depression. Whether we should be justified in assuming a reduction of 10 per cent. right from 1927-28 is an important point. What exactly is the 10 per cent. to which you refer here? You have committed yourself to 10 per cent. for six years?

Mr. Mather.—I am afraid it is impossible to get any kind of precision in this.

President.—After all, the whole of this Chapter is based on approximate prices. You cannot help that?

Mr. Mather.—That is true.

President.—All that we can try and do is to arrive at the approximate position on the whole?

Mr. Mather.—Yes.

President.—Now I should like you to summarise the position for us. I should like in the first place to make clear this point. It is perfectly true that the Company in this Chapter has suggested that there has been a very substantial loss in comparison with the surplus which was estimated by the Tariff Board. I take it that the Company has no intention of minimising the very important benefits which it has received as a result of the scheme of protection?

Mr. Dalal.—Certainly not.

President.—I look at it in this way. You have been able to set aside depreciation to the extent of more than Rs. 4 crores; you have distributed dividends to the extent of Rs. 138 lakhs; and you have been able to maintain your output when imports have fallen very considerably and when the output of every steel producing country has fallen very considerably. These are very substantial and solid results?

Mr. Dalal.—We admit that.

President. The Company has no intention at all of minimising these results I take it?

Mr. Dalal.—For that reason we say in paragraph 31 "The Company is grateful for the fact that the assistance accruing from protection has kept the industry in active existence".

President.—The relative emphasis which is thrown out of that is not sufficiently strong. The impression that I got by reading this Chapter is that in spite of these very substantial and solid benefits which the Company has received, it is still in a mood to complain?

Mr. Dalal.—All that we want to point out is that it has failed financially to the extent to which we have indicated.

President.—Let us try and find out the nature of the failure. We start on this basis. For the six years taking steel only the Company was expected by the Board to make a surplus of Rs. 194·4 lakhs multiplied by 6.

Mr. Mather.—That is right.

President.—That is Rs. 1,166 lakhs.

Mr. Mather.—Yes.

President.—That was what we expected you would make on steel?

Mr. Mather.—Yes.

President.—According to Statement 18, your realised surplus on steel during this period of six years was about Rs. 688 lakhs?

Mr. Mather.—Yes.

President.—That leaves you with a loss of Rs. 478 lakhs.

Mr. Mather.—Yes.

President.—The fall in c.i.f. prices according to your estimate is 73 lakhs?

Mr. Mather.—Yes.

President.—The loss on account of the change in the proportion of tested and untested steel is Rs. 33 lakhs?

Mr. Mather.—Yes.

President.—The loss on account of increased freight disadvantage is Rs. 23 lakhs and the loss on account of shortage of rail orders is Rs. 160 lakhs?

Mr. Mather.—Yes.

President.—These four factors according to your calculation account for Rs. 289 lakhs.

Mr. Mather.—That is right.

President.—What you have gained by the fall in price is Rs. 2 crores on coal, Rs. 16½ lakhs on spelter and Rs. 45 lakhs on stores. In other words what you have lost by the fall in prices, by the fall in the demand for tested steel, by the increased freight disadvantage and the shortage of rail orders, you have made up by the fall in the price of coal, spelter and stores except to the extent of Rs. 25 lakhs. What you have lost in one direction is almost completely made up in the other direction?

Mr. Mather.—Yes.

Mr. Dalal.—What about the other Rs. 45 lakhs?

President.—I am coming to that. If you take simply the purely economic causes, the fall in demand, and so on, the loss that has occurred in one direction has been almost made up in the other direction. That leaves you with a nett loss of Rs. 23 lakhs.

Mr. Mather.—Rs. 27½ lakhs.

President.—Then, the Tariff Board's estimates account for Rs. 45 lakhs and the strike for Rs. 220 lakhs. The total of that is Rs. 292½ lakhs. That leaves you with a difference of about Rs. 185 lakhs.

Mr. Mather.—Yes.

President.—That is the problem you have to face in this enquiry. The way in which the problem presents itself to my mind is this. It is not the general fall in prices, nor the shortage of rail orders, which can account for the failure of the scheme of protection. The failure of the scheme of protection, as I look at it, is due to the strike in the first instance and the arrangements connected with the sales policy you have adopted in the second instance. These two causes account for the failure of the scheme of protection and not the shortage in rail orders, not the fall in the c.i.f. prices, not the fall in the demand for tested steel. It is the strike and the sales policy which between the two must account for the failure of the scheme of protection. I am now dealing only with economic causes which put you to loss and have secured to you gains. By balancing them against each other, I find you are left only with the strike and the sales policy. Therefore when you say that it is clearly established that the current scheme of protection has very seriously failed to achieve the results anticipated for reasons outside the control of the Company, I am inclined to put a question mark in my own mind.

Mr. Dalal.—May I understand that you put down the Rs. 45 lakhs entirely to the sales policy?

President.—Rs. 45 lakhs compared with Rs. 185 lakhs is a relatively small figure. I am now talking of big losses. The big losses are these two things.

Mr. Dalal.—Yes, if you eliminate the economic factor.

President.—I eliminate the economic factor because the losses on one side are counterbalanced by gains on the other side.

Mr. Mather.—Yes, to a large extent.

President.—You have therefore only these two things left. If you say that they are due to reasons outside the control of the Company, the statement has to be proved.

Mr. Mather.—It is open to us to defend that question when we come to sales adjustments which we have dealt with in detail at a later stage.

President.—There is one point. We have reached a figure of Rs. 185 lakhs to be accounted for. Now your total output of steel during the six years is 2,387,000 tons. How much does that work out per ton?

Mr. Mather.—Between Rs. 7 and Rs. 8 per ton.

President.—Over a period of six years, that is the extent to which your realised prices have fallen short of the market prices in the country.

Mr. Mather.—Yes.

President.—I don't say necessarily at this stage that a sales policy which results in a difference of Rs. 8 on an average over a period of six years between the standard prices and the realised prices is an expensive policy, because you have to look into the circumstances. But then it raises an important question which the Tariff Board has got to consider for the first time. My suggestion is, having raised it, let us discuss it in detail in connection with the proposals you make in the Chapter on adjustments of prices because the same problem would arise there. I take it you admit that this unaccounted factor has to be explained with reference to the problem of adjusting prices.

Mr. Mather.—That is undoubtedly the main factor.

President.—We will reserve this discussion till that stage.

Mr. Wiles.—Have you ever worked out any figures to show the capacity at which you have been working during the last period of protection?

Mr. Mather.—You mean what relation output has had to the capacity?

Mr. Wiles.—Yes.

Mr. Mather.—No, not specifically.

Mr. Wiles.—Would it be wrong to say that it would be about 75 per cent., taking your capacity at 550,000 tons?

Mr. Mather.—You are speaking now of the last three or four years.

Mr. Wiles.—I am talking of the last period of protection.

Mr. Mather.—Yes, approximately.

Mr. Atha.—Was the capacity 550,000 tons in the beginning of that period?

Mr. Mather.—No, it was not. So much depends on what meaning you give to the word capacity. In the year 1927-28, we made what we considered to be practically as much steel as it was possible for us to get out of that plant as it stood at that time. Every department was pushed for production. We were working three shifts and so on practically continuously during that period and we got an output of 410,000 tons. Since then we have added to the capacity partly by adding to the steel plant and partly in the sense by training up staff to know how to get more out of the plant. If you take the merchant mill capacity there has been no radical change in the equipment. We were driving the merchant mill to the maximum with the staff we had then in 1927-28 but the output was smaller than what we are getting now, the reason being that the men have acquired much more experience.

Mr. Wiles.—I would like to say one more thing about Chapter III. The President has dealt with it fairly fully and I don't think that there is very much more for me to say. I suggest that probably the fair way of instituting a comparison is not to start off with the realisations, that is to say, the hypothetical losses. The fall in prices hits both ways. If it has hit you very largely, it has also benefited you to the extent of Rs. 250 lakhs. Therefore in striking a balance sheet, it would be a fair comparison to put the benefit against each of the figures.

Mr. Mather.—You mean to group these items?

Mr. Wiles.—The items which you call losses are not really losses at all. None of these could have been sustained without the other factor. The fall in costs is merely another facet of the situation. You could not have sustained these losses without the fall in prices which simultaneously reduced your costs. They are inseparable companions of one and the same factor which is a reduction in price. The reduction in demand is the same thing as the fall in price.

Mr. Mather.—You are not trying to suggest that we could not have attained our efficiency without this fall in price?

Mr. Wiles.—I will not say that; I say these losses could not have been incurred without the fall in prices simultaneously. It is part of the same factor.

Mr. Mather.—It seemed to us simpler to set all the items tending in one direction in consecutive order and then deal with the items tending in the other direction.

Mr. Wiles.—It has resulted in a piling up of amounts which contain the losses and then putting in a note at the end of the important factors which counterbalance.

Mr. Mather.—We have set out each particular item individually in turn; then we go along and come to the items which tended in our favour.

Mr. Wiles.—Those favourable items have occurred in each particular paragraph and in each particular comparison.

Mr. Dalal.—But would the nett result be different?

Mr. Wiles.—The nett result would be the same but it would look quite different.

Mr. Dalal.—It is a question of how to put it.

Mr. Wiles.—To come back to the question of the introduction of another large works. Can you tell us whether at any time there has been a prospect during the last seven years of a similar works to your own being started?

Mr. Dalal.—There was some idea about a couple of years ago of starting a steel concern for the manufacture of galvanised sheets but the expansion of our own sheet mill at the time seems to have put a stop to the project.

President.—That was entirely in connection with the question of sheets?

Mr. Dalal.—Yes, but the alternative was considered of buying billets and sheet bars from us or putting up an independent steel making unit. Whether it was seriously considered or not it is not possible for me to say.

Mr. Wiles.—You have given us your impression that the prospect of 300,000 tons *plus* an indeterminable figure of say 100,000 tons of other kinds of steel would be sufficient inducement for another large works to be started, other things being equal.

Mr. Mather.—I think it might.

Mr. Wiles.—Assuming that protection lasts for another seven years that you have asked for, people would have to get to work very early to have the works running before the end of that period. How many years would you put as the minimum period required for starting the works on a scale of this sort?

Mr. Mather.—It depends on what use they make of the existing facilities. Since there is in existence a very modern blast furnace and coke plant complete with power plant and sidings and everything else (and also another but old-fashioned plant) in existence, if the better of those two were utilised I think rolled steel could be put on the market in three years and possibly less.

Mr. Dalal.—The Indian Iron and Steel Company is a very important factor

Mr. Wiles.—They have got their raw material already at hand?

Mr. Dalal.—Yes.

Mr. Wiles.—In the present state of the steel market, prices are very indefinite. With the present conditions and the present state of steel prices do you think there is any prospect of that happening during the next few years?

Mr. Dalal.—I should not expect such an attempt to be made in the course of the next few months. In fact I should think definitely that such a project would await the publication of the report on this enquiry. It is hardly likely that anybody would go in for such a substantial capital expenditure like that while they do not know positively what is going to happen about protection.

Mr. Wiles.—Can we assume that if you get the protection which you are asking, that will help?

Mr. Dalal.—I think so. Provided the level of prices was reasonable.

Mr. Wiles.—That is what I am putting to you now. As regards the prices, you cannot commit yourselves in any way to what the prices are going to be, and that factor will apply to any company which intends to start business.

Mr. Mather.—True. But I think that if protection is given roughly in the same measure that we have asked for, it is probable that some other firm coming into the business and making steel would in the long run produce practically as cheaply as we are doing, and the protection would be adequate for them.

Mr. Wiles.—I am raising this now because it has been put to us that the natural future expansion of the steel industry in India would not necessarily be through the starting of another large mill on the same scale as your own, but might be in the form of smaller mills more suitably situated for distribution of their products than your own which is stuck in one corner of India?

Mr. Dalal.—Smaller mills perhaps for rolling products like bars and so on might be possible but unless you had another steel works I do not see how the demand of the country is likely to be supplied.

Mr. Wiles.—You have a great deal of trouble over the question of freights?

Mr. Mather.—If some steel works were able to start up in another part of India it would be likely to capture a good deal of our market which might be a very useful argument in a discussion of the question of freights.

Mr. Wiles.—No works on a large scale can possibly start except in the neighbourhood of Jamshedpur. There are a number of re-rolling mills starting in other parts of India at present using only scrap. I don't think they compete seriously with you: So long as they confine themselves to scrap there won't be a serious interference with your markets?

Mr. Dalal.—In their own restricted spheres competition can be effective.

Mr. Wiles.—Do you regard that as harmful competition?

Mr. Dalal.—It all depends on circumstances. So long as they roll from scrap and supply the needs of the country we don't say that it is injurious to the general interests of the country.

Mr. Wiles.—You have asked that we should put such a prohibitive duty on imports of raw steel that it will make it impossible for these re-rolling mills to roll steel from semis.

Mr. Dalal.—There we were making a distinction between mills supplying the demand which we have organised at a very great cost, and mills which do not compete with us, and which are intended to roll materials which we do not supply because, as we have pointed out, in our opinion the former mills would not be adding to the wealth of the country or supplying material to consumers at any lower price than we ourselves. They will only be taking away part of our production and thus harm the scheme of protection, which has been set up at such a heavy cost.

Mr. Wiles.—Let us confine ourselves to the production of materials which you do not turn out yourselves or cannot turn out without some economic loss. You do not regard this as a burden on the country?

Mr. Dalal.—We wouldn't say that. So long as we are in a position to supply them with the raw material, there is no reason why one of the conditions laid down by the Fiscal Commission should not be observed namely that they should not be allowed to import raw materials from abroad?

Mr. Wiles.—Then I take it that you are prepared to supply re-rolling mills, turning out materials which you cannot economically turn out yourself, with their raw material?

Mr. Dalal.—Up to the limit of our capacity and up to the limit of our economic gain or loss. For instance suppose we have a large rail order, we may not be able to supply all the demand of the mills in a particular year. But as far as we can see at present with moderate rail orders we may be able to supply provided it is within reasonable limits; we won't say that up to an indefinite limit we would go on supplying billets.

Mr. Wiles.—Is that fair to the companies which are putting in capital?

Mr. Dalal.—Up to now our capacity is such that we would be able to supply any reasonable demand until we have a heavy rail order but we would not like to commit ourselves definitely or absolutely to supplying all requirements for all times.

Mr. Wiles.—Does that mean that you are prepared to enter into a number of years' contract?

Mr. Mather.—I suggest that another factor should be borne in mind in connection with that and that is that so far as I am aware of the position which is being put forward in connection with the re-rolling mills for re-rolling from billets, I don't know that there is any prospect that those mills are likely to survive without protection.

President.—May I just intervene for a minute? This question of the supply of billets to re-rolling mills in the country is a question which we will have to consider in some detail in connection with the proposal for a protective duty on billets. But with reference to your answer to my colleague I take it that your general position is this that assuming a protective duty is levied on billets at the rates suggested by you, even then you would be prepared in the case of re-rolling mills which do not produce sections of the kind that you manufacture, you would be prepared, as far as your circumstances permitted, to supply billets at a price corresponding more or less to what may be estimated as your fair selling price?

Mr. Dalal.—Yes.

President. That is the general position but the details of which we should look into more carefully at a later stage.

Mr. Dalal.—It is a very important point.

Mr. Wiles.—A few words about the cost of protection. Take your Supplementary Statements Nos. 15 and 16. In Statement No. 15 you have recorded the value of protection to you and in Statement 16 you purport to give the additional revenue accrued to Government. I propose to put those together and make an estimate of the total cost to the country of protection. I do that in this way. The total additional revenue to Government is Rs. 773 lakhs which you give in Statement 16 *plus* Rs. 208 lakhs, the value of bounties. You deduct this in Statement 16.

Mr. Mather.—That has been paid out of Government's total revenue.

Mr. Wiles.—The total benefit to you from duties only excluding the bounties is Rs. 655 lakhs less Rs. 208 lakhs which comes to Rs. 447 lakhs.

Mr. Mather.—Yes.

Mr. Wiles.—In Statement No. 15 you have assumed that the enhanced price you obtain is equal to the duty.

Mr. Mather.—Yes.

Mr. Wiles.—That overestimates the benefit you get to some extent,

Mr. Mather.—Not very much I think.

Mr. Wiles.—You have shown in your representation that your realised prices are somewhat different from the duty.

Mr. Mather.—I do not know that the gap would have been different if the landed price of imported steel had been lower.

Mr. Wiles.—At any rate you admit roughly speaking it does estimate the total cost to the country. The total cost to the country is Rs. 14 crores 28 lakhs.

President.—That is over a period of 9 years.

Mr. Mather. Yes, it is over 9 years. But the total cost to the country is not represented by that figure.

Mr. Wiles.—Do you think that the duty has in any way tended to reduce the c.i.f. price of imported steel?

Mr. Mather.—I don't think so. As far as we have been able to observe at any rate until very recently the export price of steel from various markets has been practically uniform for different destinations throughout the world.

Mr. Wiles.—In spite of the falling market the importer has tended to keep the prices up. I mean the duty has not tended to reduce the falling market still more.

Mr. Mather.—Except to the extent of the importance of India as a market for steel. The fact that we have taken up so large a proportion of that market has reduced that market for steel from Europe which is the only supplying portion of the world with which we are concerned. Protection has by enabling us to take a much bigger proportion reduced the market for European steel. To that extent it has probably contributed to the fall in price.

Mr. Wiles.—That is the point I want to get at.

Mr. Mather.—Yes.

Mr. Dalal.—I do not know what the implications of this particular question are; whether this is really implied to be the direct cost to the country.

Mr. Wiles.—I am not drawing any implications at the moment.

Mr. Dalal.—Everything depends on what conclusions are to be drawn from it. It is a very important matter.

President.—What is the kind of implication you are thinking of?

Mr. Dalal.—If there had been no protection, so much money would have been saved to the country. If that is the inference sought to be drawn from it, then we would have to say something about it.

Mr. Mather.—May we be quite clear on that point? Did Mr. Wiles say that the total of the two is the cost to the country or it is the cost to the consumer, which is not the same thing?

President.—It is the cost to the country.

Mr. Dalal.—I don't agree that this total represents the cost.

President.—Take these 9 years; take the total expenditure of protection you have derived, namely Rs. 655 lakhs. Deduct from that the cost of the bounty, add to that the total revenue derived by Government. The two figures together represent the increased prices which have been paid by consumers of steel in the country.

Mr. Mather.—I agree.

President.—That is to say people who buy from Tata's have paid more to the extent of the protection that you have derived. People who buy imports have paid more to the extent of the increased revenue derived by Government. The two together is the increased aggregate price which has been paid by the consumer as the result of protection.

Mr. Mather.—Yes, but that is not the same thing as the cost to the country.

President.—Let me try to clear the snag. What you consider as the cost to the country is measured by estimating the proportion to which prices have actually risen. Is that what you are driving at?

Mr. Mather.—I am trying to draw what to my mind is the real difference between the cost to the country and the cost to the consumer. The total of these two figures is the additional cost to the consumer subject to qualifications to which Mr. Dalal will draw attention. The cost to the country as such is merely extra payment to the Tata Iron and Steel Company. In so far as a large part of the additional cost to the consumer is revenue which goes to Government, it has reduced Government's other demand for revenue to approximately the same extent.

Mr. Wiles.—That is rather hypothetical.

President.—But for these protective duties, the amount of imports of steel would have been considerably greater.

Mr. Mather.—We should probably have had to go out of business.

President.—On that account Government would have derived more revenue over and above the increase that you are calculating.

Mr. Dalal.—Not at the protective rates.

Mr. Wiles.—On the old revenue rates.

Mr. Dalal.—Yes.

President.—In estimating the nett increase derived by Government you have got to take the increase which they have obtained as the result of the protective duties against the decrease as compared with the revenue duty which they would have derived from a larger import, is not that so?

Mr. Mather.—Yes. There are two contingencies which might have arisen. If we had not been in existence, obviously the imports would have been very much greater.

President.—You calculate the revenue on it.

Mr. Mather.—Then there would have been more revenue.

President.—That you have to relate to the total revenue derived from protective duty and it is only a consideration of these two items that will give you the aggregate result. The snag is this. When there is general depression in the country, it is very difficult to say this is the extent to which imports have declined as the result of general depression and as the result of protective duties. All that you can do is to lay down a general proposition to the effect that a calculation by way of increase of protective duties does not give a correct estimate of the increase in revenue derived by Government as the result of protective duties. Your Statement 16 is subject to a very important qualification. If protective duties had not been levied but only revenue duties at the old level, the extent to which Government would have benefited by the increase in imports, has got to be deducted from the increase in revenue from protective duties and the difference between the two is the nett increase derived by Government.

Mr. Mather.—It may be the other way.

President.—You cannot calculate that.

Mr. Dalal.—It follows that this is not the cost to the country. The sum of these two figures is not the correct estimate.

President.—May we say that this is the cost to the consumer?

Mr. Dalal.—Even that I am not prepared to say.

President.—Why?

Mr. Dalal.—That assumes that if the duties had not been levied, the cost to the consumer would have been the prices *minus* duties. That, I submit, does not necessarily follow; because if we had not been in the market, and if foreigners had been left a free field to themselves, there is no reason to assume that they would not have charged something more than what they actually did if not to the full extent of the duty, at least partially and to that extent the consumer would not be better off.

Mr. Wiles.—That is the reverse side of the question to which we have already agreed. Protection has driven down the prices. If there had been no protection, prices would have gone up.

Mr. Dalal.—Undoubtedly. Take the case of galvanised sheets as a case in point. It can't be assumed that if there had not been a duty of Rs. 83 on galvanised sheets, galvanised sheets would have been sold in the country at a price less by Rs. 83.

Mr. Wiles.—There is competition between foreign suppliers.

Mr. Dalal.—That, in itself, would not have tended to bring down the prices to such an extent.

President.—We are up against a rather difficult question here. A straightforward way of calculating the nett increase in the burden on the consumer would be this: you take the level of prices which were assumed by the Tariff Board in 1926 as the prices at which imports would come into the country *plus* duty at that time. You take the import prices to-day *plus* duty. You may say that it is the difference between these two that represent the variation in the nett burden on the consumer

Mr. Dalal.—For purposes of statistics we have given you these figures. We do not admit that this is even the sacrifice made by the consumer.

President.—This is the sacrifice made by the consumer on the assumption. . . .

Mr. Dalal.—That prices would have remained on the same level but for the duty.

President.—Yes.

Mr. Dalal.—That itself is a very big assumption. Another point is that Government have derived this revenue. If Government had not derived this revenue from this source, it would have derived it from some other source.

Mr. Natesan.—There was this inducement of revenue. On the other hand they might have cut down the other items of expenditure from the public point of view.

Mr. Dalal.—That question, I am not prepared to go into. Supposing Government required the money, they would have had to get it.

Mr. Natesan.—Supposing Government was in deficit exactly to the amount covered by the protective duty, it is quite possible that Government might have been forced to adopt other items of retrenchment which would have resulted in an economy to that extent.

Mr. Dalal.—This was an undue inducement to Government to be extravagant?

Mr. Natesan.—I don't say it is an undue inducement. If a man has a source of income, he would never think of any ways of reducing his expenditure.

Mr. Dalal.—Then of course there is the point which has just been made by the President himself, namely, that in that case we have to consider what revenue Government derived under this method as compared with the revenue which Government would have derived if we had not been in existence and if all the articles consumed in the country had been imported on the revenue duty only and as the President himself has admitted, no one can say with regard to that whether the revenue thus derived would have been larger or smaller than the revenue derived now. Merely to add these two items is certainly not justified. Then there is the other side of the picture. What is the benefit that is derived by the existence of these works, direct as well as indirect?

Mr. Wiles.—That raises more or less a general question of the merits of protection which is not really relevant.

Mr. Natesan.—I have these two Statements of yours Nos. 15 and 16. I want to ask you this question. Is the estimate of the value of protection mentioned in your supplementary statement an accurate statement in your opinion?

Mr. Dalal.—We have just now gone into that. This is purely for statistical purposes. If any inference is sought to be drawn from it that this is the loss or the sacrifice made by the country or this is the loss to Government on account of the existence of the protective duties, then I submit that is certainly not the case.

Mr. Natesan.—Would it be a far-fetched view if one drew the inference that not only this additional revenue, but also the value of protection granted both totalled up together and distributed over a period of 9 years which is an average of Rs. 159 lakhs, represented the burden on the consumer?

Mr. Dalal.—I don't admit that it comes to the same thing.

Mr. Natesan.—Why.

Mr. Dalal.—Because of the reasons I have explained just now. First of all I explained that there was no reason to believe that if these protective duties had not existed, the consumer would have got these articles at a lower price represented exactly by the amount of these duties. My attention has just now been drawn to the fact that cartels make it a general rule to maintain prices at a higher level in countries in which there are no indigenous enterprises apart from other considerations so that you cannot possibly assume that otherwise the consumer would have obtained his articles at the prices *minus* these duties.

Mr. Natesan.—You know very well that they certainly do not follow that strictly. You yourself gave a newspaper cutting on that subject only this morning.

Mr. Dalal.- I don't say that cartels always succeed in maintaining prices. This is one of the general factors to be taken into account.

Mr. Natesan.—On the other hand it is equally possible that if the Steel Works had not existed, two or three firms who would be importing the bulk of the quantity might have to undersell each other.

Mr. Dalal.—Competition exists even to the present day. One of the important factors is that the indigenous industry would have been out of the way. Then of course there is the question of revenue. Government had to obtain this revenue unless it is assumed that the Government squandered the revenue. If they had not obtained from this source, they might have obtained it from another source. The proper way to compare this would be to ascertain what is the revenue which the Government would have derived on the assumption that we had not existed at all, how much the country would have paid and whether some other form of taxation might not have been found necessary.

Mr. Natesan.—Is it your contention that with this protection there is no burden on the consumer of steel?

Mr. Dalal.—I am not prepared to say so. If there is any burden, I submit that it is more than made up by the direct and indirect benefits that the country derives from the existence of this industry.

Mr. Natesan.—Will you kindly give us some idea of the direct and indirect benefits?

Mr. Dalal.—We spend Rs. 4 or 5 crores of money every year. A very large part of it remains in the country. That is a direct benefit to the country. For instance we maintain a labour force of over 30,000. Our wage bill is about Rs. 140 lakhs. All that is included in the total cost of about Rs. 5 crores. Apart from that there are so many indirect ways in which we contribute revenues to Government. The income-tax that we pay in Jamshedpur and Calcutta is Rs. 3¼ lakhs. Postal and telegraph expenditure at Jamshedpur is about one-third of a lakh. Railway freight is included in the five crores, but the freight on finished goods is not included. That again is a substantial item, Rs. 40 to Rs. 50 lakhs. There is the whole town of 80,000 people with all their direct and indirect expenditure. There are other subsidiary industries which are maintained with the co-operation of the steel industry, some of which we actively assist. There is the engineering industry which owes the greater part of its prosperity to the existence of this industry. There are stores and materials which we purchase from various people. If you add all these benefits which the country derives from the existence of the Steel Company, apart altogether from any question of defence or its being a necessary basic industry and the basis of all other industries, that in itself in my opinion by far outweighs any burden on the consumer that the existence of this protective duty may render necessary.

Mr. Natesan.—Even if there was a burden, you think that it is justifiable on account of the direct and indirect benefits? Will that be a reasonable inference to draw?

Mr. Dalal.—Certainly.

Mr. Natesan.—This takes me to the larger question. We had protection for two periods, once in 1924 and then in 1927. You have now applied again for another period. One would certainly like to ask a question: do you now visualise a time at all when you can get on without protection?

Mr. Dalal.—That is an extraordinarily difficult question. As the President himself pointed out, it is so difficult for anybody to foretell what the general trade conditions or what the conditions in the world of business are likely to be. No one knows what the level of prices is likely to be. If the level of prices is satisfactory, so far as we are concerned, we are prepared to do all that is necessary and it is not possible for us to say anything beyond that. But there is no reason why we should not be able to stand on our own legs after a time. It all depends on so many extraneous factors over which we have no control.

Mr. Natesan.—That means the same indefiniteness will continue.

Mr. Dalal.—I am afraid it will.

Mr. Natesan.—One of the extraneous factors is the level of import prices.

Mr. Dalal.—That is the most important point. That depends on world conditions, exchange and so many other factors.

Mr. Mather.—Even if the position must necessarily still remain indefinite, I submit that it is not indefinite to the same extent as in the past in that we are saying that we are going to operate at a lower cost—definitely at a lower cost—and we are getting definitely nearer the stage at which we should be able to do without protection.

Mr. Natesan.—You have more than once pointed out that one of the many difficulties is due to the fact that the railways do not give you the same orders as before. Will it not be taking too optimistic a view to assume that the railways will give you the same orders hereafter?

Mr. Dalal.—We have only made a moderate assumption, speaking subject to correction, that rail orders would in the future average about 80,000 tons as against 195,000 tons assumed at the last enquiry.

Mr. Natesan.—I should like to put the same question in another way. As things stand if it is difficult for you or for anybody else to state when protection will not be needed then the whole question is: are we now near the date when the total needs of India can be met by production in India? I must tell you that the Fiscal Commission itself has pointed out that this is a key industry like some other industries and they contemplate that an industry like this should in course of time be able to meet the whole needs of the country. If I understand the figures aright, at present your total production is only one-half of the foreign imports and in rupees only one-third of the total consumption. If you want I shall give you the figures.

President.—That is, taking all kinds of steel.

Mr. Natesan.—You are hardly able to meet one-third of the demand in India. If you continue more or less to apply yourself to the same kinds of steel which you are making now, there does not seem to be a reasonable prospect of your fulfilling any of these conditions.

Mr. Dalal.—I do not know why we should assume that the full demand of the country for all kinds of steel should be supplied by the Tata Company alone. That is just the reason why we have been telling you this morning that there is scope, and there ought to be scope, with a fair amount of protection granted by the Tariff Board, for the establishment of another steel industry in the country and ultimately in that way the country can become self-supporting.

Mr. Natesan.—This morning we have been told by Mr. Mather in answer to a question put by my colleague that as soon as this enquiry is over and people come to know that protection is recommended for a definite period, there is a chance of another steel industry being started in the country?

Mr. Dalal.—Not as soon as the enquiry is over. Mr. Mather could not have meant that.

Mr. Mather.—They would not be likely to start another industry immediately after the publication of your report.

Mr. Natesan.—Will you kindly state exactly what you think would be the position? Suppose this Tariff Board makes its report and Government decide on a protective policy for a certain number of years, what do you think is the possibility of another steel industry being started?

Mr. Mather.—What will happen will be this. People will have been afforded an occasion for taking up this question again. They will know definitely from the records of this enquiry what we are likely to be doing. They will examine the prospects of the market carefully. If there has been an improvement in the prospects of general trade of India, then I think they may take the view that within a relatively short time the Indian demand for steel will be back on a level which will leave room for them as well as for us. They will realise that it would be expensive for them to start upon a basis of trying to take away business from us, for which they would not be in a very strong position at any rate in the first few years. If they feel when your report is out that the prospects of protection are adequate for a reasonable period and that the prospect of improvement in the general trading conditions of the country is fairly good, I think they will then examine very carefully the possibility of starting up another steel works.

Mr. Natesan.—Supposing some one starts, do you suggest that they will start manufacturing the identical things which you are making or they will fill the gap?

Mr. Mather.—No. When we are able to supply 90 to 100 per cent. of the rail requirements of the country, it would not be very economical for anybody to equip himself specially for the purpose of manufacturing rails. Therefore I think they would try to fill up the gap in other products.

Mr. Natesan.—I shall put the other question which necessarily arises from your answer. Supposing for instance another work is started already, that will be all right, but, if it is not, are you likely to turn your attention to those other articles which at present are not manufactured by your steel works because that is the only way in which you can satisfy the expectation of the Fiscal Commission? The Government and the Central Legislature gave you protection in the hope that you would be able to meet some day or other all the requirements of the country.

Mr. Mather.—There is one thing to remember in this connection. Protection is only applied to certain forms of steel. It would not be obligatory on us under the Fiscal Commission's recommendations that we should immediately try to make all forms of steel, including those kinds which are not protected now. It would be for us to show that we intend to give India the maximum possible benefit of protection by making as much as possible of the protected articles. If we could go beyond that and make something which is even non-protected, we should do it, but there is naturally a limit to our capacity for expansion within a period of seven years.

Mr. Natesan.—You yourself say that you are capable of producing more than you are able to produce at present. The question is why should you not give more attention to producing other articles which form a good bulk of our imports?

Mr. Dalal.—Given adequate protection, there is no reason why we should not gradually, as our financial circumstances permit, extend our capacity. If adequate protection is given and if it is found that this industry makes adequate profits, either we ourselves or somebody else would surely come into the field and take it up.

Mr. Natesan.—It is better I draw the attention of you, gentlemen, that this is not the point of view which struck me only. I find that two other bodies who have made representations to us have drawn attention to this aspect of the question. The Maharashtra Chamber of Commerce points out: "The Committee do not find any provision in the scheme of protection asked for (that is referring to the representation submitted to the Board by you) for further research or experiment to produce better and higher grades of steel suitable for the manufacture of engines motor cars, etc." Then again the Bengal National Chamber of Commerce points out: "With steel (and even pig iron) produced on a considerable scale, there is a vast scope for the development of other ancillary industries, for which steel and pig iron serve as the most important raw material ". As regards import figures, I may tell you that I took the figures for three years but in the last two years they were very low; so to form a fair basis I took 1930-31. In that year, the total import has been to the value of nearly Rs. 11 crores. If you take that year, you will find these are the figures. In the first instance, I won't take bars because you are making them. Take the other things. Bolts and nuts are imported into India to the tune of Rs. 26 lakhs. If you take hoops and strips, the imports come to Rs. 44 lakhs. I must say I was rather surprised. It may be that it is due to the ignorance of the layman, but this is one of the simplest and almost crudest of the articles if I may say so and yet I am surprised to find that so much is imported into this country. Then come nails and washers. Your imports of these come to as much as Rs. 38 lakhs. Then, pipes and fittings come to Rs. 10 lakhs.

President.—Nails are protected.

Mr. Mather.—These are not wire nails.

Mr. Natesan.—Purely for the purpose of driving my point of view home, I will take one or two items which form a very small part of our imports. Why should not either you manufacture some of these yourselves or supply bars or billets—whatever may be the raw materials required for the purpose —to those people who could make them at some agreed rates?

Mr. Dalal.—It has always been our policy if any ancillary industries are springing up, to supply them with the raw material as far as it is possible for us to do so. Apart from that, if they come to Jamshedpur, we supply them with land, with power, with water and so on. That has always been our policy and we shall always maintain that policy. We don't start on manufacturing these various things like hardware, locomotives or things of that kind, but if any firm were to ask that we should supply them with the raw material necessary, we should be prepared to do so and we would be glad to do so.

Mr. Natesan.—I am not content with this answer for this reason. You cannot say now, having regard to the protection you have had and the difficulty you have of making yourselves self-supporting, if I may say so, in the near future, you cannot now say that if other parties apply, you will offer them all facilities. I go further and say that you yourselves ought to make an effort to do so. The machinery that you will require for these purposes will not be very costly.

Mr. Dalal.—As far as ordinary forms of rolled steel are concerned, once our more urgent requirements are met, if we get adequate protection, there is no reason why we should not strive to extend our production. If we do not do so, and if we make adequate profits, I have no doubt that others will come into the field and do it. But so far as other manufactures are concerned, there is so much still remaining to be done in the near future that for us to embark upon manufacturing these various things as is sometimes suggested, like locomotives or motor cars or anything of that kind, is, I may submit, out of the question at present.

Mr. Natesan.—You might take one instance and argue on that. Take hoops and strips.

Mr. Dalal.—That is a form of rolled steel. That is covered by the first part of my statement. If you talk about locomotives and things of that kind, then I would say we have in the past co-operated with firms manufacturing things of that kind and we are still prepared to do so.

Mr. Natesan.—I would like to put one more question. Have you considered the desirability of suggesting to some of the engineering firms to manufacture these other things? In view of your own interests and having regard to the difficulties you have, is it not time for you to suggest to some people—it is a sort of division of labour—that you will supply them with bars or billets and that they should undertake the further manufacture?

Mr. Dalal.—We have always proclaimed that. Of course, it is for the engineering firms concerned—either those already in the country or those who might choose to come—to consider any particular line of development which is likely to pay them. If they approach us, we are prepared to consider their case. Occasionally projects are put before us but they do not always come to fruition.

Mr. Natesan.—I am speaking as a layman subject to correction. But I understand for about Rs. 10 lakhs you can easily add some machinery for making hoops and strips. So far as my information goes, it does not require much capital. With about Rs. 10 lakhs you can easily do it. What I am trying to say is that in view of the difficulties you have had in the past and the difficulties that still loom large in the future, if you are to be self-supporting, at any rate reasonably self-supporting, there is no use, if I may say so, treading on the paths you have trod on up till now but you must strike out new lines of expansion.

Mr. Dalal.—So far as our ordinary rolled steel is concerned, we are certainly considering. There are some requirements of ours such as coke-ovens for instance which are of a very urgent nature. There are some items on which we require capital expenditure very urgently in order to secure more efficiency and we think that even from the economic or from the financial point of view it would be better for us to undertake such urgent expenditure rather than any expenditure on mere expansions. One of the items is 22″ mill which will mean an extension of our production. Similarly after these more urgent needs are supplied and if we are in a satisfactory financial position we will consider the question of extending in the matter of this rolled steel. "Hoops and strips" is one of the items which we would seriously consider as I have said.

Mr. Natesan.—Can I presume that you think that confining yourself to the existing items you will be able to make yourself self-supporting without launching on these new industries?

Mr. Dalal.—By self-supporting you mean we would be able to do without protection.

Mr. Natesan.—Yes, after some time. If this state of things were to go on, one would have to pause.

Mr. Dalal.—Whether we would be self-supporting after a certain number of years or not depends on various considerations.

Mr. Mather.—I think that the probability is that at the end of 7 years, if the import prices of steel are as they were in 1926, we shall not have a case for coming before the Tariff Board for protection. Nearly everything depends on import prices at which other countries are prepared to send steel to India.

Mr. Wiles.—I gather that recently during this present slump, it has been the universal practice on the part of suppliers of steel products to send them to foreign countries at a price considerably below its home market price, that is to say they are willing to accept a price from foreign countries much below the cost in order to get something to cover the overhead cost. Is that likely to be the practice in normal times or is it peculiar to this slump?

Mr. Mather.—I don't think that it is a very substantial factor in the main competition which we are having, that is the Belgian competition. As you will see from the Trade Returns, much the greater part of steel that comes into India from the Continent of Europe is from Belgium. Belgium exports roughly 80 to 85 per cent. of the total steel made in the country. Therefore there is no source of sale at high prices which can enable them to dump their steel to the extent to which they are selling below cost. They are doing it on the strength of existing reserves and that cannot be a permanent factor.

President.—If you omit the word dumping, I think even in normal times it is a well understood practice that internal prices are to a small extent higher than f.o.b. prices.

Mr. Mather.—Yes. So far Germany has never had an enormous share in the imports into India and very little indeed in the last few years. I am speaking purely of steel. So far as Belgium is concerned the information that we have is that internal prices are about 5 shillings above the f.o.b. price Antwerp. That difference is really quite small.

Mr. Natesan.—My position is this: If you take really a far-sighted view of the question it will help both you and the country in general if you either supply semi-finished steel at agreed rates to people who will roll them or use them for making products other than those made by you or you yourself may make efforts to widen your range of products by gradually fitting in the plants needed for the purposes mentioned.

Mr. Dalal.—We will do both as I have assured you.

Mr. Atha.—On the question of the comparison of the Duplex and open hearth processes, the Duplex process has some advantages and disadvantages as compared with the open hearth. One disadvantage is the wastage of iron. The wastage is about 12 per cent. of the total cost of iron. Have you any reason to believe that the Duplex has any advantage?

Mr. Mather.—What I feel about the Duplex is that it has one disadvantage which has prevented its large scale adoption in many other countries and that is the wastage of iron. That disadvantage is not serious in India where iron is so cheap.

Mr. Atha.—Where iron is expensive the disadvantages may be so great as to bar it out?

Mr. Mather.—That is so.

Mr. Atha.—The only other point is on pages 10 and 11, paras. 24 and 25 regarding the possible result of different orders for rails, etc. You make a statement that "At the most the reduction of output of sections would not have been more than about 30,000 tons". You must have assumed the possible outputs from the mill working on various products?

Mr. Mather.—I do not claim to be very precise. What I felt was that if we had been making large quantities of rails we should have kept the old 28″ mill going on sizes of sections which we had already rolled. We have had to spend a lot of money on rolls for the new mill. We should possibly have been able to roll rather more heavy sections there but we should not have been able to roll the light sections.

Mr. Atha.—Could you make up a statement showing the outputs as they would have worked out on the different mills?

President.—It would be rather useful if that figure could be substantiated.

Mr. Mather.—We will do that.

President.—We now get on to Chapter IV. Para. 31 in that Chapter deals with the question of tariff protection to which my colleague has already made reference. All that I want to ask in connection with this paragraph is this. What precisely is your reason for suggesting a period of seven years? You don't expect to dispense with protection unless there is a revival in the level of prices. What is going to happen at the end of seven years which is going to make it as a sort of landmark for the period of protection? Why is it that you have suggested a period of seven years: is it because the current period is seven years?

Mr. Mather.—What we felt was that a period of four or five years was definitely too short. On the other hand an alternative might have been to ask for a period of 10 years. We thought that would be looking too far ahead, partly because it is very difficult to draw up a capital programme over a period of that length. We therefore selected some intermediate period and we proposed seven years which is an arithmetical mean between 4 and 10 and because it has been accepted as a suitable period over which the future might be judged.

President.—You contemplate a definite enquiry into the industry at the end of seven years?

Mr. Mather.—Yes.

President.—Your proposal really amounts to this: that we fix no limit to the period of protection. What this seven year period amounts to is that there will be an enquiry at the end of that period. Protection is to continue indefinitely subject to an enquiry.

Mr. Dalal.—The enquiry may show that protection is no longer necessary.

President.—Would you like us to say that protection to the industry should terminate at the end of seven years?

Mr. Dalal.—Is anybody in a position to say that considering the trend of world conditions to-day and the trend of prices?

President.—What precisely is your intention? Is it that protection for the steel industry should continue indefinitely? We can't fix any limit of time which may be continued as a result of this inquiry. All that we can say is that at the end of seven years we must provide for an enquiry.

Mr. Dalal.—If you wish you may say that if the existing level of prices continued there would be no need for protection barring exceptional circumstances. But such conditions may not continue; none of us can say that.

President.—May I look at this question in relation to your proposal for off-setting duties? Right through the period of protection you contemplate enquiries both when there is a fall in prices and also when there is a rise in prices. Supposing Government accepts that proposal for enquiries during the period of protection with a view to determining whether protection is excessive or inadequate then is it necessary to continue the period of protection for so long a period as seven years.

Mr. Dalal.—Make it indefinite.

President.—We fix the period of protection say for five years.

Mr. Dalal.—Where is the necessity for fixing it for five years?

President.—What I am suggesting is this; on account of the general depression there has never been a time since the business of protecting the steel industry began when conditions have been so unsettled as at present. It is quite impossible for us as a Tariff Board to attempt to forecast the level of prices; therefore we are not in a position at all to make any statement as regards the duration of protection. We are even in a less satisfactory position than in 1926. Therefore what I am suggesting is this: we propose protection in order to enable the steel industry to tide over this exceedingly difficult period. At the end of that period prices may be higher or prices may be lower. I presume, since there is always a limit to the duration of the period of depression, that it is quite likely that prices may improve to something like the 1928 level. If that is so, it is rather unfair to the country that the burden involved should be continued longer than is necessary in the circumstances.

Mr. Dalal.—Then should not there be provision for automatic off-setting duties? As it is protection should continue but at the end of seven years there should be a further regular enquiry.

President.—I understand your point. The circumstances with reference to which I am considering this question are these: we have been having this depression since 1929 and you will find from Chapter III that all the losses that you are speaking of there are losses that you have incurred since 1929-30, practically the whole of that. 1929 is the beginning of this period of general depression. As far as one can judge at present, there seems to be a somewhat upward trend in prices which may continue or may not continue. But for the period of this enquiry it is likely that this upward trend may continue. I am administering not protection but discriminating protection and therefore I think it would be fair to the consumer in this country if an opportunity were given for a review of the whole position at the end of a period when we may reasonably expect this depression to leave and we therefore suggest a shorter period than seven for a regular enquiry and if prices are still continuing to your disadvantage then the whole question can be reviewed again. But this period of seven years has no meaning.

Mr. Dalal.—It is neither too long a period nor too short but such as would enable us to set our house in order and be in a proper position if protection was to be dispensed with.

President.—I tried to imagine myself drafting those parts of the report. I want to make a suggestion to Government which I can back up by argument. Supposing my colleagues and I decided to recommend that protection should be granted for seven years, we should find it difficult to draft that paragraph upholding that position.

Mr. Dalal.—What about the possibility of a steel company or any new works coming into existence if you fix protection for such a short period as five?

President.—If you are thinking of another steel concern, seven years won't do. You won't get another industry going in seven years. Things are so frightfully uncertain. The organisation of the steel works would mean three years. If you are thinking of another steel industry you must take at least 10 years or as in the case of the sugar industry 15 years. I don't understand what is behind this seven years.

Mr. Dalal.—With provision for automatic adjustment of duty we thought that a period of seven years would just be the proper period for such a regular enquiry, because such enquiries always have some unsettling effect on business. That is inevitable in the circumstances. Therefore regular enquiry at the end of a short period would be suicidal.

President.—The only argument that I can think of is that it is essential that certain capital improvements should be undertaken. I do not know if the steel company is in a position during the next few years to go into the open market and raise shares or debentures for the purpose of financing capital improvements. Failing that the only way in which capital improvement is financed is by depreciation and you require a period of seven years to raise finance necessary for carrying out the capital programme that you have proposed. That as far as I can understand is the only argument, which is not found anywhere in your representation, which substantiates the proposal for protection for a period of seven years.

Mr. Mather.—May I call the attention of the Board to the importance of considering not merely the selling price but also the manufacturing costs? We can foresee technical improvements by way of additions to the plant and so on to the extent indicated by our programme set out in Statement 19. It will take us seven years to provide finance for that from depreciation. I don't feel that it would serve any useful purpose for us to attempt to see further ahead than that from the point of view of capital expenditure. It is difficult to set out a useful programme involving another two or three crores of rupees which could be spent on a steel works in certain hypothetical conditions: the time when that additional expenditure would begin to be required is so far ahead. I think it is too long a shot to try. Another matter is partly linked up with the equipment: we want a further period in which we can feel that we can go ahead with economising and improving our operating efficiency, with some certainty that we should be able in conjunction with prevailing import prices to get an adequate return for our shareholders for the efforts made. So far as the question of capital expenditure is concerned I think it would be impossible now, and I think it would be still more impossible if protection is granted for a limited period of four or five years, to go into the market and raise this money by means of shares for this company. I think the Company would have very great difficulty in raising additional capital. It could only be ordinary capital; it could not be preference shares, of which there is already a total of Rs. $7\frac{3}{4}$ crores with $3\frac{1}{2}$ crores of dividend in arrear. The ordinary shares are below par.

President.—Can you raise further debentures?

Mr. Mather.—I can't promise.

President.—At 8 per cent.?

Mr. Mather.—It is doubtful.

President.—We allow a rate of 8 per cent. on your fixed capital expenditure, whether that fixed capital expenditure is financed by means of share capital or by means of debentures. That is what we have done in the past. We have not taken into account whether the fixed capital expenditure is financed by share capital or by debentures. Supposing we allowed a rate of 8 per cent. which is given either to the shareholders in the way of profit or to the debenture holder in the way of interest, it is the return that you would get on your fixed capital expenditure as distinct from your short term.

Mr. Mather.—Yes. You have to realise that if we raise money by debentures, we have to provide a sinking fund and we have to redeem the loan itself.

President.—When I suggest 8 per cent.

Mr. Mather.—Let the rate of interest be 8 or 7 per cent.

President.—Supposing the rate of interest is 7 per cent., you have a margin of one per cent. for sinking fund.

Mr. Mather.—I don't think we could count on raising a large additional amount on that margin.

President.—I am sorry I interrupted you. The point you would like to mention is the suitability of the period of protection from the point of view of raising the necessary finances.

Mr. Mather.—That is one factor. May I suggest another thing about the possibility of raising money by means of debentures. As you know, this Company has at present about £2,000,000 debentures outstanding. It has other substantial loans outstanding. We are not in a position of being free from that. We are in debt to the tune of about Rs. 4 crores to-day. If we go and raise further debentures, it would be hardly worth while for a programme of this kind to raise anything under Rs. 3 crores. We should then have a debt of Rs. 7 crores. That would mean we should be very very badly hit if we ran into any kind of emergency. I should feel very uncomfortable about the financial stability of the Company if an emergency arose on the top of such a heavy burden as that.

President.—The position that you are trying to get at is there is no possible way of financing such capital improvements except by providing for sinking fund?

Mr. Mather.—I should not regard this industry as "self supporting", to use Mr. Natesan's phrase, if it had a debenture loan of Rs. 7 crores for a further long period.

President.—If you look at statement 19, this is your capital programme which you have mapped out for a period of seven years. I should like to get some idea, if the Company considers it possible, of the period of time required for the introduction of the main stages in this capital expenditure programme. I don't mean to suggest that you ought to tell us definitely the approximate date for each particular item of the capital programme. All that I am concerned with is I should like to know approximately when the main stages in the capital programme are likely to be carried out. Are you in a position to tell us anything about it?

Mr. Mather.—What we could do is to tell you which of the items we propose to deal with in the very near future on which we are already working or have definitely planned to start working and to give you as good an idea as we can of the date on which those particular items are likely to come into operation. We will then tell you that it now seems probable to us that the more important of the remaining items may be taken in such and such order of priority. You will of course understand that any programme will naturally be subject to reconsideration from time to time when we get to the further stages. We will do our best to give you information on those lines. We will send you a statement on that.

President.—I will get on to paragraph 33 where you have given your estimated average output. These outputs have been estimated with reference to two factors. One is the demand in the market and the other your capacity. As far as your rails, fishplates and sleepers are concerned, the whole thing has been estimated with reference to demand?

Mr. Mather.—That is right.

President.—That is to say 80,000 tons of rails and a corresponding amount of fishplates and the sleepers you fix at 10,000 which is based upon the average demand for sleeper bars during the last six years.

Mr. Mather.—Yes.

President.—As far as our own attitude towards this figure you have taken for rails, fishplates and sleepers is concerned, we have addressed the Railway Board on the question of the demand that is likely to arise for railway materials of the kind that you make. We have not yet received a reply, but the figure that we take will of course be based very largely upon any figures that they may give us. With regard to structural sections, the estimate is 117,000 tons. Out of that the new rail mill will account for 80,000 tons, the merchant mill is 35,000 and the old bar mill 2,000. As far as bars are concerned the total is 80,000 of which the merchant mill would account for 75,000 and the old bar mill 5,000.

Mr. Mather.—Yes.

President.—As far as structural sections or bars are concerned, the whole thing has been estimated with reference to capacity because the demand may be assumed. With regard to plates your capacity is 50,000. The estimated demand is 35,000. That is to say the demand has been the main factor?

Mr. Mather.—Yes.

President.—This 35,000 tons is the average demand during the years 1931-32 and 1932-33?

Mr. Mather.—It is slightly more, but it is substantially the same.

President.—If it were necessary for you to raise your output in the plate mill to 50,000, have you got the necessary auxiliary equipment?

Mr. Mather.—Yes, within certain limits, we could raise our output to 50,000 tons a year. In fact the production figures which we are sending you month by month will show that in recent months we have produced more than 4,000 tons a month for a few months in succession. We have produced at the rate of 50,000, but when correlating this figure with the total demand for plates in India, it must be borne in mind that our plate mill cannot roll more than 7 feet wide. There are certain limits of size within which we are definitely held by our equipment so that it is only at a time when the demand for plates within our sizes is abnormally high that we can roll 4,000 tons a month.

President.—You are working the plate mill to capacity?

Mr. Mather.—Yes. On that score I may say that the increase in the demand for these relatively light and not very big plates which has occurred during the last few months has come as a very great surprise to us. We understand from one of the engineering firms that has been in the field for a much longer time than Tatas that there has never been within the recollection of that firm as big a demand as during the last few months.

President.—The reason being?

Mr. Mather.—It is rather difficult to ascribe any reason. One is a sudden increase in the construction of oil storage tanks in India. I think the sugar mill construction is taking directly or indirectly, most of it indirectly.

President.—You mean plates for their machinery?

Mr. Mahindra.—As far as I can find out, plates are required for general repair work by railways. Railways have taken large quantities of plates.

President.—The present abnormal increase in demand is due to the demand from railways in respect of repairs?

Mr. Mahindra.—Yes. That is not for new work, but mostly for repair work.

President.—For what purpose do the railways require these plates?

Mr. Mahindra.—For wagon repairs.

President.—Not necessarily for bridgework?

Mr. Mahindra.—In very small quantities for bridgework, because orders for most of the bridgework come to us through engineering firms.

President.—The demand for new wagons apparently has not increased?

Mr. Mahindra.—No.

President.—I suppose it would not be altogether right for us to assume continuance of this demand?

Mr. Mahindra.—It is very difficult to say.

President.—I cannot understand why a repair programme of this kind should arise so suddenly.

Mr. Mahindra.—I enquired from the engineering firms exactly on the same point. They themselves cannot say why such a large demand has come on the market. There is another factor which might explain part of the demand. That is, for a number of years there was an impression that Tatas' plates were not suitable for the construction of barges, launches and other river crafts, etc.

President.—What we call shipbuilding in India.

Mr. Mahindra.—Yes. During the last few months they are freely buying plates for this purpose. One of the reasons I believe is that plates are available easily as well as a little cheaper.

President.—That is a factor which we may assume would persist.

Mr. Mather.—I think so.

President.—Have you taken that into account in your estimate of 35,000 tons? 35,000 is based on the demand of 1931-32, and 1932-33.

Mr. Mather.—35,000 tons is rather higher than the total consumption of all plates in either of those two years.

President.—In 1932-33 it was 34,000.

Mr. Mather.—Yes and the year before 31,300 tons. All sorts of plates including those which were formerly imported are included in these figures.

President.—The only factor with reference to which we can alter the demand is the demand by the railways. That is not included in the imports.

Mr. Mather.—Presumably the repairs on the present scale were not conducted before. They were rather inclined to scrap a wagon or to send it to some place where they have a lighter service.

President.—That is a point which we will take up with the Railway Board. Anything else in the demand for plates?

Mr. Mahindra.—No.

President.—Now we come to the sheet bar and billet mill. Including the surplus, that is to say, your estimated output including what you sell outside, is 350,000 tons.

Mr. Mather.—Yes.

President.—Of which 90,000 tons you sell outside and 260,000 tons is used in the works.

Mr. Mather.—Yes.

President.—This 90,000 tons which you sell outside is composed partly of tinbars which you sell to the Tinplate Company and the other 30,000 to Mr. Indra Singh. What about the railway works at Jamalpur.

Mr. Mather.—We have estimated 60,000 tons for the Tinplate Company and the other 30,000 tons is for other supplies outside including the railway works at Jamalpur. We have mentioned that in paragraph 35. That demand will depend on the demand of the East Indian Railway Company at Jamalpur.

President.—What is the demand there roughly?

Mr. Mahindra.—5,000 tons at Jamalpur. I think the highest single demand was about 10,000 tons.

President. How long ago was that?

Mr. Mather.—1929-30 to the best of my recollection.

President.—About 25,000 tons you estimate as the demand you expect from the Indian Steel Wire Products?

Mr. Mather.—As the average over the period.

President.—If they work to full capacity it is somewhere about 40,000?

Mr. Mather.—Yes.

President.—They might make 10,000 to 15,000 tons of wire rod and about 20,000 to 25,000 tons for other sections. If you started with a figure of 10,000 tons and worked up to a figure of 40,000 you would get an average of 25,000 tons.

Mr. Mather.—At the time this representation was drawn up, we didn't have as much information as is available now.

President.—Anyway for the purpose of estimating you have taken 90,000 tons as the quantity that you sell outside?

Mr. Mather.—Yes.

President.—It means over and above what you sell to the Tinplate Company and to the Indian Steel Works, there is a surplus capacity of 90,000 tons. That is the position.

Mr. Mather.—Yes.

President.—That question of course is of very considerable importance first from the point of view of the re-rolling mills in this country, because if any re-rolling mill thinks of using the billets, it will have to come out of this surplus capacity.

Mr. Mather.—Yes.

President.—Then of course the second point is, suppose you found it desirable to renew the arrangement with the British sheet makers, then the sheet bar which you export to England would come out of the surplus capacity.

Mr. Mather.—Yes.

President. So that from both these points of view your surplus capacity on the sheet bar and billet mill is of considerable importance.

Mr. Mather.—Yes.

President.—Taking sheets, the estimated output that you have included in your table is the total capacity of the old sheet mill and new units.

Mr. Mather.—*Plus* a little more for the third new unit which will come into operation at the end of the year.

President.—What is the maximum capacity of the old sheet mill?

Mr. Mather.—Last year we have made 55,000 tons of black sheets. We have to remember that some of those mills will be replaced by the construction of new mills.

President.—What do you estimate the capacity of the new sheet unit?

Mr. Mather.—It was estimated to give us an additional 30,000 tons of black sheets a year.

President.—That would be 2,500 tons a month?

Mr. Mather.—Yes.

President You have I think considerably increased the output?

Mr. Mather.—Yes, we have.

President.—There is nothing to prevent you from maintaining the output at the figures which you are able to obtain now?

Mr. Mather.—35,000 tons instead of 30,000 tons.

President.—The second sheet unit would have the same capacity?

Mr. Mather.—When we come to the second sheet unit, there is a very important consideration. It will have the same nominal capacity, being practically an identical unit, but the sheets will mainly have to be sold as galvanized sheets and we are getting somewhere near the limit of the market for 24 gauge galvanized sheets which are what we are rolling to-day (not quite exclusively but nearly exclusively). When we put another unit into operation, we will have to go in for a very much larger proportion of thinner sheets.

President.—Taking that factor into account what kind of capacity would you assume?

Mr. Mather.—We think we can get about 25,000 to 30,000 tons.

President.—Out of the second unit?

Mr. Mather.—Yes.

President.—In terms of black sheets?

Mr. Mather.—In terms of black sheets of thin gauge in which we have to roll a bigger proportion.

President.—Taking into consideration the fact that the sheets which you would have to roll hereafter would have to be thinner gauges, you get a total capacity of somewhere about 60,000 tons on the new sheet units making allowance for this greater percentage?

Mr. Mather.—Yes.

President.—When these two new sheet units have been installed what do you put the capacity of the old unit at?

Mr. Mather.—About 45,000 tons.

President.—That gives you about 110,000 tons straightaway.

Mr. Mather.—Yes, between that and 100,000 tons.

President.—The second sheet unit will be in operation next year?

Mr. Mather.—Not before 1935.

President.—Therefore this figure of 115,000 tons more or less approximates to that.

Mr. Mather.—We have not, in forming an estimate, assumed a third sheet unit until very nearly the end of the period.

President.—I presume from the whole of the statements regarding works costs that you have not had the third sheet unit in your mind at all?

Mr. Mather.—No.

President.—It has not come into your output and it has not come into your costs?

Mr. Mather.—Just a little in the output. The difference at the rate of 5,000 tons for seven years comes to 35,000 tons. That means that the third unit is taken as operating for at least a full year.

President.—If you allow a margin of 5,000 tons, it is one which you may easily reach?

Mr. Mather.—We may or may not.

President.—But it is behaving admirably, is it not?

Mr. Mather.—Yes.

President.—The output has increased considerably beyond your expectation?

Mr. Mather.—Yes.

Mr. Atha.—On the basis of recent months the new mill should give an output of 30 or 35 thousand tons per year.

Mr. Mather.—I don't think that it would make much more than 35,000 tons but more than 30,000 tons certainly.

Mr. Atha.—It might touch 40,000 tons?

Mr. Mather.—Probably it might touch 40,000 tons in certain years. There are other things such as breakdowns to be taken into consideration.

President.—Apart from acts of God like that?

Mr. Wiles.—They are acts of men!

Mr. Mather.—The old sheet mill was shut down for nearly a month due to breakdown. We cannot entirely preclude the possibility of such a thing.

President. We can anyhow adjust the estimate within a margin of 5,000 tons?

Mr. Mather.—Yes.

President.—If and when the third new sheet unit comes into operation, your total capacity in respect of sheets in terms of black sheets would be 145,000 tons?

Mr. Mather.—Yes, or nearly that.

President.—In other words, if the demand in the country for sheets did not increase over 1932-33 level, you would be supplying the whole market.

Mr. Mather.—And a bit more.

President.—A trifle more?

Mr. Mather.—Yes. That is why we have not made any substantial provision for the operation of the third unit in the near future.

President.—Because of the uncertainty of the demand?

Mr. Mather.—The consumption of galvanized sheets during the last 2½ years has been extraordinarily steady and unfortunately very low, being barely 100,000 tons excluding the galvanized sheets for Burma.

President.—What is the average demand from Rangoon?

Mr. Mather.—I think it varies from 10,000 to 15,000 tons. We have not got the actual statistics for 1932-33. There are two difficulties in our dealing with that. One is that freight disadvantage is very substantial. Another reason is that that market has been in the habit of using very thin sheets indeed. When the new unit comes into operation we may do that, but then the tonnage will go down considerably. With this programme unless the market improves above what it has been during the last 2½ years—there has been very little fluctuation—we should be supplying 80 to 85 per cent. of the demand of India without Burma.

President.—I think the position is quite clear as far as that is concerned.

Mr. Mather.—Yes, so that this factor has to be borne in mind in regard to these estimates. Even if the mill is physically capable of rolling another 10,000 sheets, it does not follow automatically we should be able to make them and market them. We would be very nearly reaching the limit.

President.—On the figures of your estimated average output, I take it that the following mills would work to full capacity. The new rail mill would work to full capacity?

Mr. Mather.—Yes.

President.—The merchant mill and the sheet mill would work to full capacity?

Mr. Mather.—Yes.

President. These mills would work to nearly full capacity: Plate mill 70 per cent., sheet bar and billet mill 80 per cent. and the blooming mill 90 per cent.

Mr. Mather.—Yes.

President.—The estimated output implies that the old bar mill will be used to the extent of 10,000 tons until this is replaced by the 22″ mill?

Mr. Mather.—Yes.

President.—I have been trying to compare your estimated average output with our estimates of the average output of 1926. Of course the big difference is in respect of rails?

Mr. Mather.—Yes.

President.—Your present estimate is short of our 1926 estimate by 115,000 tons. That is explained easily. The same thing applies to fishplates and sleepers?

Mr. Mather.—Yes.

President.—As regards structurals, we estimated 70,000 tons in 1926 and you are estimating 117,000 tons. Practically the whole difference is due to the fact that the rail capacity is being used for structurals which the market can absorb?

Mr. Mather.—Yes.

President.—With regard to bars, we estimated an average of 90,000 tons against your 80,000 tons, which I take it implies that your bar capacity is being used for light structurals?

Mr. Mather.—Yes. The demand for the kind of products which the merchant mill can roll comes fairly steadily in the proportions of two-thirds of bars and one-third light structurals. If we roll more bars, we must do less light sections.

President.—It is in relation to the output that you estimate for structurals that the output for bars has got to be explained.

Mr. Mather.—Yes.

President.—In plates, of course, there is an increase of 5,000 tons. In tinbars and billets we estimated 50,000 tons against your 90,000 tons.

Mr. Mather.—Yes.

President.—This is due to the demand of the Indian Steel Wire Products and similar enterprises?

Mr. Mather.—Yes, and the possible consumption of the Tinplate Company which is rather more than was anticipated at the time.

President.—As far as sheet is concerned, there is an increase in your capacity.

Mr. Mather.—Yes.

President.—In paragraph 38, you make a statement which I do not pretend to understand. You say that the Company's view is that as far as ordinary sales for export are concerned, they are outside the purview of a protection scheme. Personally I don't see why they are outside the protection scheme. I do not in the least know to what these ordinary sales refer. I have not got any information about it, but they certainly must imply increased output which has a reaction upon costs and the surpluses that you earn here on your exported material must affect the measure of assistance. If there is a possibility of exports continuing, the surplus that you get on that we have to take into account. Then, there is the further consideration that the export of steel products would not affect the capacity of the re-rolling mills. The ordinary sales for exports have a very considerable bearing in my opinion on the question of protection and I should like to get every possible information about them.

Mr. Mather.—We have not sold anything at all recently.

President.—What is it that you sell?

Mr. Mather.—We did not sell anything for export prior to the latter part of 1931-32 when we sold a certain amount of sheet bar and tinbars mainly to the United Kingdom and to a small extent to Japan.

President.—What are the quantities?

Mr. Mather.—We have sold about 20,000 tons in all.

President.—Over what period?

Mr. Mather.—We actually arranged the sales over a period of four months. The delivery was spread over a period of 6 to 8 months.

President.—That was in 1932-33?

Mr. Mather.—End of 1931 and beginning of 1932.

President.—To whom did you sell?

Mr. Mather.—Tinplate and sheet makers in the United Kingdom. Also a small quantity to Japan.

President.—At about the same time?

Mr. Mather.—Yes. During the latter part of last year, we sold about 1,000 tons of billets to Japan.

President.—Have you any orders for the current year?

Mr. Mather.—No.

President.—Approximately at what sort of price?

Mr. Dalal.—Very low price.

Mr. Mather.—There is a small part of the Japanese order which is awaiting completion.

President.—Measured by hundreds of tons?

Mr. Mather.—Yes.

President.—Is it the intention of the Company, if suitable orders arise, to continue to export?

Mr. Mather.—Not unless we have surplus.

President.—If you have a surplus capacity in your sheet bar and billet mills, then you get a surplus of 5,000 tons which would be worth while exporting.

Mr. Mather.—Yes.

President.—If there is any surplus, I think the exports will continue apart from any obligation?

Mr. Dalal.—I think we may submit that this is a comparatively minor part of our operations. At that time there was no great or profitable market for our materials but when we get a market in the country itself it would almost certainly be more profitable to sell in the country than export, apart altogether from any such arrangement as the Ottawa agreement which we have entered into. I don't think that the possibility of exporting may be taken into very serious consideration.

President.—What amount of surplus on an average did you get over these exports other than under the Ottawa agreement?

Mr. Mather.—I should estimate that we lost about Rs. 1 lakh on the whole. We stopped the United Kingdom business because of the competition from the Continent.

Mr. Dalal.—Although it has received a great deal of publicity, it is not an important part of our business. If we have any demand in the country itself and if there is no surplus, there is no question of exporting semis.

President.—What price did you get on the Japanese sheet bars?

Mr. Mather.—They were billets I think.

Mr. Dalal.—Rs. 56 or Rs. 58.

President.—Is it f.o.r. Tatanagar?

Mr. Dalal.—F.O.B. Calcutta.

President.—That would be about Rs. 51 f.o.r. Tatanagar?

Mr. Mather.—It costs Rs. 5 to put it on board.

President.—It comes to Rs. 52.

Mr. Mather.—At that time, our costs were higher than they are now.

President.—That does not sound an attractive proposition?

Mr. Mather.—No; the profit would be small.

President.—You have not exported sheet bar to Japan so that Japan may send galvanized sheets to India?

Mr. Dalal.—It is billets that we sold.

Mr. Mather.—There was a small quantity of tinbars but mostly billets.

President.—All the supplies which have come into this country from Japan are finished galvanized sheets, apart from wire and wire nails?

Mr. Mather.—Yes.

President.—You gave them billets at Rs. 58 f.o.b. At what price is it landed in Japan?

Mr. Mather.—Freight is calculated at about Rs. 12 I think.

President.—I should like to have some more detailed information on this. I do not get any information on this from your representation but I have been rather worried over this question of steel products coming into this country from Japan and the extraordinary price at which Japanese products have been sold, whether there is any truth in the contention that the policy under which the Steel Company in India ships semi-finished material at practically works costs to importers like Japan, helps Japan to compete with steel products in this country, not merely with you but with other industries like the wire nail industry?

Mr. Mahindra.—We will supply you with detailed information and you will see that it is a very small amount.

Mr. Mather.—You will find that these orders for billets were mainly towards the end of 1932, at a time when Japan was supposed to be laying in stocks of material in case of trouble in Manchuria and the price they paid us appeared to be high as compared with the price of billets from the continent.

President.—The depreciation of the yen exchange must have put up the cost of steel imported into Japan at the end of 1932 when the depreciation had reached a level of 80 or 90. If they imported in the end of 1931 the position would have been different. They laid by their supplies of cotton at the end of 1931 but they got their billets at the end of 1932. I do not think it would have been a very economical proposition for them. I should like to get the information. Give me a complete statement of the exports of steel, other than under the Ottawa agreement, quantities of the kinds of steel and the prices and the dates.

Mr. Dalal.—We will supply you with the actual details.

President.—You refer to the question of the sales under the Ottawa agreement. I think I had better raise the whole question at this stage. The position under that agreement as far as I can gather from your memoranda is that the British steel industry has agreed to take a specified minimum quantity of pig iron?

Mr. Dalal.—22½ per cent. of the free market subject to a minimum of 70,000 tons a year.

Mr. Mather.—That is basic iron and not foundry iron.

President.—As far as the export of pig iron is concerned you have been able to export over a period of a year more or less a minimum quantity specified?

Mr. Mather.—Yes.

President.—And as far as the working of the arrangement is concerned there has been no practical difficulties?

Mr. Dalal.—I may mention that a further development has taken place since we wrote that memorandum to you, and that is that we have received friendly notice from the pig iron makers of the United Kingdom of the termination of the agreement on the expiry of six months' notice. They have chosen to give us this notice with a view to arranging some modified terms if possible.

President.—This pig iron arrangement, that also started from November 1st, 1932, and continues for 18 months subject to a notice of six months?

Mr. Dalal.—Yes.

President.—The particular terms which from their point of view call for modification have not been stated?

Mr. Dalal.—They have said that the terms should be less onerous.

Mr. Mather.—The presumption is that they will want us to accept a lower quota than 70,000 tons. Either they want us to accept a lower quota than 22½ per cent. or a lower minimum than 70,000 or both.

President.—If the quota was reduced then the position might be more or less the same as it was in previous years.

Mr. Dalal.—We have objected to the reduction of the quota mainly on the ground that the manufacture of steel in the United Kingdom and consequently also presumably the manufacture of pig iron has also increased. Therefore our minimum should be maintained.

President.—That is not a matter which we are in a position to consider at all. At present the position is that there is a proposal to modify the terms of the agreement as far as pig iron is concerned?

Mr. Dalal.—Yes.

President.—As far as sheet bar is concerned, the position under the agreement is that the Indian market should be supplied in the first instance as far as possible by sheets which you manufacture at Jamshedpur, and then sheets manufactured in the United Kingdom out of Indian sheet bar?

Mr. Dalal.—Yes, first our manufacture.

President.—Then whatever is left over is to be supplied by sheets manufactured in England out of Indian sheet bar?

Mr. Dalal.—Yes.

President.—Up to a specified maximum?

Mr. Dalal.—Yes, 7,000 tons.

President.—7,000 tons of sheet bar or 6,400 tons of sheets?

Mr. Dalal.—Yes.

President.—Actually you have been able to supply 2,500 to 3,000 tons a month?

Mr. Dalal.—The average is 2,500 tons.

President.—A supply of 2,500 against the proposed maximum of 7,000 tons? That is the position?

Mr. Dalal.—Yes.

President.—There is a big gulf between the actual supplies and the proposed maximum. That is explained from the point of view of the British industry on the ground that your sheets are not suitable for thin gauges?

Mr. Dalal.—That was not the position taken up in the beginning. Then we were asked not to send bars to make sheets of thinner gauges than 26 which we agreed to, but even in the sheets of 26 gauges there has been a certain amount of trouble and even with regard to 24 gauges it has been stated that all the bars that were sent were not suitable for the manufacture of the many different kinds of specifications that they receive in respect of sizes and foot weights. They receive specifications of many different kinds from different people and our bars are not suitable for manufacture to all such specifications.

President.—When a dispute of that kind arises, under the agreement is there any provision for settlement by arbitration?

Mr. Dalal.—We don't say that it is a dispute and it is very likely that such is the position.

President.—Under the agreement they are compelled to take only sheet bars suitable for their purposes?

Mr. Dalal.—Yes.

President.—And the question of suitability is settled by the manufacturer?

Mr. Dalal.—There is a provision regarding arbitration also.

President.—Has that been resorted to?

Mr. Dalal.—No. It would be very difficult. The order may be so small that it may not be suitable for us to roll bars of that particular kind merely for a small order.

President.—Is it the composition of your sheet bar or is it the dimension?

Mr. Dalal.—It has nothing to do with the chemical composition. On the other hand our bars are supposed to be very good.

Mr. Mather.—For all purposes for which they have been used they are very satisfactory. We have not had a single complaint about the quality of our bars.

President.—If it was considered that Indian sheet bar was not suitable for gauges thinner than 26 . . . . .

Mr. Mather.—There is no indication of any kind whatever.

President.—I gathered from your note that they considered it unsuitable for gauges thinner than 26.

Mr. Dalal.—Not on account of quality but of the normal sizes which we do not roll.

President.—That can be adjusted from your point of view?

Mr. Dalal.—When I was in England last hot weather we had some discussion on it and Mr. Summers promised to look into it, and since then he has tried to see that the proper percentage of bars is utilised.

President.—When was it?

Mr. Dalal.—Last April.

President.—At any rate the bulk of the difficulty arose before May 1932 and the position has improved since then.

Mr. Dalal.—We have had no particular cause of complaint since then except that there are some things such as the fact that we cannot send 100 per cent. of our bars for manufacture of all kinds of sheets required in the United Kingdom even of the standard gauge. That is a difficulty which cannot be entirely remedied. Even if they do specify such bars it would not pay us to roll them for a small order of say 20 tons for an unusual size.

President.—If you average your shipments of sheet bars since May 1933, you would get a better figure than 2,500 tons.

Mr. Dalal.—I don't think so because by that time the season would have expired.

President.—What is the season for sheets?

Mr. Dalal.—Most active season is March, April, May and June.

President.—You state in your memorandum that the operation of the agreement was attended in its commencement with certain serious practical difficulties, the first being that the feeling in the market that the duty on British sheets was going to be lowered led to dealers for the time being holding off the market with the result that in order to dispose of your output you had to offer sufficiently attractive prices to dealers and you lost on your realisations.

Mr. Dalal.—And a large consignment of British sheets was also received at that time.

President.—That was the shipment of sheets which was sold before the agreement was concluded and which therefore came in with the prospect of the advantage of price.

Mr. Mather.—That is right.

President.—We as a Board are naturally averse to discussing questions of public importance *in camera* unless of course it becomes absolutely necessary. Can you tell us precisely the aspects of this question the discussion of which you think in the public interest should be held *in camera*?

Mr. Dalal.—There is nothing particularly secret about it except that as we are still carrying on negotiations for an extension of this arrangement over a further period, we are not particularly anxious to go into any disputes and things that may have arisen between us and them.

President.—That question of initial difficulties is a question which you would rather not discuss in public?

Mr. Dalal. Not to any more detailed extent, as it does not serve any useful purpose.

President.—Whether it serves any purpose or not is for us to settle. What I am trying to understand is the statement that you make here that "this feature of the Company's operations may be left out of account in considering the protection required in the future". That straightaway brings this question within the purview of the Tariff Board and it is very necessary that we have clear ideas as to the present position. I will tell you what we might do. We will discuss the general points in connection with this and if there is any point on which you feel that you would rather not make a public statement you might say so and we will reserve that point for a confidential discussion later on. Will that suit you?

Mr. Dalal.—Certainly.

President.—I understand from the figures which have been given to us by the Tinplate Company, that a certain amount of galvanized sheet is rolled by them.

Mr. Dalal.—Yes.

President.—What exactly is the position as far as that is concerned?

Mr. Dalal.—We had a previous agreement with the Tinplate Company with regard to the rolling of these sheets. That matter was unfortunately lost sight of at the time when we negotiated this arrangement with the Oriental Steel Company and there was a certain amount of dispute between the Steel Company and ourselves as to whether this didn't to that extent injure their interests in the matter of the sheets which they were to roll from our bars, by diminishing the quantity which would be available to them after supplying the demand from our own production.

President.—That was also one of the initial difficulties?

Mr. Dalal.—Yes.

President.—Are they rolling any now?

Mr. Dalal.—Not at the present moment.

President.—You have not been supplying them sheet bars now?

Mr. Dalal.—No. The agreement expires on the 31st March, 1934.

President.—There is one other point which is of a general nature under the terms of reference. We are asked to review the protection granted not merely under the Steel Protection Act but also under the Ottawa agreement. The question of the duties under the Ottawa agreement are subject to consideration by this Board in this enquiry. What is the Company's feeling taking into account the increase in the sheet capacity of the mills? Is there room now for a continuance of the agreement?

Mr. Mather.—So far as we can make out, considering the present demand, considering the increase in our own capacity and also considering the measure of the protective duties that we ourselves propose, in future there can be no room for an arrangement of this kind with different duties on sheets made from our bars and sheets made from British bars. It seems to us from communications received that they are also of the same feeling.

President.—There is no room. That I expect is a matter which is under negotiation between the parties.

Mr. Mather.—The negotiation between us merely refers to the continuation of the present agreement which is due to expire on 31st March, 1934, until such time as the new duties come into force.

President.—It is not a matter which we, as a Board, could consider. I would not have referred to this question, but for the fact that the duties under the Ottawa agreement are subject to consideration by this Board. Now whether under the circumstances of the Steel industry in this country and of the Steel industry in the United Kingdom there is scope for a further renewal of the agreement, that is to say renewal beyond 1934, is a matter which this Board cannot possibly settle. It is really outside our understanding. It is a matter which has got to be settled by the industries of the two countries. But the position may arise this way: supposing the parties decide to renew this agreement, then on the basis of an agreement, what precisely would be the duties that this Board would consider suitable for galvanized sheets?

Mr. Mather.—On the basis of the agreement.

President.—Supposing, for example, in October, 1934, as the result of the discussions between the two parties, the agreement was renewed for a further period?

Mr. Mather.—That would depend upon the duties fixed under the new Act.

President.—Not necessarily.

Mr. Mather.—It seems to me to be unavoidable.

Mr. Dalal.—Apart from the duties how can any agreement be possible?

President.—Let us try and work it out. The way in which the present duties were calculated is explained in the Ottawa Delegation Report. As I take it, the whole basis of the duties that have been proposed for the British galvanized sheet is that a fair f.o.b. price should be secured to the British manufacturer and he agrees to sell at that price. That price is £10-10-0. If we start from that figure, £10-10-0 f.o.b., add all the necessary charges, you get a certain figure landed without duty in India. We take your fair selling price not at Tatanagar, but as adjusted at the port; the difference between these two would be the duty on British galvanized sheets.

Mr. Dalal.—Would you have to go into the question of this figure?

President.—£10-10-0 was the figure which was taken by the Ottawa Delegation as late as September, 1932. If it became necessary for us to suggest duties on the assumption that something like the present arrangements continue, it would not be far out to take a figure which was accepted as right for that purpose as recently as September, 1932.

Mr. Dalal.—That is fixed by the Ottawa Delegation. We are not aware on what calculations that figure was arrived at.

President.—As a matter of fact nothing very much turns on it, because the whole basis of the agreement would be that if £10-10-0 is not the fair price, the British sheet maker under the agreement is compelled to sell at a price not less than that. If they do whether it is a fair price or not?

Mr. Dalal.—I don't suggest that it is not a fair price.

President.—You take any price you like. The whole point is if you proceed on the basis of a certain price and if under the agreement that price is accepted by the parties, that is to say if he doesn't sell at a lower price, the duty goes up under the off-setting arrangement.

Mr. Dalal.—The essential part of the arrangement is that he would have to sell at that price.

President.—The sanction for that is the off-setting duty.

Mr. Dalal.—Yes.

President.—What I am suggesting is, if you start with a figure of £10-10-0 and if under the agreement that figure is accepted as the minimum price for sheets imported from the United Kingdom, that is to say if it is sold at less than that price, the off setting duty will come automatically into operation, then it seems to me that your interests are sufficiently safeguarded.

Mr. Dalal.—Yes, so far as we are concerned.

President.—There is no other interest arising. It will sufficiently safeguard you?

Mr. Dalal.—Yes.

President.—If a duty was fixed on that basis, as far as the interests of protection are concerned, the position would be quite all right.

Mr. Mather.—In order to make the scheme of any utility to us, apart merely from safeguarding our interest in respect of galvanized sheets, it would be necessary that the price should be such as to enable them to use our bars at the cost at which we are able to supply.

Mr. Dalal.—The profit that we derive from selling our bars is so very narrow that whether such a thing is practicable or not would entirely depend upon the duties.

President.—We have got to gather some ideas on this question. We cannot leave it in that indeterminate condition.

Mr. Mather.—We have to work it out. Supposing we suggest 42 or 52, on some figure like that we have to work out.

President.—Rs. 42 won't help us. The point is this: you suggest a uniform duty of Rs. 42. There is one way of fixing a margin of preference, that is to say to take Rs. 42 as the minimum and whatever you arrive at as a fair margin of preference may be added on to Rs. 42.

Mr. Mather.—Yes.

President.—That is not the most satisfactory way of working it out, because it may be quite possible to levy a lower duty than Rs. 42 on sheets coming from the United Kingdom and yet have the interests of the Indian industry sufficiently safeguarded. If that were possible a uniform duty of Rs. 42 would place an unnecessary burden on the Indian consumer. Therefore we have got to consider how exactly the differential duty has to be worked under this agreement.

Mr. Mather.—Is it your idea that we should work it more or less on the same lines as under the present arrangement?

President.—By way of illustration let us work out the sheet bar. Your fair selling price at Tatanagar is Rs. 185 at port.

Mr. Mather.—Yes, on all sheets.

President.—Rs. 156 at Tatanagar and Rs. 185 at port?

Mr. Mather.—Yes.

President.—Let us assume that we have fixed a scale of duties which will allow British sheets to be imported into India at Rs. 185 at port.

Mr. Mather.—Yes, including the duty.

President.—If sheet is made in the United Kingdom out of Indian sheet bars, that would also be sold at that price. We can start from that.

Mr. Mather.—Yes.

President.—In order to get the corresponding price for sheet bar delivered at works in the United Kingdom you have to work back from this.

Mr. Dalal.—There will be no margin left.

President.—Let us try it. Landing charges, as you take, are Rs. 2·7. Freight to India is about 20 shillings.

Mr. Mather.—25 shillings or Rs. 16·7.

President.—That gives us the price f.o.b. United Kingdom port.

Mr. Mather.—Rs. 19·5 for landing charges and freight.

President.—What is the conversion cost in the United Kingdom? You must have figures about it including the f.o.b. charges.

Mr. Mather.—Ours is £6-5-0 taking the spelter as it was in the middle of last year.

President.—What is that in rupees?

Mr. Mather.—Rs. 83⅓.

President.—These three items deducted from Rs. 185 would come to Rs. 82·2. Let us take it at Rs. 82.

Mr. Mather.—Yes.

President.—Rs. 82 is the price of 1·12 tons of sheet bar delivered at works in England.

Mr. Mather.—Delivered f.o.b. English port.

President.—From that you take 1/9th as the cost per ton of sheet bar.

Mr. Mather.—Yes, it comes to Rs. 73·1.

President.—What is the freight?

Mr. Mather.—18 shillings or Rs. 12.

President.—Deduct your freight to Tatanagar which is Rs. 5 and that leaves you Rs. 56.

Mr. Mather.—Yes.

President.—So that your estimated price at works for sheet bar is Rs. 56.

Mr. Dalal.—There are small deductions to be made for insurance, interest on working capital, office expenses and so on.

President.—How much would you allow for these deductions?

Mr. Dalal.—Rupees three for interest on working capital and something under a rupee for the other charges.

President.—So that your estimated works cost for sheet bar is Rs. 56. You might get about Rs. 5 if it were duty free, that is to say if we allowed sheets manufactured in England out of Indian sheet bar to come into this country not merely at a lower rate of duty but duty free.

Mr. Mather.—We would be in the same position essentially as we are to-day under the operation of this agreement. That is easily checked in this way. The present arrangement is based on a price at ports of Rs. 215 and Rs. 30 duty. We are working at Rs. 185. If the price landed in the Indian port is to be less by Rs. 30 than to-day and the whole duty is taken off, we would be in the same position.

President.—That leaves you a surplus of Rs. 6 or Rs. 7.

Mr. Dalal.—That is why I said there is no margin.

President.—Is there anything to prevent sheets made from Indian bar from being imported duty free?

Mr. Dalal.—Nothing.

President.—If we started on a fair selling price of Rs. 185 at port, then it seems to me in order to make it worth while for you to continue sending sheet bars under the arrangement, it would be necessary to make the imports of sheets made out of Indian sheet bars duty free.

Mr. Mather.—Yes.

President.—From your point of view there is no objection to an arrangement under which your sheet bar could be converted into sheets and could be imported duty free. Supposing they imposed a duty, there would be no export of sheet bars.

Mr. Mather.—Sheets made out of other bars might come in.

President.—What I want to ask is, from the point of view of utilising the surplus capacity which still remains on your sheet bar and billet mill, would you consider it worth while to sell your sheet bars to the extent of about 2,000 tons a month or something of that sort if you can make a surplus of Rs. 6 to 7 per ton?

Mr. Dalal.—Yes, if we could make a profit. We have no other consideration to take into account. Whether there would be a surplus of 2,000 or 2,500 tons a month would depend upon the demand after our second extension takes place because that practically accounts for the present surplus.

President.—That is not a question into which I can go. That is a matter, if the question arose, that the industries would have to settle among themselves. Supposing the industry came to the conclusion that the arrangements under the present agreement should continue and on that basis we proposed a suitable scale of duties, our duties would be, as far as sheets imported from the United Kingdom made from foreign bars are concerned, the difference between Rs. 185 and Rs. 156 and exemption from duties altogether in respect of sheets made from Indian sheet bar. That is the only arrangement under which it would work.

Mr. Mather. Yes.

(Continued on Tuesday, the 21st November, 1933.)

President.—We will start with Chapter V this morning which deals with your estimated future costs. In paragraphs 39 and 40 you refer to certain adjustments that you propose to make for the purpose of estimating your future costs. These adjustments fall under two heads. First of all you take the various funds for which provision is made in the works costs for such expenses as relining, provision of moulds and so on. You want to adjust the costs to your expenditure and there is a provision with regard to the credit to be made for scrap. As regards the adjustment to be made for the provision of funds for relining, moulds and things of that kind, it looks to me that there are two questions which arise for consideration. We take the January to June (1933) costs as our basis. We take the actual entries in your cost statements, January to June, 1933, and see what the figures are for various provisions of that sort. You admit the principle that from the figures as they stand in January to June statement, the excess expenditure should be eliminated?

Mr. Mather.—Yes.

President.—The question that arises there is this. On what basis is the excess to be estimated? What you have apparently done is to take the excess in the 1933 costs as compared with the provision under these various heads in 1925-26. Am I right?

Mr. Mather. That is not strictly correct.

President.—How exactly have you made?

Mr. Mather.—On some of the items, provisions are the same as they were in 1925-26 but there have been fluctuations. The excess which we have taken is measured by the difference between the rates of provision which were made in the early part of 1933 and right through 1932-33—the excess of these provisions over what we consider is likely to be actually required on the basis of our experience of these provisions in the last two or three years.

President.—In paragraph 40, you make the statement that the provision has been brought down to the reasonable margin existing in 1925-26. That is what gave me the impression that that was the basis on which you have practically framed your estimates.

Mr. Mather.—That might perhaps more usefully have been stated at some greater length.

President.—Your point is that it is not based precisely on the margin provided in the 1925-26 costs?

Mr. Mather.—No.

President.—But it really is based on what you consider to be a reasonable provision with reference to actual requirements?

Mr. Mather.—That is so. It so happens that the provision which we intend to adopt from April, 1934, onwards in our costs—we do not wish to change in the middle of the financial year—shows that it will be such as to give us on the basis of 1932-33 results only about the margin which was reported to the Board in 1925-26 and accepted by the Board.

President.—Would it make any substantial difference supposing we proceeded on this basis? We take the provision in the costs of January-June, 1933, and compare that with your actual expenditure over a period of years under these heads and then if we find that the average expenditure over a period of years is lower than the provision contained in January-June statement we cut that out. If we proceeded on that basis—if we took the average over a period of years and not any particular year—you would consider it fair?

Mr. Mather.—I should think so. I think you might find that such a procedure would make a smaller reduction in the case of some of the provisions than we have provided for because our costs against some of these items are less now than they were before. Taking moulds, for instance, we are making ingot moulds at a lesser cost per ton than four or five years ago.

President.—From your point of view there would be no objection supposing we considered that as a more reasonable way of setting out the facts?

Mr. Mather.—No.

President.—In some cases it may be larger; in some cases it may be lower?

Mr. Mather.—We have no objection. But what we do feel is that to take any individual year, say 1932-33, would not necessarily be right because if you considered our actual expenditure for 1932-33 only, there would be rather a larger reduction. We bore that fact in mind in fixing the new rates.

President.—The only point that occurred to me in that connection in the matter of expenditure for these recurring expenses is this. If you take simply the figures of a particular year, it does not seem to be altogether a satisfactory way.

Mr. Mather.—No. We don't propose to reduce the rates of provisions to precisely what would correspond with our actual expenditure in any individual year.

President.—I have not worked out the results on that basis. Supposing we proceeded on this basis you would consider that it would be reasonable?

Mr. Mather.—Yes.

President.—That is the first question which arises with regard to these funds. The second question is whether in regard to some or in regard to all these items of expenditure, the proper method of providing for them is not to charge them to depreciation. It is always a very difficult question and the Tariff Boards in other countries have spent an endless amount of time on the question where depreciation ends and where depreciation begins. These costs cover a very large number of items some of which appear to be not merely repairs and renewals but substantial reconstruction. The question has got to be considered whether these items of expenditure are not more properly chargeable to depreciation. I am not proposing to discuss that question at this stage. My colleague Mr. Wiles is going to discuss it in detail with you. So, I will reserve that point at this stage and go on to the other elements in your future costs. The second adjustment you make is for scrap. Now scrap is credited at Rs. 20 and the point is that in the case of scrap which you sell outside where you are able to realise more than the amount credited there ought to be a suitable adjustment. Now taking the figures of 1932-33 I find your total realisations at works for the scrap sold outside amount to over Rs. 6 lakhs.

Mr. Mather.—That is more than the nominal rate.

President.—The excess over Rs. 20; so that, if that is distributed over the tonnage of saleable steel in that year it would approximately be Rs. 1½ but you propose to adjust it only to the extent of one rupee.

Mr. Mather.—Quite.

President.—The reason being that in the case of increased quantities of scrap that you might obtain from your new sheet mills, it might be necessary to sell in freight disadvantage areas and that it is bad policy that scrap should be sold in freight advantage areas in competition with good materials.

Mr. Mather.—That is a point on which we should be concerned to adjust our practice if we found it affecting our business.

President.—Yes, therefore you reduce it to one rupee. Speaking entirely for myself I am inclined to accept this figure as being reasonable because apart from all the considerations that you have urged the price of scrap varies enormously. All the figures for scrap that we have received from railway companies for example show such a large variation that I think it would be unreasonable to base our estimate on the figures of a particular year.

Mr. Mather.—Yes.

President.—So, on the whole I should be inclined to accept the figure that you suggest.

Mr. Mather.—Yes.

Mr. Wiles.—Have you come to any conclusion about the soundness of any policy?

Mr. Mather.—For the moment we do not propose to make any change but we are watching very closely. For instance, we may find it a difficult problem when we begin making more sheets.

Mr. Wiles.—Sheet scraps being particularly valuable?

Mr. Mather.—We can sell sheet scrap in moderately large quantities or have been selling it in such quantities. Sheet scrap forms quite a large proportion of our total scrap put on the market.

President.—Then, we come to paragraph 44 where an important question of the cost of labour is raised. The Tariff Board in 1926 went in considerable detail into this question and I should like to know precisely how you stand now in respect of the amount of labour that you employ as compared with the proposals of the Tariff Board in 1926. If you will look at the 1926 report—I think it is page 26—the total number of labour employed in 1925-26 was 26,290. That you find in paragraph 42. The Tariff Board suggested a reduction from that of 6,350 and then to the figures so obtained they suggested an increase in order to cover the requirements due to the increase in output and the Tariff Board arrived at a figure of 23,440 which should be justified on an output of 600,000 tons. In 1932-33 the total number of labour employed by the Company was 18,113. The total output of saleable steel in 1932-33 was 427,000 tons. The total quantity of surplus pig in that year, I take it, was 104,000 tons. Is that right?

Mr. Mather.—That is about right.

President.—That is to say, for a production of 427,000 tons of finished steel and 104,000 tons of surplus pig you employ labour to the extent of 18,113. The estimate of the Tariff Board for an output of 320,000 tons of finished steel and 149,000 tons of surplus pig was 19,940. That is right?

Mr. Mather.—Yes, on the basis of the output of 1925-26.

President.—The Tariff Board's estimate is 320,000 tons of steel and 149,000 tons of surplus pig. Therefore the conclusion is justifiable that you have reduced your labour force to an extent greater than what was anticipated by the Tariff Board in 1925-26. In paragraph 36 of our 1926 report the Board quoted a statement which was made by the Board in the 1924 report: "The labour cost per ton of finished steel at Jamshedpur is unquestionably higher than the corresponding cost in Western countries". That statement was made in 1924 and it was repeated in 1926 and the impression appears still to prevail that that is the position; that is to say, that while you enjoy the advantage of lower rates of wages in this country, the quantity of labour that you employ as compared with the quantity of labour employed by the steel industry in other countries is so big that instead of labour cost being lower, the labour cost is higher in this country. Have you tried to work out the position on such information as you have? The point is so very important that I should like to get a clear idea as to the relative position of the Indian Steel industry and, say, the British Steel industry not in respect of wages but in respect of labour costs.

Mr. Mather. We have not been able to get any very satisfactory comparison between our own circumstances in that respect and those of another complete works whether in Europe or in America for the works as a whole. But we were able about 18 months ago to make a fairly close comparison between the number of labour and the labour expenditure in the sheet mill, which you will realise is quite a large part of our works; we have made a comparison between our mills and a large British mill and we found that we were employing in the sheet mills on a fairly correct analysis practically three times as many men as they were employing at almost exactly the same total expenditure, that is to say the average wage per man was one-third of the wage paid by the British employer—I am stating in terms of cost per ton - so that our labour cost per ton from the stage when the sheet bar enters the sheet mill until the time when the sheet is ready to leave the mill is almost identical with the labour cost in the British sheet mill. That is the only investigation which we have been able to follow through in such details.

President.—We have been attempting to make certain investigations on such information as were available to us and I think the conclusion you have arrived at more or less tallies, that at any rate the labour costs per ton of steel is not higher in India than say in typical steel industries in Great Britain; it may be slightly lower.

Mr. Mather. I would not go further at the moment than to suggest that it would not be correct to say that it is substantially higher; whether it is a little higher it is difficult to say but I think we can definitely claim that our labour costs are not substantially higher than those in Great Britain. Probably there is no very great difference now between our labour costs per ton of product and those of Britain and Germany.

President.—If we arrive at the position that considering the handicaps in respect of Indian labour and the relatively short experience of the Indian steel industry a stage has been reached when labour cost per ton of steel in India is not at any rate perceptibly higher than in England, I think it is a fact on which the Indian steel industry can congratulate itself. I think when we started the Tariff enquiry in 1924 this was the one obvious fact against the steel industry, and we have now reached a position where that handicap has either entirely or almost entirely disappeared. It seems to me rather a good test for the measure of progress which has been made. Now, that is one aspect of it: the other aspect is whether in consequence of further progress in the same direction we should not be justified in considering substantial reduction in your costs as regards the future. That is a point however which I shall come to later. In paragraph 46 you refer to the question of purchase of coke from outside. I take it from all the statements you have sent in to us that the position now is this, that as a result of progressive reduction in the cost of your coke the purchase of coke from outside has become increasingly uneconomical. That is to say, if you take January-June (1933) figures the difference between your net works cost and the price that you paid is somewhere in the region of Rs. 2-8-0 which of course is rather a substantial figure. As I work it out it means on the total production an unnecessary expenditure of 6 annas per ton of steel. We may assume that as a result of the proposed capital expenditure on the coke ovens this particular element of extra cost will be eliminated?

Mr. Mather. Not immediately. It can hardly be done in less than five years in any case.

President.—The variation in the quantities of coke purchased from outside depends, you point out, on the production of surplus pig. In 1930-31 and 1931-32 I notice a very considerable increase in the quantity of pig iron produced. The sale of pig in 1931-32 reached a somewhat unusual figure of 174,000 tons. What precisely was the cause of that?

Mr. Mather.—Our own demand was comparatively small. There was a big extra demand at that time and we were able to sell large quantities.

President.—1931-32 was the year for sales to Japan. It was somewhere about that time that there was a very high increase in the import duty on pig iron.

Mr. Mather.—That was very largely in anticipation. I think the duty came into operation in February or March 1932. Our Japanese buyers pressed us as hard as possible for supply and in the month of January 1932 we despatched 17,000 tons to Japan.

President.—Can you tell me from whom this coke was purchased by the Company?

Mr. Mather.—We purchased these from three companies, the Lodna Colliery, the Barari Coke Company and the Loyabad Colliery.

President.—You have no contracts?

Mr. Mather.—We made contracts at the end of 1927 or early 1928 for what we then estimated to be our requirements for three years.

President.—The point I am trying to raise is, the possibility of producing all the coke that you want in your coke ovens. Was that hindered by the contracts?

Mr. Mather.—No. The contracts which now exist will all terminate in about 12 months from now, two of them in March 1934 and the other a little later.

President.—Then we come to the question of the price of coal which of course is a very difficult question in the present circumstances of the Indian coal industry. In the first place we should have to wait for the development of this restriction scheme and then I gather also apart from the restriction scheme economic forces have tended to a very considerable reduction in the output of coal as compared with last year, and both these factors have got to be taken into account. Taking your own figures what would you suggest as the future price of coal? Would you say Rs. 5-12?

Mr. Mather.—We do not specifically suggest that. You would be able very likely to form an estimate of the future costs for the next six or seven years after an examination of the people to whom you would have access, but we felt it necessary, for the purpose of calculation, to use some definite figures into this representation and we thought the simplest way was to take the average of the last six years.

President.—As a matter of fact you are in as good a position as we are for the purpose of estimating the future price of coal. As purchasers and producers of coal you are in touch with the coal industry.

Mr. Mather.—Yes. But remember, Sir, we are not to any appreciable extent independent purchasers of coal: apart from gas coal our purchases are practically exclusively made under long term contracts the prices of which are fixed automatically.

President.—The prices are not fixed figures?

Mr. Mather.—The prices vary.

President.—It really amounts to this that it is the market price *plus* a certain margin?

Mr. Mather.—Yes, a price which may be affected by market conditions, *plus* an extra in certain cases.

President.—The difficulty that we feel with regard to the future course of prices is that the course of prices in any article is very uncertain and it would be very difficult even for the most competent authority in this country to be able to say what the course of coal prices is going to be during the next seven years and the figure to be arrived at. I think the most suitable way of fixing the price of coal would be to take it over a period of years, say an average of six years. It would be an arbitrary basis to which we will have to resort. There is no other way of exactly determining the price. Let me make this clear. The price that you have used in your estimates of Rs. 5·75 is the average price of coking coal and gas coal?

Mr. Mather.—That is right; the two taken together.

President.—It is not the price of coking coal?

Mr. Mather.—No.

President.—The average price of gas coal and coking coal you give in statement 5; the fourth column gives us the weighted average prices. Looking at the figures in the fourth column the figure that you have suggested is almost exactly the figure of 1931-32; it is higher than the figure for 1932-33; it is higher also than the figures for 1930-31 and 1929-30. 1929-30 which is the pre-depression year is what I am inclined to consider rather a typical year in this period.

Mr. Mather.—You will find that this average price naturally fluctuates a good deal according to the proportion of our coal which comes from the various concerns from which we are committed to take it. For instance our most expensive contract is the one which prior to about two years ago was giving us much less coal than we are compelled to take from it at present; this I think has some bearing on the rise during the subsequent two years. From 1930-31 onwards we had to take more coal from the supplier whose contract works out at the highest price.

President.—That rather supports the proposal for a lower figure than 5·75 for our purpose?

Mr. Mather.—I don't think so for this reason that we are compelled to take this increased quantity and still larger amounts in the future.

President.—I don't quite understand the position. You have contracts with various coal companies and the amounts that you purchase from them from year to year are determined on a minimum and maximum basis; is it not?

Mr. Mather.—Perhaps the simplest way is to take a concrete case. One of our contracts is for a fixed quantity of 20,000 tons per month. The only variation in that quantity is when we buy a larger amount of coke from that company and then get a reduction in the quantity of coal. That reduction can only be made within limits. Another contract is on the basis of output of the colliery but subject, at any rate temporarily, to an average maximum throughout the year of 15,000 tons per month. We have reason to believe that in actual practice they will not give at any time more than 20,00 tons per month. The third contract which we have has now been reduced by an arrangement to a specified quantity between the beginning of 1932 and the end of the contract at such rates as are mutually agreeable. That puts us in a very satisfactory position.

President.—It is very difficult to try and estimate the cumulative effect of these.

Mr. Mather.—We are not specifically pressing or asking that you have to take into account such special circumstances as may arise in the future. I am bringing this to your notice in order to explain the movement of prices during these years. No one will expect to find that the price in 1929-30 which was a somewhat typical year was less than in 1931-32 which was a very bad year. That is a factor. . . . . .

President.—Against that supposing we decided to take into account the fact that since 1932-33 there has been a steady and substantial fall in the cost of coal delivered at your works? We consider that the exceptionally low price at which you are able to obtain your coal at present may not persist; that we admit, but instead of taking as high a figure as the average of six years we take for the purpose of fixing an arbitrary estimate a figure for a typical year like 1929-30 and take the weighed average price of 5·75?

Mr. Mather.—I should like to suggest that might very well prove to be less than what is required. I should like to bring another aspect of the contract to your notice which is generally applicable to two or three of them at any rate and that is these contracts provide a minimum price of Rs. 3-12. It doesn't matter what happens to the coal market. Under contracts by which we get 80 per cent. or more than 80 per cent. of our total purchases of coal, there is a definite minimum price of Rs. 3-12 f.o.r. colliery.

President. With the exception of one contract, all the others specify a minimum?

Mr. Mather.—That is right. That minimum price is Rs. 3-12 f.o.r. collieries to which we have to add practically Rs. 1-4 on account of freight at the old rates. We are not discussing the future changes in freight. This minimum would apply to 80 to 85 per cent. of our purchase of coal.

President.—What is the freight?

Mr. Mather.—About Rs. 1-4. We cannot even to-day get that coal delivered at Tatanagar for less than Rs. 5. That is to say you ask us to accept Rs. 5·5—which is only 10 per cent. higher than the minimum—as a possible average price.

President. Rs. 5·5.

Mr. Mather. That leaves to my mind practically no effective margin for a rise particularly when you also bear in mind that the gas coal which we buy is more expensive.

President.—It is more expensive by about a rupee.

Mr. Mather.—Yes about a rupee on the average.

President.—That is another factor. The variations in the average price partly depend upon the quantity of gas coal bought.

Mr. Mather.—Yes.

President.—This figure of 2·4 lakhs for gas coal in 1929-30 is on the whole on the high side.

Mr. Mather.—It is higher than what we used in the last two years.

President.—So that if we take Rs. 5·5 we give you the benefit of a larger proportion of gas coal which is more expensive than coal.

Mr. Mather.—This minimum cost of our contract coal of Rs. 5 together with this extra Re. 1 will leave a margin of about 4 annas for the rise in the price of coal. That, I suggest, is not an adequate margin for the future.

President.—I do not know if it is very much to the point to go into that question. Actually coal at this average price has been delivered at Tatanagar during these years at prices approximate to the kind of price I am suggesting.

Mr. Mather.—On the average it has been a higher price. To-day it is delivered at a still lower price.

President. We have got the weighted average price of gas coal and coking coal up to 1932-33. Could you give us the weighted average price for each month in 1933?

Mr. Mather.—We can give you that. That does not vary according to any obviously rational arrangement. The price under each contract is fixed for a period of 12 months. In some cases the 12 months period begins in April and in other cases begins in January, so that we don't get a sharp dividing line while there is a tendency for a general level of prices to fall.

President. It is quite true. I suggest you can give us figures for a period of 10 months.

Mr. Mather.—Yes.

President.—By the time we start reporting, you will be in a position to give us figures for 12 months?

Mr. Mather.—Yes.

President.—I don't think we can carry the question any further. The best judgment that we can bring to bear on this question is only of hypothetical factors.

Mr. Mather.—There is one factor which is not hypothetical. Under our most expensive contract we are definitely faced with the fact that in 18 months from now we shall have to take 12 per cent. more coal than we are doing at present and in 3½ years we shall have to take about 40 per cent. more coal than we are taking now.

President.—That is not a question which the Board has ever considered in the past, although I recognise the special position of the industry which applies for protection. In this case I cannot at the same time help saying that one feels a little uncomfortable that in the matter of a commodity such as coal, the wise or unwise contracts which a particular company has made should be allowed for in the fair selling price. It is to my mind a question which is not by any means free from difficulties. I recognise at the same time that the position of the Steel industry is rather peculiar in that respect, because the industry is composed of just one unit. That question is a difficult question: to what extent are we justified in placing on the consumer in this country a burden as the result of unwise contracts entered into by an applicant Company.

Mr. Dalal.—May I say that that question was considered by the first Tariff Board and if I am not mistaken, the conclusion arrived at after taking all the circumstances into account was that the contracts entered into were not unwise.

President.—I remember that statement. That statement was made by the Tariff Board in 1924 at a time when the situation of the coal market was very different from what it is now and the impression that the Tariff Board formed in 1924 was based entirely on a relation between coal prices in 1924 and coal prices at the time the contracts were made. The position has altered.

Mr. Dalal.—Nobody could have foreseen that.

President.—I recognise the special factors in the situation, but it raises at the same time a certain amount of difficulty. I quite admit that it is easy for us sitting here to be wise after the event. I recognise the weakness in that argument. At the same time the Tariff Board has duties on both sides and we have got to consider very carefully to what extent we should add to the standard cost of steel in this country as the result of the operation of the special agreements of this character. In respect of taking an average price of this kind we not merely look to the variation in the coal markets but we ought to look at this stage to the variation in the duration of the contracts in determining the future prices of coal.

Mr. Mather.—We are not putting forward a particular plea that you should do that. We have not raised that point in our representation. I merely mentioned that in case a particular year which happens to give a low price presents itself to the Board as having some merit as the basis that should be borne in mind in deciding how prices are going to be fixed, if an over-all average cannot be adopted. We have by no means exhausted the difficulties of these contracts.

President.—I don't think we can carry the point any further. We have discussed all the aspects of the question now and we must arrive at some judgment as far as we can. The price of coal that you give f.o.r. Tatanagar consists of the price f.o.r. colliery, the freight to Tatanagar, a certain allocation of supervision charge by the coal department and the cost of unloading and stocking?

Mr. Mather.—That is so.

President.—This Rs. 5-12 which you suggest, besides the price of coal at pitsmouth, would include these other charges?

Mr. Mather.—Yes.

President.—Is it possible to give an analysis—how the f.o.r. price Tatanagar can be divided under these heads just to give an idea of the situation?

Mr. Mather.—I will give you that.

President.—It would help us in arriving at an estimated figure. You need not do it over a period of years.

Mr. Mather.—No. We will take the latest year 1932-33 and give you the figures.

President.—In paragraph 47 you deal with the consumption of coal. The average consumption that you suggest for the period of protection is more or less the figure that you arrived at in July of this year.

Mr. Mather.—That is so.

President.—Would you think a calculation of this kind would represent the situation? If you take the figure of 2·87 which is the actual consumption arrived at in 1932-33 and you take 2·68, the 1933 July figure, ultimately at the end of the seven-year period you would get an average coal consumption of somewhere about 2⅓rd tons.

Mr. Mather.—A trifle less than that is our anticipation.

President.—What is your anticipation?

Mr. Mather.—Our average consumption of 2·87 tons of coal per ton of steel for last year was of course on the actual production of various products for last year in the proportions in which they were actually produced at that time. The same remark applies to the figure of 2·68 as our actual consumption for the month of July. I submit that in considering what our future consumption is going to be, we should have to average it out in respect of the quantity of each kind of product which we anticipate making.

President.—That is true.

Mr. Mather.—I have therefore recalculated the figures of 1932-33 and the figures for July of this year on the basis of the programme which we have put forward in paragraph 33.

President.—On the distribution of products as contained in your estimated average?

Mr. Mather.—Yes. Having done that I arrived at this: that the 1932-33 efficiency, you may call it, for the new programme was 2·93 tons of coal per ton of steel and the corresponding figure for July was 2·79. What I submit is that, for a given programme, we were consuming 2·93 tons of coal in 1932-33 and we have suggested that we should use 2·6 tons of coal as an average in the future; that is to say our future average is going to be ·33 tons less than what it was in 1932-33. Therefore on the assumption, which will be approximately correct, that the reduction in the coal consumption will be at a fairly uniform rate, it implies that our final consumption will be ·33 less than the average, just as the initial consumption is ·33 more. We arrive then at a final consumption of 2·27, so that the average consumption of coal which we anticipate here implies that at the end of the period we would be using 2¼ tons of coal per ton of finished steel.

President.—On the kind of distribution that you have postulated in your estimate?

Mr. Mather.—Yes.

President.—I shall take up this question again in another connection, I mean the question of coal consumption. In the meantime I go on to paragraph 48. I shall ask a few questions about spelter. The figures of consumption that you show in your cost statement of spelter are the gross consumption?

Mr. Mather.—That is so.

President.—If you take the gross cost of spelter, deduct from that your recoveries on account of dross.

Mr. Mather.—The money value of the recovery?

President.—And divide the result by the current price of spelter, won't you get a result? You take your gross cost of spelter, deduct your recovery and then divide that by the price of spelter.

Mr. Mather.—We would then get what would be an approximate nett cost of spelter.

President.—Because I should like to be in a position to compare your nett figures about which we have information in regard to other industries.

Mr. Mather.—It would not give you very accurate figures. Our recoveries for dross and skimmings are less than they would be in a country like England or most of the Continental countries where those dross and skimmings can be converted into fresh spelter either in the works itself or sold to people who recover the metal.

President.—What do you do with your dross?

Mr. Mahindra.—Quite a big quantity goes to Mirzapur. They use it mostly for making utensils.

President.—How much did you sell last year?

Mr. Mahindra.—I shall get you that.

President.—The bulk of it is sold in India?

Mr. Mahindra.—Yes.

President.—What proportion is roughly exported?

Mr. Mahindra.—I think at present we are not exporting anything.

President.—Is any portion of it used by the Chemical Works in Bombay?

Mr. Mahindra.—Practically nothing is sold to the Chemical Works. There are skimmings and zinc dross. Zinc dross is entirely separate from skimmings. There is practically no market for skimmings. We tried the Tatanagar Chemical Works to take it for purifying it but they have not succeeded in that.

President.—Zinc dross is what you get out of the zinc bath?

Mr. Mahindra.—Yes.

President.—You have to conceive of skimmings very much in terms of curd, and so on. Does the price vary from time to time?

Mr. Mahindra.—For the skimmings, the price is practically nothing.

Mr. Mather.—I have figures for 1932-33. In that year we sold a total quantity of 518 tons of zinc dross at an average nett price of Rs. 152. In the same year we sold 31 tons of skimmings at an average nett price of Rs. 25-13.

President.—It is all sold in India.

Mr. Mahindra.—Zinc dross is entirely sold in India. For skimmings the only market that we could find was Germany, but the market price delivered there is not more than what it would cost us to pack it and pay the

President.—In some part of your representation, you refer to a figure of $1\frac{1}{2}$ cwts. as probably the consumption in British works.

Mr. Mather. That is the basis on which we adjust the conversion charge under our arrangement with the Oriental Company.

President.—What is it—is it gross or nett consumption?

Mr. Mather.—I think that is the nett consumption. In fixing the conversion price with the British manufacturers under this arrangement we only have to cover the fluctuations in price. It was therefore agreed that the fluctuations would be dealt by a greater or lesser charge from us according to the price of spelter on the basis of 168 lbs. That is the nett figure.

President.—Coming to your estimated cost I have been unable to follow the precise methods that you have adopted for working out your average costs. But I take it that you have taken into account all the possible channels by which reductions may be attained and given us your final results?

Mr. Mather.—That is right.

President. Looking at the progress which has been made by the works during these years and the capital programme that you have outlined, I take it your estimated costs imply that reductions are possible in various directions leaving out for the time being the adjustment of funds and the adjustment on account of scrap?

Mr. Mather.—Yes.

President.—In your capital programme you make provision for improvement in the coke ovens, the by-product plant, Benzol plant, slag-cement plant, gas holders, mains, etc., for fuel economy, blast drying plant. All these things must have their necessary reaction on the costs both of pig and of coke. Then you make provision for capital expenditure to the extent of Rs. 40 lakhs on the open hearth.

Mr. Mather.—On steel making plant.

President.—It must have some effect in reducing the cost of ingot.

Mr. Mather.—Yes.

President. That is the cost of steel?

Mr. Mather.—Yes.

President.—There is the possibility, as a result of better supervision provision for weighbridges, and things of that kind, of getting a better yield?

Mr. Mather. Yes.

President. Then as a result of better utilisation of waste gas and so on, there would be a possible reduction in the consumption of non-coking coal?

Mr. Mather.—Yes.

President.—Then there is a possible reduction in the consumption of spelter. It may be large or it may be small. There is some margin.

Mr. Mather.—Yes.

President.—Then there is the new 22″ mill which by dispensing with the old bar mill must make for an improvement in costs.

Mr. Mather—Yes.

President. Then, there are improvements which you contemplate in the service departments, in the general efficiency of labour and the capital expenditure that you provide for general improvement in the works. Then there is the operation of new sheet units which must of course make for a considerable reduction and over and above all these there is an increase in the output on January-June 1933 basis, under your programme. I presume in working out your estimated costs you have envisaged reductions in all these directions?

Mr. Mather.—Quite.

President.—I want to take just some of these items not all of them—and ask you to indicate the reductions which may be possible in each of these directions. Taking first the question of yield, I should like to discuss that with reference to the blooming mill which is a sort of bottle neck and the effect of any better yield on that will be manifest of course throughout.

Mr. Mather.—Yes.

President.—Taking January-June figures, I notice that your yield on the blooming mill is somewhere about 87 per cent.

Mr. Mather.—That is about right.

President.—As the result of improvements during a period of seven years, what sort of increase in yield do you anticipate?

Mr. Mather.—We should hope to get that yield up to 90 per cent.

President.—Have you any idea as to how that would compare, I don't say, with the best blooming mill practice but with a sort of average blooming mill practice say in a country like England?

Mr. Mather.—I think it would not be unreasonable; in fact I think it would be a fairly satisfactory yield if we can get to 90 per cent. in our circumstances.

President.—What is the best yield that you have heard of?

Mr. Mather.—It can be, in some instances I think as high as 92 per cent.

President.—That is about the best?

Mr. Mather.—That is the best I know of as a regular figure. But I think that it would be difficult for us to get as high as that although we are anxious to improve our yield.

President.—Your difficulty will arise from circumstances such as what?

Mr. Mather.—Such as this. In order to get a large tonnage through with one blooming mill, we cannot use small ingots. We cannot use ingots of many different sizes merely for the sake of improving the yield. There are certain purposes for which we might get a little better yield if we used somewhat smaller ingots or if we had the size of the ingot according to the particular job. If we are going to get this quantity of output through with one blooming mill, we have to operate that blooming mill quickly. I am not suggesting that it is beyond the capacity of the mill. Many and frequent variations in the size of the ingot and particularly the use of many small ingots, while it might, if carefully operated, help in the yield militate against the output and I don't think that the financial advantage to us due to the small improvement in the yield would compensate us for the difficulties that we might be faced with in handling the output.

President.—What is the best figure you have attained so far?

Mr. Mather.—For an individual month?

President.—Yes.

Mr. Mather.—I am afraid I have not got the record.

President.—Have you ever reached 92 per cent.?

Mr. Mather.—No, I don't think so

President.—In no individual month?

Mr. Mather.—I have not noticed any individual month in which we have reached 90. I think that if we can do anywhere near 90, we should do very well. We might, if we are compelled to use large sized ingots for every job that we got.

President.—Take your steel plant. Suppose all the capital expenditure which you propose in respect of that part of the plant has been incurred, it would not be going too far to suggest that your open hearth cost per ton of ingot must reach the level of the Duplex

Mr. Mather.—I think that to get down to that level we should have to spend more money than we have indicated here. I do not want to raise any objection to the view that the two costs can be brought nearer to each other. Certainly they can be brought closer, but I would not commit myself to the opinion that the open hearth costs can be brought down to the level of the Duplex without a complete rebuilding of the whole plant.

President.—In your estimated cost, what is the sort of average that you hope to get?

Mr. Mather.—About 38 to 39.

President.—Roughly what sort of margin do you presume between the open hearth and the Duplex?

Mr. Mather.—I think it is about Rs. 4. I should like to call attention to another point which affects the relative costs of Duplex and the open hearth. In preparing these estimates, we have assumed and I think rightly, because it is certainly what we shall try to do and we shall succeed to some considerable extent, that we shall make as much steel as possible on the Duplex plant and therefore as little as possible on the open hearth consistent with merely absorbing the scrap.

President.—Roughly what proportion do you get?

Mr. Mather.—About 185,000 tons of ingots on the open hearth and 540,000 tons on the Duplex plant.

President.—That is at the end of the seven year period?

Mr. Mather.—This is the average for the period.

President.—What is the present proportion?

Mr. Mather.—We are not making the same total quantity of steel.

President.—I am talking of the proportion?

Mr. Mather.—The present ratio is 2½ to 1 as against 3 to 1 in the future.

Mr. Atha.—It is 70 per cent. on the Duplex and 30 per cent. on the open hearth?

Mr. Mather.—Yes. In the first six months of the year we produced 95,000 tons open hearth ingot and 215,000 tons of Duplex ingots. That is a ratio of a little less than 2½ to 1.

President.—Making a provision for a larger production on the Duplex and making capital improvements to the extent of the figure that you have indicated in the capital expenditure programme, it is not a reasonable assumption that the two costs can come very close?

Mr. Mather.—This is really tantamount to producing from the open hearth the same quantity of ingots as we have been doing in the first six months of the year. We are assuming 185,000 tons which is a very small decrease but from the Duplex we were producing in the first six months at the rate of 430,000 tons a year and we are proposing to put that up.

President.—Even if you are not making any reduction in the margin of the costs, simply a larger production will bring the costs down?

Mr. Mather—Yes.

President.—Taking that into account along with the possible effect of the improvement in the open hearth plant, we may be justified in assuming that at the end of the seven year period the cost of steel ingots would very closely approximate to whatever may be the average figure that you may get on the Duplex?

Mr. Mather.—No. I don't think we can safely assume that unless you mean that it will be the average cost on the Duplex plant now.

President.—Apart from any capital improvement question, I take it that you have not reached the final stage of the progress on the Duplex; there is further reduction possible. Whatever that reduction is at the end of seven years that figure that you attain on the Duplex would be very nearly the average cost of your ingot at the end of the seven year period.

Mr. Mather.—The average cost of ingots will not be very much above that, not more than a rupee.

President.—I now come to the question of coke and iron; they hang together. At present the coke consumption per ton of iron is 2,509 lbs., taking the January-June basis. Is that right?

Mr. Mather—Yes.

President.—Assuming all these capital improvements, I take it in various directions reductions would be possible. You reduce the cost of coke, you reduce the quantity of coke per ton of iron, you get better credit for waste gas and you save the excess expenditure on outside coke, so that in all these directions reduction would be possible. I am going to suggest that considering the various directions in which reduction is possible at the end of seven years a figure of 2,000 lbs. would not be unreasonable.

Mr. Mather.—That is a bigger reduction that we anticipate. We expect to get the coke consumption on the same basis as this figure of 2,509 lbs. down to 2,100 lbs.

President.—What do you estimate the possible reduction in the cost of producing coke? At present your nett works cost of coke is 8·08 taking the January-June 1933 figure.

Mr. Mather.—May I look at it in a slightly different way? Rs. 8·08 is based on the current price of coal. I expect that the average cost above coal at the coke ovens (ignoring for the time being the bye-products and the cost of the coal itself), will come down by rather more than half of a rupee per ton. The cost last year was Rs. 2·5: ultimately I expect it to come down to Rs. 1·5 and the average for the seven years will be about Rs. 1·9.

President.—I am afraid I have not followed you. The figure in the cost statement is 8·08; that is for January-June. That is based on a lower price of coal than the estimated future price?

Mr. Mather—Yes.

President.—Suppose you took coal on the basis of Rs. 5-12 what would this figure of Rs. 8·08 be?

Mr. Atha.—Is it the cost of bought coal?

Mr. Mather.—That is right.

President.—Take this figure of 7·78 and let us know the reduction on that?

Mr. Mather.—The increase in the price of coal from the level prevailing in January-June will put the cost up by precisely a rupee.

President.—Taking that as your starting point and assuming reductions in these various directions what do you estimate on that coal price the cost of coke?

Mr. Mather.—We estimate the average for the whole period to be Rs. 8·2 the figure at the end of the period would be about Rs. 7·8.

President.—That is taking into account all these improvements in the coke ovens?

Mr. Mather—Yes.

President.—It includes also all the credit that you might get for the gas cleaning plant?

Mr. Mather.—The gas cleaning plant will not affect the cost of making coke because that is a blast furnace gas cleaning plant.

President.—The benefit of that goes to the blast furnace?

Mr. Mather.—Yes.

President.—Let me look at it from another point of view. You expect to reach a consumption of 2,100 lbs. at the end of the seven year period.

Mr. Mather.—Yes.

President.—Making allowance for the increased utilisation of waste gas—by the way, what is your present consumption of non-coking coal per ton of finished steel?

Mr. Mather.—Last year it was 1·01 tons.

President.—Practically 1 ton. For the moment I am not taking into account the reduction in the cost of coke as a result of credit for waste gas and so on, but if I suggested that the consumption of non-coking coal could be reduced from one ton to somewhere a little above half a ton at the end of the seven year period, would that be right?

Mr. Mather.—I think it would be about ⅔rds of a ton.

President.—The other item that I want to consider out of this list of improvements possible is with regard to sheets. The first thing I want to ask with regard to sheets is, what is your present consumption of sheet bar per ton of sheet?

Mr. Mather.—For the first six months of this year it is almost exactly 1¼ tons.

President.—Do you know the British practice?

Mr. Mather.—The British practice is rather better than that. The information that we were given about 18 months ago was that it was about 1·2.

President.—I notice in your agreement with the Oriental Company there is a certain figure shown there which of course is a lower figure than this.

Mr. Mather.—Yes. I am giving now the consumption of sheet bar per ton of black sheet.

President.—The figure that you take in your agreement is the figure of sheet bar per ton of galvanised sheet. On galvanised sheet basis the figure is somewhere about 1·12?

Mr. Mather.—Yes.

President.—You are running the sheet mills with a considerable degree of efficiency in this country.

Mr. Mather.—Yes. The position was very different in 1924.

President.—And also in 1926. It is almost a phenomenal improvement in the sheet mills. It is time I think that the Indian steel industry approximated at least to British costs. That is what we anticipated in 1926 and I see no reason why consumption of sheet bar in England should not in another seven years be attained in India.

Mr. Mather.—We hope so.

President.—We can take a figure of 1·12?

Mr. Mather.—Yes, for galvanized sheet. For example, the British yield of black sheets from sheet bar was 83½ per cent. and our figure for the first half of this official year is about 80 per cent.; for the last 3 months we have averaged 81·2, that is about 2 per cent. less than the British figure. In recent years we have averaged about 82 per cent.

President.—So that it is quite a reasonable assumption to make?

Mr. Mather.—We hope to get within 1 per cent. at any rate. We are advised that we cannot get absolutely the maximum yield on the new type of mill; hand operated mills can give better yields than this type of unit can, possibly half to one per cent. or something like that. But subject to that proviso we estimate that we will get our practice in the course of a few years on to practically the same level as in England.

President.—With regard to spelter consumption it is rather a thorny question that I am trying to raise again, that it is time that you approximated to the British practice in a matter such as the consumption of spelter. There is no reason why you should not if we give you another period of seven years?

Mr. Mather.—We shall be disappointed if we don't do that by the end of the seven year period but we have found it very difficult to get the improvements which we aimed at and hoped for. We find it more difficult to attain the improvements here than in any other part of our operations.

President.—Why is that?

Mr. Mather.—Perhaps we have not been very fortunate in the selection of our men; on the other hand, we had certain misfortunes which were outside our control such as this: We brought out a galvaniser about 18 months ago; he did not settle down very comfortably and he made a little improvement in our spelter consumption, but not very much. We then brought out another; he was beginning to make definite progress and he unfortunately died in the hot weather of this year. We have now brought out another man, but we still have to see what he can do. He has arrived only a few weeks ago. I mention this as indicating what we are aiming at. We are keeping on working at this and if we find that the man in charge of the galvanising plant is not producing the result we expect, we will do something at a very early date.

President.—If the present consumption of spelter is high as compared with other countries, to some extent it is to be explained with reference to incidental circumstances of this sort?

Mr. Mather.—That is so.

President.—So that once these incidental factors are eliminated there is really no reason why your consumption of spelter should not practically be the same as the consumption in a British works?

Mr. Mather.—Once we have had time to train up the necessary men.

President.—Fourteen years is sufficient time! If we give another seven years it is 14 years?

Mr. Mather.—We certainly expect to get near to it by the end of that time.

President.—There is another question which is rather difficult and that is, to what extent we should be justified in bringing down the average cost of sheets as compared with the January-June figure as a result of the operations with your two new sheet units. I take it it involves two questions, first what is going to be the ultimate cost which you expect to attain on the new sheet mills, what is the ultimate cost you are going to get on the old sheet mill at the end of the seven year period and the weighted average of these on the respective types of the two plants.

Mr. Mather.—We do not expect any reduction of the cost on the old sheet mill.

President.—All—in reduction due to increase in output or anything of that kind?

Mr. Mather.—We do not expect any reduction by improvement in the efficiency on the old mills. Obviously if with cheaper bar we maintained the output on the old mill, the cost of black sheets will be less.

President.—That is consequential.

Mr. Mather.—Certain parts of the expenses will be spread over a larger tonnage. On our cost sheets of even the old mills we get the benefit of that reflected.

President.—What do you estimate on the new sheet mill?

Mr. Mather.—We expect to get our total costs on the new units down to about Rs. 10 lower than on the old units.

President.—What is the latest cost that you have got in the new sheet unit?

Mr. Mather.—We have just received the October cost sheets. On this allocation for the month of October we reported the cost of black sheets on the new sheet mill at Rs. 12 below the cost on the old unit.

President.—What are the actual figures?

Mr. Mather.—79·3 and 91·7.

President.—That is a difference of 12·4.

Mr. Mather.—Yes.

President.—When did the new sheet unit start work?

Mr. Mather.—About the beginning of April.

President.—Assuming that you have got no improvement on the old sheet mill, are you suggesting that this difference of Rs. 12 would be narrowed down?

Mr. Mather.—I am not sure that this is a permanent one. I am looking at it in a slightly different light from that. When we get two units going, our costs over the whole output will be Rs. 10 lower than if we had been making the whole tonnage on the old unit. I think you will realise this is a somewhat artificial division of the cost between the two groups.

President.—Why?

Mr. Mather.—The distribution of so many of the more or less standing expenses in the department. For instance when we started this division the costs on the old units appeared for a time to rise. That I think is largely due to the difficulty of getting a perfectly equitable sub-division.

President.—That is all these exhibits and things of that kind.

Mr. Mather.—Partly the exhibits and partly the standing costs in the different service departments; for instance the consumption of electricity for cranes is very difficult to divide in any hard and fast manner. There is the miscellaneous charges, labour charges, pay of Superintendent and foremen—all these are costs standing by themselves for a particular mill.

President.—Assuming for the moment that is the position, what do you build on that?

Mr. Mather.—Our average cost when we have two new units operating will be about Rs. 10 lower than the costs on the basis of operating old units only.

President.—That is rather a confusing reply and I will tell you why. I am trying just for the moment to get an idea of the expenditure to which you can reduce the cost of your new sheet unit as compared with the old sheet mill unit. If you are going to adopt a different basis of allocation, then the cost of the old sheet mill may go down and the cost of the new sheet mill will go up.

Mr. Mather.—Yes, that might happen. The method we have adopted of allocating the standing charges is as good as we could devise, but no such method can be absolutely correct. I am merely mentioning it just to show that minor differences should not be regarded as absolutely essential. We did show at first that the cost of production on the old units rose over the cost of production on the old units, when nothing but the old units was operating. It is a difficult costing problem and it is not entirely surprising that some such effect occurred.

President.—Supposing there was no difference in the allocations as you made them for January-June 1933, and the difference between the costs on the old sheet mill and the new sheet mill in October is Rs. 12½ without any change in the allocations on the old sheet mill, cannot I take a difference of Rs. 15 as perfectly reasonable at the end of a seven year period taking the old sheet costs on the basis of January-June 1933! I should be surprised if you are not able to reach that margin.

Mr. Mather.—The average costs on all our output at the end of 7 years would be about Rs. 15 less than the average cost of our output in January-June. We ought to get somewhere near that.

Mr. Dalal.—It is a difference that you anticipate at the end of 7 years?

President.—Yes.

Mr. Dalal.—The difference between the old and the new mill?

President.—The difference between the average costs of sheet as shown in January-June 1933, taking the cost of sheets on the old sheet mill and the new unit and taking the weighted average in January-June and taking the average of the whole sheet plant at the end of the seven year period—not as an average but at the end of the reduction of Rs. 15 from January-June

Mr. Mather.—You deduce that from Rs. 12.

President.—And the possibility of an increase in the output on the new unit as compared with the output on the old.

Mr. Mather.—That of course is always in terms of 24 gauge.

President.—There is just one other point I want to raise. All through your representation you make references to various general improvements that you contemplate, the possibility of reducing the cost in the service departments, the possibility of closing down the old bar mills, further improvement in your labour costs, the increase in the output which is contemplated—taking all the general improvements of this kind into account, you provide for about Rs. 165 lakhs for general improvements of various kinds. Taking the cumulative effect of all these we should be justified in presuming an over all reduction of over and above the specific reductions that you have contemplated. I should like to get an approximate estimate of that not as an average but at the end of the period as a sort of goal.

Mr. Mather.—A number of items is of a general nature. For instance take rolling stock, railway tracks, equipment for machine shops and so on. They will have little appreciable effect on the costs themselves. The boiler and the power plant will be required mainly to put us in a position to get additional power which we shall need for Mr. Indra Singh and for the new units ultimately. We shall naturally put up a plant of somewhat more efficient kind than we have in operation now. The primary object of a good many of these items is not that we should be able to get substantial reductions in our operating costs on those accounts.

President.—They are not the sort of things that will make a direct reduction, because they have no direct reaction.

Mr. Mather.—No.

President.—All these things generally tend to improve the general standards of efficiency which must be reflected on the costs.

Mr. Dalal.—Unless these improvements are made, we will not get the estimated reductions in the specific cases.

President.—These improvements that you suggest help the efficient working and at the same time in addition to that they improve the general standard. Even take the first two items, better conditions. Unless Indian labour is hopelessly bad, you must expect to get better sort of work.

Mr. Mather.—Indian labour is by no means hopelessly bad.

President.—I am not suggesting these are items which you can measure with scientific precision, but we should be justified when making provisions of this kind of expenditure to postulate a certain amount of reduction due to the improvement in the general standard of efficiency. I am not asking you to attempt to make any scientific calculation of each item, but to give me a general indication of the sort of reduction that you expect from an all round improvement and standards of efficiency apart from any capital improvements. Your labour costs, you have not reached the final stage and there ought to be improvement. The old bar mills you have closed down and that would improve the position. In the service departments there should be a great deal of improvement and that must be reflected in the costs.

Mr. Dalal.—Improvements in the service departments will certainly be reflected in the costs. I think it will be extremely difficult to put down any figure.

President.—I recognise the difficulty as much as you do, but we are in the uncomfortable position of making these impossible estimates. We have to tell the Government what we consider to be the possible reductions. It is a very difficult position, but we have got to make the best of it. Rs. 5 seems to be a very nice figure to take at the end of 7 years.

Mr. Mather.—That is a very large sum. That represents Rs. 26 lakhs a year on this production.

President.—Mark you, not as an average during the period, so that the average is Rs. 2½.

Mr. Mather.—That means Rs. 13 lakhs a year on this programme.

President.—If you cannot get Rs. 2½ as an average reduction due to general improvements in the standards of efficiency over a period of seven years, I should feel less proud of the Tata Iron and Steel Company than at present.

Mr. Dalal.—That would be a very great pity, but these are improvements of a very general nature—improvements in the water supply, sanitation of the town. If you estimate separately the reductions in the costs that we would make on the specific improvements of a direct nature and over and above that take Rs. 5 a ton for general improvements . . . .

President.—Name your price.

Mr. Atha.—What about the improvement in the 22″ mill?

Mr. Mather.—Improvement in the 22″ mill will lead to a reduction in costs, when it comes.

Mr. Dalal. The coke ovens and the by-product plant would cost Rs. 160 lakhs. Would you show a reduction in the cost separately and then again take this into account?

President.—That has already been allowed for in any reduction which may be suggested on coke and iron and so on.

Mr. Mather.—We have assumed that we would be getting our labour to work more efficiently.

President.—This is a very nebulous kind of factor that we are considering which doesn't admit of precise calculation. Perhaps it is a matter of bargain. I am suggesting Rs. 15.

Mr. Dalal.—There is very little left and what is left is really necessary to make the specific improvements effective.

President.—As Mr. Atha pointed out the closing down of the old bar mill does make a reduction. It is a definite factor. Service departments admit of improvement in the costs.

Mr. Mather.—Yes.

Mr. Atha.—May I just read the items of capital expenditure given in your statement 19? For the 22″ mill you have given the estimated cost as Rs. 30 lakhs.

Mr. Mather.—Yes

Mr. Atha.—If you remove the old bar mill, it would cheapen the production of lighter sections that you now roll on the 28″ mill and would lead to improvement in the cost.

Mr. Mather.—Undoubtedly.

Mr. Atha.—Brick-making plant, you expect considerable economies.

Mr. Mather.—Yes.

Mr. Atha.—Boiler and power plant—that would provide the extra power you need and would reduce the generating costs.

Mr. Dalal.—This is the sort of thing which is necessary if we are to achieve the other improvements at all.

Mr. Atha.—So far as it cheapens current, it certainly is a saving that ought to be included in the figure we are discussing. Equipment for machine shops is a part of the service department.

Mr. Mather.—That is a gradual replacement. Every year we get two or three machines completely worn out.

Mr. Atha.—Calcining kilns is likely to make some improvement in the costs. Items 14 and 15, rolling stock and railway tracks

Mr. Dalal.—Unless we have them, we would not be able to carry our materials. They are essential for our ordinary routine work.

Mr. Atha.—They are not merely extensions?

Mr. Mather.—So far as railway tracks are concerned, extension is very small. A provision of Rs. 5 lakhs for 7 years on that account is very small.

As far as the rolling stock is concerned, that will go to replace worn-out locomotives.

Mr. Atha.—No. 18, measuring instruments for steam, electricity and gas.

Mr. Mather.—That will all come under the better utilisation of the waste gases. We have taken that into account in estimating our reduction in coal consumption.

Mr. Dalal.—That has already been taken into account.

Mr. Atha.—To get the result, you would have to spend this amount.

Mr. Mather.—We cannot get the best utilisation of coke oven gas without adequate measuring equipment.

Mr. Atha.—It is absolutely impossible to divide up the benefits but it is obvious that you cannot get the results without this expenditure.

Mr. Mather.—Yes. We have already said that we expect to get ultimately down to 2·27 tons.

President.—In respect of the items which you admit may result in substantial reductions apart from all reductions due to the 22″ mill and the improvements in the service departments, taking these specific cases into account only, what kind of general reduction would you suggest?

Mr. Atha.—There are other items like the re-heating furnace for the 28″ mill, annealing furnace for plate mill, etc.

Mr. Mather.—It would not lead to reduction in costs to any appreciable extent. At present we do occasionally miss orders for annealed plates because we cannot anneal bigger ones. The main object of this furnace is to help the plate mill. We cannot afford to have the interruption of sending plates to the sheet mill. It is reflected in the tonnage of plates which we expect to be able to make.

Mr. Atha.—Which will have reflections in the costs?

Mr. Mather.—Yes. We have pointed out already that the tonnage of plates which we have estimated is bigger than the total consumption of plates in India for the last two years. In order to get that, even allowing some increase in the demand, we have to be able to take orders for annealed plates if they are offered.

President.—What is the use of producing more than the country can take?

Mr. Mather.—Allowing for an increase in the demand?

President.—This increase in output is one of the factors which we are considering in respect of over-production.

Mr. Mather.—It would not lead to any appreciable reduction in the cost of plates. We expect to be able to sell 35,000 tons on an average instead of 32,000 or 33,000 tons.

Mr. Atha.—It is bound to be reflected in the costs?

Mr. Dalal.—As you will realise, it is very difficult to put a figure on general reductions. I should be inclined to put it at a rupee per ton on the average.

Mr. Natesan.—What is your basis for that calculation?

Mr. Dalal.—It is admitted that it is very difficult.

President.—It is very difficult but we cannot confess that we are beaten.

Mr. Natesan.—Mr. Mather has said that there is likely to be a little appreciable improvement here and there but many little appreciable improvements would mean some substantial reduction.

President.—Mr. Atha, would you like to raise that point at this stage?

Mr. Atha.—The total expenditure on these items is Rs. 165 lakhs. If you get 8 per cent. on that, it comes to Rs. 2½ per ton. But some of the items are going to bring in much more than 8 per cent. It is necessary for you therefore to get the increased output.

Mr. Mather.—I agree with some of them. Any reduction discussed so far purely on the basis of first six months of this year is a fair figure to take. When all these things are accomplished and the increased output obtained, it seems to me that moderate adjustments may be possible.

Mr. Dalal.—In some of the specific items reductions already estimated or proposed to be estimated are so fine that one would like to make some allowance. Take this Rs. 15 reduction. I really don't see how it has been arrived at.

Mr. Atha.—The October figure for the new sheet mill unit is Rs. 15 less than the average cost for the first 6 months of this year.

President. I don't think that there is any doubt about Rs. 15.

Mr. Dalal.—We will try and work it.

President.—I think that is a figure which can be substantiated. There is no doubt that this last figure of over all reduction is difficult to estimate. It is one of the matters on which we must exercise such judgment as we can muster.

Mr. Mather. We will certainly try to help you.

President.—Coming to Chapter VI, your main point in the first three or four paragraphs of this Chapter is to suggest a proportion of local expenditure to expenditure on foreign materials different from what the Tariff Board took in 1926?

Mr. Mather.—Yes.

President.—Your suggestion is that local expenditure should be taken at two fifths instead of one fifth of the total expenditure and that is based upon your experience of recent capital works, over a period of five or six years.

Mr. Dalal.—Yes.

President.—You have sent us a detailed statement for a period of seven years in which the imports work out at 47·2 per cent. and the local expenditure 52·6 per cent. which is roughly half and half.

Mr. Dalal.—Yes.

President.—Your contention is that it more than justifies?

Mr. Dalal. Yes.

President.—There are just a few small points I am raising in connection with that. The analysis that you have sent refers to a capital expenditure of Rs. 258 lakhs.

Mr. Dalal.—Yes.

President. The total capital expenditure during that period was Rs. 350 lakhs?

Mr. Dalal. Yes.

President.—If you exclude collieries it is Rs. 336 lakhs.

Mr. Dalal.—Yes.

President.—Would a complete analysis make a difference to the position? I will tell you why that point occurred to me because the proportion between expenditure on imports and local expenditure varies considerably from year to year. If you take for example the two years 1928-29 and 1930-31 and when you take a rather limited range of capital expenditure and there was no substantial capital expenditure—and try to work out an analysis on a basis of straight forward average, I am not quite certain whether it would necessarily reflect the position at the time when the bulk of this initial expenditure was incurred. It may or it may not. It rather indicates, but indication is very different from confirmation. To take a small capital expenditure spread over a number of years and a number of miscellaneous things in which the proportion between the local expenditure and expenditure on imports varies from time to time and to take that as a necessary reflection of the large amount of capital expenditure which was incurred in the initial stages seems to me to be a proposition which is somewhat bigger than we can accept on these materials.

Mr. Dalal.—I think that it would be difficult, but I don't think it is entirely impossible to justify this from the records of the Company.

President.—That is perfectly true.

Mr. Dalal.—I submit that certain general considerations might indicate our point of view.

President.—The Tariff Board went into this question in 1926 and arrived at this conclusion. I am not in a position at present to state on what materials the Tariff Board came to that conclusion. You are not in a position to give us data with regard to the initial capital expenditure or even for a considerable part of this capital expenditure you are not in a position to give us data. All that you can tell us is that the capital expenditure that you have incurred since 1926 seems to indicate in certain years . . . . . .

Mr. Dalal.—We submit that it indicates for the whole of the period.

President.—But it is not very helpful. It may be right, but it is not necessarily right. What I have to do is to take these sample cases that you have now resuscitated and say in the light of these sample cases the conclusion arrived at by the Tariff Board in respect of Rs. 15 crores has got to be revised.

Mr. Dalal.—I submit that these are not precisely sample cases. This is our total expenditure.

President.—It is something less than the total. The total was Rs. 350. This is about Rs. 250.

Mr. Dalal.—But this is our total expenditure in the works itself. The balance of expenditure was in the town. Practically the whole of that was of a local nature.

President.—Can you tell us in regard to what you call local expenditure how much of that covers materials, say, like steel, the prices of which are regulated by import prices?

Mr. Dalal.—Some small proportion of it.

President.—Can you give us any data in regard to that point? Obviously I take it that a considerable part of your local expenditure is expenditure on materials, prices of which are determined by import prices and unless you can eliminate that, your analysis will not throw any light. Supposing you took steel from your own works, the prices of which would obviously be determined by import prices, that factor had to be taken into account.

Mr. Mather.—For all purposes of construction and operation we use steel at a small percentage over our own works costs.

President.—To the extent that local expenditure is expenditure on labour, we cannot take the variation of the import prices into account but the expenditure on materials may reflect to a substantial extent the price of imported materials.

Mr. Mather.—Yes, in some cases, but not for bricks and things like that.

President.—You have got to give us an analysis. I am entirely in the dark as to the proportion of materials which are determined by import prices.

Mr. Mather.—A very large proportion of the local expenditure was done on a contract basis.

President.—Then what I would say is that the data are not sufficiently convincing. In the first place you are not able to give us an analysis spread over a period of years of a vast range of miscellaneous expenditure and you ask us to deduce from that the proportion of local expenditure and the expenditure on imports for the whole of the capital expenditure incurred in the initial stages. Over and above that, in this local expenditure you cannot tell us how much of that expenditure is on materials which are regulated by imports in respect of prices.

Mr. Dalal.—May I submit that to the extent to which the actual expenditure refers to a much earlier period, it will probably be found that this is an understatement because a very large part of the expenditure would have been incurred on things like the acquisition of land, building of houses, building a waterworks, sewage works and things of that kind, where the greater part of the expenditure would have been entirely local. Inasmuch as this is not a complete statement—several lakhs are omitted—if you wish, we will try and make out a statement as complete as possible. In so far as we have omitted the expenditure on the town, it is something which tells in our favour rather than otherwise because practically the whole of that expenditure would also be local expenditure. The point that you have raised about the expenditure on steel and things of that kind which is governed by import prices may be an important point. To the extent to which we are able to elucidate it, if you wish, we will try to do it. Still I submit that this is very much an understatement. In accordance with this, more than half the expenditure is local, whereas the proportion that we are claiming is a very much smaller one. I think that the data which we have given and the further data which we may be able to supply to you will afford sufficient indication to you to arrive at the same conclusion as we have arrived at.

President.—Yes, if you will give us some facts that will throw light on the difficulties I have pointed out.

Mr. Dalal.—Yes.

President.—The important question we have to consider here is the variation in the prices of machinery, that is to say we take a certain proportion of your capital expenditure as expenditure on machinery and plant and in fixing the replacement value we have got to take into account many other factors such as the proportion in which the machinery prices have varied as compared with 1926-27. Now we have received very little information which throws any light on the variation of machinery prices. Have you any information at all?

Mr. Dalal.—I think we have. I do not know whether we have submitted that.

President.—We have not received any information.

Mr. Mather.—Our difficulty there is that we have nothing which is at all comprehensive on this point because it is only in rare cases that we buy machinery identical with what we have bought a few years previously. We took out a few cases, cranes for instance which we are buying frequently and we found that in 1931 or 1932 the cost of our cranes was approximately the same in rupees as it was five or six years previously.

President.—What we are concerned with is the price in rupees which reflects the exchange and the duties now levied on machinery.

Mr. Mather.—We have two other cases where we bought similar machines during the last year or two and the prices again were identical. These were big 156″ shears; we bought two new ones recently and the price is identical with the price at which we got the original shears. We have also recently installed a new corrugating machine in the sheet mill from the same maker as the maker of the original corrugating machine which was ordered about 1920 or 1921 and the price again is practically the same. Admittedly this machine is a somewhat better machine.

President.—What we did was this: we thought the kind of heavy machinery which come somewhat near yours is the sort of machinery employed, say, by engineering firms; they come nearer your machinery, jute machinery and so on, and we wrote to engineering firms and the replies we have received rather confirms what you say now.

Mr. Mather.—Take the corrugating machines. Although bought from the same firm, those bought in 1920 and the one in 1932, the dealers' price is higher in 1932 by 700 dollars. We regard it as a better and more robust machine but it is essentially of the same capacity. The 156″ shear we bought in September 1928 from an American concern cost us Rs. 19,600 f.o.r. Calcutta. Four years later we bought two of these machines at a price of Rs. 19,300 from an English firm. Much the same is the case with cranes. There has been no appreciable fall in the cost of the kind of machinery we buy since 1926.

President.—The only point at present is that taking that part of the capital expenditure which has been incurred on machinery and plant, in the light of the variations in prices when we last considered the question, is any reduction to be made in the replacement value in the light of variations in the price of imported machinery and plant? You are suggesting a reduced rate of interest on working capital, 6 per cent. Is that the sort of interest which you will be able to get?

Mr. Mather.—Not to-day.

President.—At what rate you get it now?

Mr. Mather.—3½ per cent. to 4 per cent on some of our loans. We are, however, looking at an average for seven years and we estimate 6 per cent.

President.—And as far as working capital is concerned I don't think there is any circumstance which justifies a reduction in the proportion?

Mr. Mather.—No. We have given you details of that.

President.—The only other question with regard to overheads is the question of the allowance, agents' commission, head office and so on. I think Rs. 10 lakhs that we have allowed is on the whole a moderate provision.

Mr. Mather.—Yes.

President.—The usual practice as far as I know is 10 per cent. of the profit before depreciation is set aside. Actually this figure of Rs. 10 lakhs is 10 per cent. of the profit on a fair capitalisation after depreciation is set aside.

Mr. Mather.—This 10 lakhs that we mention here is not 10 lakhs that goes to the agents firm. Over Rs. 5 lakhs of it is actual expenditure on the Head Office, etc.

President.—What I mean is, it is really a very moderate figure.

Mr. Mather.—The Steel Company's agreement with its agents does provide a very moderate and much smaller remuneration than that is common in India to managing agents.

President.—You ask that no deduction should be made from this statement on account of surplus on pig iron: can you give us a statement of the average surplus on pig to January 1933? Give it for 1930-31, 1931-32 and 1932-33.

Mr. Dalal.—It is a *minus* figure during the last two years.

Mr. Mather.—Take statement 18, column 4; it is a *minus* figure for the last two years.

President.—In taking this figure of 120,000 tons as the approximate surplus that you can sell, what is the sort of data on which you base that? I expect you assume that exports to Japan would be on the reduced basis of the past 18 months or two years and then you assume, I suppose, an export of 60,000 to 70,000 tons to the United Kingdom?

Mr. Mather.—It cannot be a very precisely calculated figure.

President.—There is just one other point. If you look at table 5 does it make any difference to the Company if the overheads and profits were calculated on a uniform basis?

Mr. Mather.—No. I don't think it does very much.

President.—The average would be 37·5. The only trouble is, suppose you reduced the figure on galvanised sheets to 37·5, the other figures approximate so close to 37·5 that the only way you can do it is by raising it on tinbar and billets on which you get only your contract price.

Mr. Mather.—Yes. The main difficulty will then be that if you are to raise the average on tinbar and billets it will be beyond our possibility to recover it.

President.—Your price in the agreement with the Tinplate Company will go down considerably?

Mr. Mather.—That depends on the amount of protection given.

President.—They have asked for Rs. 43 instead of Rs. 48 and we can't possibly give them more than they have asked. Straightaway there is a possibility of reduction.

Mr. Mather.—Therefore the agreement goes on the present basis. The basis of payment is automatically changed. It will become 1/3rd of the f.o.b. price of Welsh tinplate which I gather would be somewhere about Rs. 68, which would be somewhat less than our fair selling price. If we raise our overheads on that from Rs. 24 to Rs. 37 there is no way of making it up.

President.—It is arbitrary. You take works cost into account, you take marketing conditions into account and then you fix your overheads. In the last resort it is an arbitrary agreement. Each manufacturer has got his own way of fixing on-costs. The only basis ultimately from a purely business point of view is to do it on what the traffic can bear.

Mr. Mather.—That is a principle which I would be prepared to accept.

Mr. Wiles.—I propose to deal first with the town expenditure. Have you got a copy of the town budget?

Mr. Mather.—We have.

Mr. Wiles.—I propose to make a short statement and you can interrupt me if it requires correction. The inclusion of the whole town expenditure in your costs has been criticised by a good many people at various times. It has even been suggested by one economist that it would be entirely excluded; that it should be entirely excluded and run as a separate enterprise. Your answer to that would be that in the conditions in which the Jamshedpur town was founded and in the condition in which the Local Government is at present, the Tata Iron and Steel Company had no option. They were bound to build the town and provide amenities for their workmen and in fact you claim that generous as you have been, you are doing probably not more than is being done by similar up to date industries in other parts of the world. I therefore won't say any more about the general inclusion of the town expenditure in your works cost. But circumstances have changed and now you have got a considerable extraneous population; the growth of the industry has attracted a considerable population which is only indirectly dependent on the steel industry itself, and I propose to ask you a few questions about the criticism that the free supply of what we might call municipal services to the outsiders cannot be justified at the expense of the Company. I have made here a summary of the concessions; I will just run rapidly through it and you can tell us whether they are free or paid for in part. Water supply is entirely free?

Mr. Dalal.—To a part of the town but not to shopkeepers whom we charge for the service rendered.

Mr. Wiles.—Electricity I suppose is paid for in part?

Mr. Dalal.—It is paid for by everybody to whom it is supplied.

Mr. Wiles.—I was thinking of lighting of roads.

Mr. Dalal.—Road lighting is free.

Mr. Wiles.—Household lighting and fans are paid for?

Mr. Dalal.—Yes.

Mr. Wiles.—Sanitation is free?

Mr. Dalal.—There is a small conservancy cess being levied.

Mr. Wiles.—Is that in respect of the sanitary arrangements of your sewage plant?

Mr. Dalal.—We do not allocate this expenditure against any particular item.

Mr. Wiles.—I have another heading here of Health and Conservancy.

Mr. Dalal.—That is the same thing.

Mr. Wiles.—You recover some small amount in bye-products?

Mr. Dalal.—Yes.

Mr. Wiles. Medical relief is entirely free?

Mr. Dalal.—Not quite entirely. If our doctor visits the house of non-employees he charges them and also for medicines to non-employees recently a small charge has been levied.

Mr. Wiles.—Hospital treatment is free?

Mr. Dalal.—Not for non-employees.

Mr. Wiles. Is education the same or entirely free?

Mr. Dalal.—Small fees are being charged except for the Company's employees' sons in the lower classes. I am not quite sure but I think that is the position.

Mr. Wiles.—House accommodation is paid for in part; you don't actually recover the total amount?

Mr. Dalal.—We recover 3·9 per cent. before allowing for interest and depreciation. To all intents and purposes we do not provide house accommodation to anybody but the Company's employees and they pay for it. Non-employees who are resident in Jamshedpur have to provide their own housing.

Mr. Wiles.—For roads you get nothing?

Mr. Dalal.—No.

Mr. Wiles.—Welfare services are entirely free?

Mr. Dalal.—Yes, but those again are only for company's servants.

Mr. Wiles.—You recover nothing for general town administration?

Mr. Dalal.—No.

Mr. Wiles.—Public safety, town guard and so on?

Mr. Dalal.—That is for purposes of the works, not for law and order but for looking after the Company's property.

Mr. Wiles.—And what you call your Tisco Hotel you run for your employees?

Mr. Mather. No, mainly for visitors who come on business for the Company. We are running it at a loss.

Mr. Wiles.—I will just run through the list of welfare services:—First aid, Ice and soda water, Boots to millworkers, Washhouses, Women's Rest Houses, Maternity Benefit, Disablement Compensation, Recreation including cinemas, Football and other sports, Picnics and the Dairy Farm and so on.

Mr. Mather.—Yes.

Mr. Wiles.—In the note you supplied to us regarding the administration of the town in future you have given us to understand that you have been in correspondence with the Government of Bihar and Orissa for some years on this subject and the conclusion we can derive is that the existing type of administration is not likely to be changed in the near future.

Mr. Mather.—There have been several attempts at intervals to work out an alternative method of administration but nothing has been found practicable in the present state of the provincial finances.

Mr. Wiles.—That is to say the Company supplies essential services such as those I have mentioned just now and the Notified Area Committee recovers a little revenue of its own for purposes like the control of markets, roads, buildings, public vehicles and so on?

Mr. Mather. Yes; that is very small.

Mr. Wiles.—Then the question remains to what extent if at all you are failing to recover from the outside public anything on account of services you render them. In trying to calculate some figure, I have worked on these lines. If you take your town budget, I take it that each of the following items does cover some service to outsiders—General Administration, Water Works, Sewage, Roads, Health, Hospitals, Public Safety, Gardens and Education. They are all items which are enjoyed by the outsiders as well as by your own employees.

Mr. Mather.—"Public safety" covers mainly chowkidars and durwans.

Mr. Wiles.—I will exclude public safety. I notice that out of Estate Management No. 2 you make considerable profit and I take it that the profit which you make out of the Estate Management can fairly be said to cover some of the expenditure on the other heads. I would therefore exclude from this list I have given you roads, public safety and gardens. There is nothing else which would come under that head

Mr. Mather.—Except that there is a balance left over for contribution towards the expenditure on the others.

Mr. Wiles.—I will take that into consideration. I have tried to make some estimate of the outside population. You have not been able to give us any definite estimates. So I have proceeded on these lines. Your total population at Jamshedpur is 83,000 of whom 24,000 are under 15 and 33,000 under 20. Taking those figures as a rough guide I take 2½ dependents to each worker as being approximately correct. That gives us a work population of 70,000 leaving 13,000 outsiders. Can we take that as being a reasonable figure for outsiders?

Mr. Dalal.—In outsiders would you include the employees of the Associated Companies and their dependents?

Mr. Wiles.—Would this 13,000 include those? I suppose it would not

Mr. Dalal.—I think on a rough estimate it would not be unreasonable to assume that there are 10,000 people in the town who do not belong to us or to any of the Associated Companies.

Mr. Wiles. The figure of 13,000 presumably includes all the Associated industries. The figure of 2½ dependents would apply to them as well.

Mr. Mather.- In that event, 2½ dependents in addition to the worker himself involves multiplying the number of employees by 3½. In arriving at 70,000 employees and dependents you have thus taken 20,000 employees. There are more than 20,000 employees *plus* the employees of the Tinplate Company. We ourselves have shown an average attendance of 18,000 men but the number on our books would be 21,000 or 22,000. There is a considerable number of people working in the Tinplate Company.

Mr. Wiles.—So you think to that extent my figures will require correction.

Mr. Dalal.—It may not be unreasonable to assume that there are about 10,000 outsiders.

Mr. Wiles.—In allocating expenditure we cannot of course follow directly the population basis, but it will do as a rough guide.

Mr. Dalal.—I do not know; because there are large proportions of the population to whom barring roads and general services, hardly any services are rendered. Sewage does not apply to the whole town. Water supply does not also apply to the whole town. In the case of the Associated Companies' which are in the eastern part of the town, the lighting is looked after by them.

Mr. Wiles. So that to that extent 1/7th would be too large a proportion to be debitable to outside?

Mr. Dalal.- I certainly think so.

Mr. Wiles. -10 per cent. would be 1/8th. That gives us a figure of about a lakh.

Mr. Dalal.—My point is that there is very little that we do beyond allowing them the benefit of the general town administration such as the use of our roads and street lighting.

Mr. Wiles.—I am trying to get something more definite than a vague statement of that sort. There is the general administration of the town. They must share in that Whether they share in sewage, I cannot say.

Mr. Dalal.—Some of them may. It depends on the area in which they live.

Mr. Wiles.—Health and conservancy they share. Hospital and medical relief they share. Gardens and Education they all share.

Mr. Dalal.—Yes.

Mr. Wiles.—I don't think we should be far wrong if we took about 1/8th of the total expenditure of this type which I have taken out there as being debitable to outsiders which comes to roughly about a lakh of rupees.

Mr. Mather.—You are now thinking of the gross expenditure?

Mr. Wiles.—Yes. The actual recovery is about Rs. 1,11,000 and the actual sum recoverable is Rs. 1,34,000

Mr. Dalal.—Yes.

Mr. Wiles.—I have taken no consideration of the cost of the capital expenditure on the town. That raises another complication. I really do not know whether it is worth while going into it. But since the question has been raised, it is worth while to come to some conclusions on that point. I suppose when we reduced the total capital expenditure of the Company to Rs. 12½ crores, that was not allocated separately to the works and to the town?

Mr. Mather. No.

Mr. Wiles.—If we took it *pro rata*, arithmetically, should we be right?

Mr. Mather. I think the capital expenditure of the town will not be reduced in the same proportion.

Mr. Wiles. I will confine myself to principles, because I shall have to alter these figures. It will be necessary to distribute the capital expenditure on the town in the same way as I have distributed the annual expenditure.

Mr. Mather.—Yes, but not in the same proportion.

Mr. Wiles. I have followed this system. I exclude town buildings which stand at Rs. 120 lakhs as being entirely for the benefit of the employees. Part of the land charges must belong to the works only.

Mr. Mather.—That land charge is Rs. 21 lakhs at the last balance sheet which includes the cost of acquisition of land and of the town roads including the land occupied by the works and the land let out to the subsidiaries and the land not occupied at all.

Mr. Wiles.—What part of that would you put to the town as such? Would Rs. 5 or Rs. 6 lakhs be a reasonable figure?

Mr. Mather.—Possibly.

Mr. Wiles. The expenditure on sanitary works, electric light works and water works would all come definitely under the town?

Mr. Mather. Yes.

Mr. Wiles.—That gives you a figure of about Rs. 116 lakhs.

Mr. Mather.—The water system is partly for the works, because the initial pumping of water from the river is a common supply to the works and to the town water works also. This item 10 on our last balance sheet, *viz.*, Rs. 51·9 lakhs, water system and sanitation, includes the cost of the original pumping station and the arrangements for pumping water for the supply of fresh water from the river and the main to the works, but not branches inside the works. Those are part of the capital expenditure and it also includes town water works.

Mr. Wiles.—Can you give us any sort of distribution?

Mr. Mather.—On a rough estimate 2/3rd of that amount may represent the water supply to the town.

Mr. Dalal.—Would it help the discussion at all if I mention roughly the interest and depreciation on the town capital expenditure is estimated at Rs. 5 lakhs?

Mr. Wiles.—I can't see how that is arrived at.

Mr. Dalal.—I could not give you the details now, but that is the figure which we have been working on.

Mr. Wiles.—For what purpose were they worked out?

Mr. Dalal.—In connection with similar ideas as to what would happen if we had a Municipality and so on. This matter has been under consideration for a long time.

Mr. Wiles.—I should like to have the total capital expenditure which you would include.

Mr. Dalal.—Yes, we will give you the figures.

President. And the rates at which you worked it out.

Mr. Dalal. -Yes.

Mr. Wiles.—We will return then to the question referred to this morning about the provision in your cost sheets of certain expenditure, as I understand it, towards reserves for repairs and renewals. The items in question in January—June 1933 period amount to the very considerable sum of Rs. 14·46 lakhs.

Mr. Dalal. -Yes.

Mr. Wiles.—These questions of reserves and depreciation are highly complicated and disputable. I don't propose to deal with them in detail, but just to give you some *primâ facie* conclusions which occur to me as an outsider. I understand that in addition to the regular expenditure on labour and materials on repairs given in your monthly cost sheets, you have under various heads a certain fixed sum which goes to a fund. In the statement, you have given regarding these funds and the accumulations you have given us items of expenditure against those funds for each year.

Mr. Mather.—Yes.

Mr. Wiles. What is there included in those statements you have given us which is other than the regular expenditure on labour and materials which you show in your cost sheets every month?

Mr. Mather.—There is practically nothing in those expenses which is not labour or materials in one form or another, but there is no duplication. There is no inclusion in that of expenditure on labour and materials which is shown elsewhere in the cost sheets. The main object of providing for certain parts of our expenditure by means of a provision at a fixed rate rather than by entering the actual expenditure at the time it occurs is to avoid very large fluctuations, because those particular types of expenditure occur at irregular intervals. When they occur, they are big amounts and there are other periods when there is no expenditure at all of that particular kind. In order therefore to prevent very large fluctuations in the current costs month by month which might be large enough to make the costs useless for the purpose of comparison of progress and efficiency, we deal with these particular classes of expenditure by a provision at a uniform rate per ton of product from the Sinking Fund. At the end of the year we take stock of the position. We have provided against each particular fund a certain number of lakhs of rupees in the course of the year. We find we have actually spent on that particular head (which if I may repeat it, does not in any way overlap any other item of expenditure in our costs) some smaller or larger sum as against the total provision during the year.

Mr. Wiles. I understand that. You make a sort of budget estimate in order to distribute the annual charges more or less equitably each month.

Mr. Mather.—That is right.

Mr. Wiles.—And divide it by 12 and put it into each month.

Mr. Mather.—Yes.

Mr. Wiles.—And to the extent to which that provision has been in excess, you have been accumulating a reserve from your cost sheets which was not intended.

Mr. Mather.—Yes.

Mr. Wiles.—It is really a sort of hidden reserve which I understand you have transferred at the end of the year to your repairs and renewal fund?

Mr. Mather.—At the end of the year we try to balance the repairs and renewal fund. For certain types of this expenditure we think it wise to keep a reserve in hand, that reserve being declared in the balance sheet as such. The existence of those reserves under each fund is brought into the account. The provisions are added to them and from that total is deducted the actual expenditure incurred in the year. If the result of that leaves the available reserve bigger than we think it desirable to keep, we transfer the balance to the profit and loss account by reducing the amount shown as actual expenditure on the production. In the Company's profit and loss account we reduce the total works expenditure by that amount so that we have not been building up any sort of hidden reserve, as any reserve which exists, is a declared reserve. It stands in our last balance sheet at Rs. 11½ lakhs. At the beginning of the current period of protection, it was Rs. 29 lakhs. Instead of adding to the reserve, accumulating a reserve under that head, we have drawn on previous reserves of the same amount which have been accumulated in previous years, because we have come to the conclusion that it was not necessary to keep such big amounts under that item—our object being to keep that item solely and simply for the purpose for which it was intended.

Mr. Wiles. Then only the question remains whether there is not some overlapping between your depreciation reserve and your repairs and renewals reserve. Perhaps you could give us some satisfactory answer to that.

Mr. Mather.—There is no overlapping. We treat the two as entirely separate. The very fact that we take the excess provision straight to the profit and loss account shows that we do not treat it as a provision for depreciation. We have in actual practice during the last seven years reduced that reserve considerably so that we have taken more out of that than put in.

Mr. Wiles.—Which fund?

Mr. Mather.—Repairs and renewals fund. We are not in any sense accumulating any reserve for depreciation or for the replacement of the plant. What we do with regard to this provision is to utilise the amount to bring a certain part of the capital equipment back into a workable condition when it necessarily gets into an unworkable condition—the brickwork of open hearth, the brickwork of the coke ovens, brick lining of the blast furnace and so on. It is unavoidable that these things should become unusable in some cases after a period of 4 or 5 months and in other cases after a period of 5 or 6 years. If these are not renewed, we cannot work them. Therefore, apart altogether from any radical alteration of the blast furnaces or any improvement of the structure of a blast furnace or anything of that sort, we have at somewhat irregular intervals to spend money in order to put the furnace in a condition in which it can continue to operate and it is that type of expenditure which is met from the provision made.

Mr. Wiles.—Do you not think that the border line between the use of the depreciation fund and the repairs and renewals fund is rather thin?

Mr. Mather.—I don't say that there is never a case of difficulty. In the case of the open hearth and duplex plant, there is practically never any case which requires consideration at all. The renewals there occur very frequently, relatively speaking, and we simply renew the brickwork by spending the money out of the fund.

Mr. Wiles.—In 1929-30 and 1930-31 there was a fairly large expenditure on blast furnaces?

Mr. Mather.—That is capital expenditure.

Mr. Wiles.—It was met from this fund. Was that justifiable on your own definition or was it not rebuilding so that the furnaces were put in a better condition than before?

Mr. Mather.—What happened in those years was that we completely rebuilt certain furnaces. As a matter of fact in those two years we completely relined three furnaces. Normally furnaces go 5 or 6 years—say about 5 years—without requiring relining. Therefore if we had three furnaces—I am talking of blast furnaces now—we should be relining one furnace every 1⅔ years but at that particular period we had three furnaces relined in two years. It is perfectly true that in the case of one of those furnaces—D furnace—at the time of relining we enlarged the furnace very much and practically re-built it. We debited the cost of the new lining to this fund and the other expenditure required to make the furnace very much larger than what it was previously was debited to the capital account.

Mr. Wiles.—You added to your block?

Mr. Mather.—Yes, to the gross block- the cost of making the furnace a bigger one.

Mr. Wiles.—Would not the same answer apply to the Duplex mixer which is the other item on which there was a very large expenditure?

Mr. Mather.—That is much more regular.

Mr. Wiles.—What is that due to?

Mr. Mather.—That covers re-building of the brickwork. There is nothing in that. There has been no abnormal expenditure of any type on those furnaces during this period.

Mr. Wiles.—Then there is a small item which seems more open to objection—the provision for plate mill tables?

Mr. Mather.—That was the replacement of tilting tables which we found to be not strong enough. We have charged that to the revenue account already.

Mr. Wiles.—Would not the replacement be a legitimate charge on the depreciation fund?

Mr. Mather.—We felt that it would hardly be correct because we only had a very, very short use of them.

Mr. Wiles.—There is another rather curious point. Why should it be essential whenever you use the depreciation fund to load your block account because hypothetically a depreciation fund is for replacement and not for adding to your capital account?

Mr. Mather.—Our nett block is being steadily reduced. It is merely an accounting method which admittedly is open to question and I may say that it is a matter which is under consideration between the Company's accountants and auditors.

Mr. Wiles.—It tends to swell unduly your block account. It is entirely misleading.

Mr. Mather.—We have that point under active consideration. As I have said, the nett block is not increasing but it is tending to come down. On this question of the method of meeting costs of this kind—relining of furnaces and so on—by means of these provisions, we know that that is the general practice with many other Iron and Steel Companies in other countries like England, Germany, America and so on. Only last year the National Federation of Iron and Steel Manufacturers brought out a report on the method of keeping blast furnace costs which they hoped would gradually be adopted as the standard system of keeping the costs by the British manufacturers in order to make comparisons possible; their model cost sheet provides for dealing with this type of expenditure precisely in the way in which we are doing. It enters as part of the costs this item for relining and special repairs which is, according to the text explaining the thing, done by means of a fund. They give dummy figures to illustrate how it should be done. They take 9 pence per ton which is equivalent to the 8 annas we propose to charge. In the same works cost, separately from that in order to make it quite clear that that is not regarded as any kind of depreciation, at the bottom of the cost sheets, they have a line for entering the figure for depreciation.

Mr. Wiles.—I would be prepared to accept what you said for the moment without going into details. My difficulty arises from rather a different cause. We have given you depreciation rates much higher than any we have discovered in a similar case. There are certain special reasons. It has been worked out in a rather unusual way which I can explain in a few words like this. The replacement value of the plant was estimated. The block value shewn in the balance sheet was taken no notice of. The Board estimated what it would cost to replace works approximately of the same type as your own at any time during the following seven years. They then estimated what it would cost to maintain that works in a state of efficiency; that is to say whether any new machinery was put in or not, as long as the working value of the plant was kept constant, we did not worry. Having provided for depreciation on those generous lines it now concerns us very intimately to see that there is no overlapping by other methods of replacing the plant.

Mr. Mather.—That is right.

Mr. Wiles.—I am a little doubtful about the handsome allowances for repairs and renewals in one part of your programme *plus* handsome allowances in another part.

Mr. Mather.—We have given you statements of expenditure from those funds and have shewn you what we have done with any surpluses that there may be out of this provision. We do not deny that the rates have in recent years been bigger than necessary. We have treated that matter separately in our representation and have specially called your attention to it. So far as the total provision has been greater than the actual expenditure, we have taken that to the profit and loss account, regarding it as a reduction of nominal gross expenditure. We have not kept it as being available for any other purpose. In so far as we state here the rate of expenditure in the course of the year, that expenditure has been utilised simply to put the furnace back into a condition in which it could be operated. No one can operate an open hearth furnace say for the sixteen years on which your depreciation is based without many relinings in the course of that period. All that we do is to put new bricks in place of the old ones in order to keep the furnace in a fit condition to operate.

Mr. Wiles.—Would you not regard it as replacement of machinery?

Mr. Mather.—No, because when we finally scrap the furnace, we scrap it at a stage when the bricks are burnt out once more. Supposing we reached a stage some day when the open hearth was completely obsolete and must be replaced by a new one, we must dismantle the furnace and we would not incur this expenditure on the new brickwork. The same applies to blast furnaces.

Mr. Wiles.—I will pass on to the other items. You state somewhere in your representation that you are satisfied that your capital value of the plant is now somewhat higher than it was seven years ago.

Mr. Mather.—Not less. That is not what we say.

Mr. Wiles.—I think you have said that the value if anything is greater than it was when it was assessed at Rs. 12½ crores. I accept your own statement that you regard, after the capital expenditure which you have put in it, shall I say, during the past seven years, its value if anything is higher than it was seven years ago. Is that a statement of your position?

Mr. Mather.—I don't remember that we have claimed that the value of the plant is higher than it was seven years ago.

Mr. Wiles.—I may have been misled by paragraph 59. In the past seven years, you have tried to carry out the whole or the greater portion of the capital programme which you put before the Tariff Board.

Mr. Mather.—At any rate we have carried out a capital programme of equal magnitude, if not of greater magnitude than what we submitted seven years ago.

Mr. Wiles.—In the same way you propose to carry out a capital programme in the next seven years which certainly will improve your block considerably more than at present.

Mr. Mather.—Yes.

Mr. Wiles.—I mean in the shape of mills, machinery, etc., which must on any consideration make the total block very much more valuable than it is to-day?

Mr. Mather.—Yes.

Mr. Wiles.—Now that raises the following difficulty to my mind. You have financed your past capital expenditure from your depreciation fund and you are proposing to finance your capital programme from the depreciation fund. Now your expenditure from the depreciation fund in the past seven years has not only been less by a very considerable amount than the amount allowed to you by the Board, that is about Rs. 120 lakhs less; but you state that your block is if anything more valuable to-day than it was seven years ago and it will undoubtedly be more valuable at the end of seven years. Does it not seem to follow that the depreciation you set aside is to that extent too great? Let me point out that I am regarding this purely from a theoretical point of view. I am not making any criticism of your building up of reserves; I am only telling you what in my opinion a "depreciation fund" theoretically ought to be.

Mr. Mather.—To my mind the operation of the depreciation fund in a large industrial undertaking of this kind will necessarily lead as time goes on to some changes in the type of equipment. It is not essential nor would it be sound that the depreciation fund should be applied simply and solely to replacing pre-existing units with identical units of the same kind. It is essentially a provision against obsolescence. It may be that a particular type of plant becomes obsolete in its detailed construction and design; there must be another design to replace it. It may even be that the kind of process which was carried on in certain part of the plant is no longer required; when that happens it must be replaced by something which will perhaps achieve the same results by a substantially different method.

President.—Supposing you replaced it by a unit which, while it used different equipment and different methods, gave you a much larger output, that is to say practically extended the capacity of your works, when that happened the money value of the addition to your capacity, is that properly chargeable to depreciation?

Mr. Mather.—A good deal depends on whether you have been able to add to your capacity and at the same maintain all your existing capacity on an efficient production basis. What is actually happening I think in a case of any large industrial unit of this type is that certain parts of the money provided for depreciation is spent on new equipment which may at any rate at some stage of the process add to the capacity. Simultaneously there may be some part of the plant still remaining in operation which is no longer completely efficient and you have to balance the effect of those two. For example, as you know, until a short time ago we continued to operate the 28″ mill. We had to provide partly out of depreciation and partly out of other sources for a new mill; we were however being burdened by growing inefficiency relatively to what can be done by the new 28″ mill. We are in that position to-day with the open hearth plant: that is an old plant which relatively to a modern plant is becoming increasingly inefficient. In five to ten years time the plant for converting pig iron into steel would be more efficient than it is to-day. What I want to suggest is that it does not necessarily indicate that depreciation has been excessive if it has been used in such a way as to increase somewhat the gross capacity of the plant. If we had built a completely new plant in 1926 with 12½ crores of rupees we would have a plant of the most efficient type available at that date. If we now during the next seven years replace a part of that (let us assume that the plant was designed for a maximum production of 600,000 tons), we might replace some part of that in the course of the next few years in such a way as to increase the maximum capacity from 600,000 to 650,000 tons; to that extent it might appear that we have added to the capital value of the plant, but the greater part of the plant would be falling behind the most modern new designs. We would never in the interval replace all the plant which was relatively inefficient by comparison with the very latest designs: there will never be any single time in which we can replace the whole plant. We can replace only to the extent of $\frac{1}{18}$th every year.

Mr. Wiles.—Do I understand you to say that although you may by installing new machinery every year greatly increase your total output, it does not necessarily mean that the total value of your block as calculated over seven years would be more than what was calculated at the beginning?

Mr. Mather.—The portions which have not been replaced are becoming relatively less efficient; we may be able to produce the output but we can get it only at a higher cost and therefore the earning value of the whole unit which is really the crux of the whole position is not necessarily greater.

Mr. Wiles.—Would you expect normally a company not placed as you are financially to be able to set aside annually sufficient depreciation not only to maintain output but to keep the work modern so that the plant is giving much greater output at the end of the period without raising any fresh capital from the shareholders?

Mr. Mather.—I find that the companies that followed that policy were among the few companies which are in a reasonably sound position.

Mr. Wiles.—They put it aside largely in the form of reserves?

Mr. Mather.—It is merely a matter of bookkeeping whether it is called general reserve or depreciation. I have seen cases of companies which in good years set aside to depreciation amounts equal to 8 per cent. or 9 per cent. of the value of the block; in other cases they have put comparatively small sums to depreciation and substantial amounts to general reserves and whenever they undertake some development they draw both on reserve and depreciation.

Mr. Wiles.—Does it follow that in working out the costs of that Company they will include these handsome reserves?

Mr. Mather.—I think any company which was not in a position to put aside, whether it actually entered it in its cost sheets or whatever method of bookkeeping is followed in connection with the transaction, sufficient sums over a period of years to enable the plant to keep abreast of modern processes will, you will find, after a period will be very badly handicapped and may not be able to survive.

Mr. Wiles.—I am inclined to agree but I should suggest that the normal procedure would be to set aside reserves out of profits.

Mr. Mather.—In a sense reserves can be set aside from profits.

President.—Take your proposed benzol plant as an illustration; is that an item which can properly be financed from depreciation?

Mr. Mather.—We think so.

President.—It is providing neither against wear and tear nor against obsolescence?

Mr. Mather.—That is true in a sense but it will give us profit making capacity in one direction to counterbalance the falling off of profitability of the older plant. We think it may be more profitable to take this up actively and spend money in that particular way (those ways being entirely relevant to our operations) than it would be to replace part of the blast furnace which is already to some extent absolete and is becoming obsolete. Our view is that it would not be sound for us to be tied down to particular types of units or parts of units which we had in 1926 or any previous period so long as the plant which we put in is definitely connected with the production of iron and steel and we feel that it would be right and proper for us to spend our depreciation fund in such a way as would most reduce the cost of producing steel or increase the efficiency. It is definitely a fact that if we find the money for the construction of the benzol plant we will have less money available for renewing some old parts of our previous equipment which will need renewal at some later stage.

Mr. Wiles.—How would you regard the expenditure which has no direct bearing on your output and which does definitely add to the value of your block such as the extension of your sanitation, housing, street lighting, water supply and so on?

Mr. Mather.—That we regard as essential to keep efficient workmen in the town and keep labour contented and as an insurance against strikes.

Mr. Wiles.—It is very definitely an extension of your activities in the sense that it would be improper to meet it from the depreciation fund?

Mr. Mather.—We contend that we cannot get satisfactory workmen to live in Jamshedpur unless there are houses and there is no other source of supply of capital for this with the Steel Company.

President.—May I take it that anything that either maintains or increases the earning capacity is legitimately debitable to depreciation?

Mr. Mather.—Working as the Company has been for several years and I hope it will continue to do it indefinitely, on a specifically allocated minimum amount for depreciation, it is reasonable at any rate for the purpose in view that we should set aside that amount and make it the first call on the profits even if the shareholders have to stand back. If in a fortunate year in the future the Company is able to earn very large profits then I should be inclined to say still allocate your correct amount to the depreciation fund but if you can also satisfy your shareholders by an adequate distribution, then if there is still a surplus available, put some surplus in the reserve fund.

Mr. Wiles.—Simply as a matter of expediency?

Mr. Mather.—Yes; except that I should regard depreciation as having the first call on the profits and not the reserve fund.

President.—What I am trying to get at is this. If we accept your proposal, we recommend protection for a period of seven years and in estimating the fair selling price over a period of seven years we take into account all reductions in costs which may be brought about by reasonable capital expenditure. Some of that capital expenditure would if you are not a protected industry probably be met from the reserves and the rest from depreciation? We have been in the habit of allowing a profit of 8 per cent. We suggest that the burden on the country in respect of the protection granted to the steel industry should be reduced not merely in respect of the amount but in respect of the period of protection as much as possible, that is to say, try and fix your protection in such a way that the industry is enabled to dispense with protection in the shortest possible time. In order to make that possible the steel industry must undertake certain capital improvements in excess of what can legitimately be met from depreciation. We have allowed you Rs. 78 lakhs a year for capital improvements; that we considered necessary in order to shorten the period of protection. Necessary capital expenditure of Rs. 78 lakhs we suggest ought to come out of the reserve fund. We therefore to that extent reduce the amount of profit which may be distributed to your shareholders and we allow you 7 per cent. as depreciation and we make a corresponding reduction in the rate of profit that we allow. Supposing the scale of protection was put on that basis, in the case of a protected industry it is possible to maintain it as a reasonable arrangement?

Mr. Mather.—Provided that the amount which the Company is clearly expected to set aside and as an actual fact must set aside is fully adequate to obtain lower costs and maintain the plant at a high state of efficiency, whether you call it depreciation or reserve fund is not of material importance.

President.—We are on a question of principle and the question is this: we do not want in the name of depreciation to allot funds for the company which ought really to go to the Company in the form of reserve. After all there is a distinction between reserve fund and depreciation fund: there is a certain recognised distinction between the two. In the name of depreciation are we to allow the company to build up what in the ordinary commercial practice is regarded as reserve fund?

Mr. Dalal.—Do I understand that you add a certain percentage to the depreciation fund and correspondingly reduce that percentage from the profit so as to provide something more to curtail the period of protection—is that your idea?

President.—Yes.

Mr. Dalal.—That would mean 6¼ per cent. at present allowed is adequate depreciation and whatever extra you may choose to allow in the shape of a reserve for extensions would be over and above that.

President.—Assuming these rates are accepted.

Mr. Dalal.—That is on the assumption that 6¼ per cent. is regarded as adequate for depreciation as we submit that it is. The question now raised is of such importance that if you would permit us, we would like to consult our Board and give a definite reply later on.

President.—We are simply discussing the principle on which the thing could be done. Supposing on an examination of the whole question we are satisfied that a part of the capital expenditure which you propose for the next seven years is capital expenditure of a kind that can in ordinary commercial practice be regarded as properly debitable to a reserve fund and not to a depreciation fund—assuming that we are able to reach that sort of a conclusion on that question—and at the same time we consider that that capital expenditure is essential, because the reductions in costs that follow from that capital expenditure are already taken into account—we are anxious that the period of protection should not necessarily be prolonged—in that case the kind of solution one would suggest—speaking purely theoretically—would be to assume 6¼ per cent. as the rate of depreciation and 8 per cent. for profit. That would be the right rate in the interests of this country since you have derived so much benefit out of protection—you save 7¼ per cent. on the capital expenditure and you get 7 per cent. profit.

Mr. Dalal.—The additional one per cent. would be utilised, not for what we now regard as legitimate purposes for depreciation fund in which we would include the Benzol and the cement plant, but for further extension. It would not be strictly debitable to the depreciation fund and to that extent we would increase our earning capacity.

Mr. Mather.—Do you have in mind that the object is not so much that we should add additional items to the kind of programme that we have here, but that we should rather speed it up. Such a programme as this could only be put into effect out of the depreciation fund in a shorter period if the allocation to depreciation were increased.

President.—That is the problem.

Mr. Mather.—That is the possibility you are asking us to consider.

Mr. Dalal.—You would not tie us down to particular items. If you would permit us, we should answer that question a little later.

Mr. Wiles.—I would like to consider this from another point of view. I have suggested that in respect of the past 7 years it would appear to any ordinary layman observing the progress of your finances that 6¼ per cent. is not only adequate, but excessive and the reason I gave for that was that you had not only maintained your plant in a state of efficiency during those seven years, at any rate in the same state of efficiency as it was in the beginning, but had actually set aside a reserve of Rs. 120 lakhs. That is as far as the past goes. What would be your answer to that question if it were put to you?

Mr. Mather.—I am afraid we don't accept that position. Take for instance some of our big mills, the sheet-bar and billet mill or the 28″ mill—these mills are nearly 10 years old. We have been able to do very little except the ordinary maintenance. They are not new mills now. We have admittedly definitely improved our efficiency by our expenditure in other directions. As an illustration of the kind of point that we have been making earlier, even if we spend money out of the depreciation on a new type of item like the Benzol plant, there is at the same time the question of the obsolescence of the existing parts of the plant.

Mr. Natesan.—Is it your contention that though we have allowed you depreciation, say, for a 16 year period, however much you have tried to improve in the meanwhile a machine or plant once installed first could not give you the same efficiency and it could not be said that it is worth the same amount as it was originally purchased?

Mr. Mather.—That is our contention.

Mr. Natesan.—I wish to reverse it in another way. Supposing, for instance, you thought that for the purpose of reducing costs and making yourself more self-sufficient and self-supporting, you decided to add another plant, say, at a cost of Rs. 10 lakhs, would you take that from the depreciation fund?

Mr. Mather.—Yes.

Mr. Natesan.—How would you justify that?

Mr. Mather.—On these grounds: so long as we kept within the relevant limits of iron and steel production, we should justify that new type of expenditure as one which was definitely relevant to our operation to help us to make more profit than merely a renewal, say, of some part of the old plant would do at that stage.

Mr. Natesan.—You will say that it would not only add to your usefulness, but it would also serve the purpose of expanding your business?

Mr. Mather.—Yes if it was of the nature of expanding the business.

Mr. Natesan.—I take it that you accepted the principle accepted all the world over, however much you may allow a certain amount of depreciation, a plant cannot certainly have the same value which it had once after a certain number of years it had been in operation.

Mr. Mather.—The particular items of the plant. I don't say that if the plant is taken as a whole. If we go on adding new units instead of replacing old ones, while naturally the old ones decrease in value, we have the value of the new ones to set off against that decrease. Therefore the aggregate value of the plant as a whole need not depreciate. The whole object of the depreciation fund in the way we have been spending it is to make the aggregate value of the plant the same as before, but it is certainly true that a particular unit in the plant which has not been renewed for 10 years is not as valuable as it was before.

Mr. Natesan.—I am trying to understand this. Suppose I purchased a car 5 years ago and certain parts were worn out and I replaced those parts, will you contend that the car is worth its original cost?

Mr. Mather.—It depends on how many parts you have replaced.

Mr. Natesan.—Personally as a layman and subject to the views of my colleagues, I would not certainly say that the machine is worth the same amount which it was worth 5 years ago. I don't think it would be worth one-half although I have replaced the parts.

Mr. Wiles.- As regards depreciation I will try to sum up your position. You have prepared a programme of capital works which will give you the results in costs which you have shown in your statements. You are not in a position to reduce those costs unless you incur the capital expenditure.

Mr. Mather.—No.

Mr. Wiles.—Situated as you are, you are not in a position to raise fresh capital. Therefore you must be placed in a position to accumulate from profits sufficient capital to provide yourself with the new capital works.

Mr. Mather.—Yes.

Mr. Wiles.—It doesn't matter to you whether it is called depreciation or not. Strictly speaking from the theoretical point of view you are going beyond the accumulation of depreciation.

Mr. Mather.—We don't regard depreciation as being of so limited a nature as to indicate that this is going beyond it.

Mr. Wiles.—That is a matter for argument, whether you call obsolescence reserve or depreciation reserve.

Mr. Mather.—That is essential. If you want an alternative name for depreciation, we should say obsolescence reserve which is essentially what we use it for.

Mr. Wiles.—You claim that you must be in a position to provide for this capital expenditure otherwise you cannot show any reduction.

Mr. Mather.—We don't regard the industry as stable or as having an assured future unless it can maintain a highly efficient plant of an operating value of say Rs. 12½ crores, the particular figure which we have in mind.

Mr. Wiles.—Would you go so far as to say, if you are not allowed to accumulate such profits as to enable you to incur this capital expenditure, you cannot effect such reduction in cost as would enable you to compete?

Mr. Mather.—Yes.

Mr. Natesan.—When you have got a depreciation fund and you wish to improve a part and buy if I may say so from that fund, a new machinery to add to your productive capacity, you have absolutely no compunction about that.

Mr. Mather.—If we think that the addition of a new type of machinery will give us more profit, linking in properly with our system of production and without upsetting the system of production at that particular time, we certainly think that it is proper.

Mr. Natesan.—I must take you back to the question which was started by the President yesterday about the duration of protection. You have said that further period of protection should be seven years. May I ask you to state what will be the serious disadvantages if this Board came to the conclusion that it is better to adopt a lesser number of years?

Mr. Mather.—We understand the position in this way. If the Steel industry is granted protection for a shorter period—I am not speaking of a half year or one year but, say, two or three years—than seven years, in the first instance we could not reduce the costs during that period to the extent to which we expect to reduce. Therefore we should have to ask the Board to grant us protection on a basis of somewhat higher costs than we have put before it, because we should not during that short period be able either to provide the additional plant or the renewal of the old plant which we want to help us to reduce costs. Further it would not be possible for our men to gain further experience and skill to the same extent in 4 years as they could in 7 years. Secondly it seems to us reasonable to adopt the point of view taken by the Tariff Board in both of its previous reports that it is important for the country that the Steel industry should expand—I am using the word expansion in a sense much bigger than the small expansion we have been thinking of—and that genuine new capital should come into the industry. We feel that if the period of protection were so limited, the people controlling the possible new capital for the steel industry would feel it necessary for them to wait again until they saw the working of the new scheme of protection. They would like to see what was going to happen to the protection, whether protection was going to be seriously reduced or not. We do think that any shortening of the period below seven years would be likely to deter the entry of new capital into the industry.

Mr. Natesan.—Is there any other serious disadvantage which you can think of?

Mr. Mather.—Those, I think, are the most important.

Mr. Natesan.—When you are suggesting that new capital will feel shy, are you thinking of the expansion of your own business by the introduction of new capital?

Mr. Mather.—I am thinking of some entirely new capital coming into the country with some new concern. We can't predict with any certainty in a matter like this as to what will happen in the future. I don't particularly envisage in the next seven years that the Steel Company would raise a large quantity of outside capital in order to produce a striking increase in its capacity to produce steel apart from such additions as are set out in the programme.

Mr. Natesan.—What is your data for thinking that if we give a longer period, new capital would be forthcoming for starting a similar industry?

Mr. Mather.—I do not know if somebody is waiting outside to invest money into the industry. The position is essentially this: if the demand for steel in India returns to what we may call a normal level or a substantially higher level than it has been in the last year or two, the Tata Iron and Steel Company has made such progress as at any rate to make it clear to everybody that the potentiality of the Steel industry in India is definitely established.

Mr. Natesan.—What I am trying to clear up is this: do you envisage a situation when shortly or within a reasonable time after the Board has reached its own conclusions, there will be people who will put in new capital to start industries for which they can purchase your products or will they start an industry exactly like yours?

Mr. Mather.—I am thinking now rather of the people who will put in capital in order to produce more steel in India rather than purchase our products. People who wish to utilise their capital for purchasing our products will presumably do that as long as we are in a position to make steel. I am thinking rather of a potential addition to India's total steel making capacity. I am not suggesting that there is anybody who will jump in from the date of the publication of the report. I don't think it is possible; but if, by that time, there is any marked improvement, there may be people who will begin then to examine the position definitely on the basis of the new situation arising from the new scheme of protection for the Steel industry.

Mr. Natesan.—Is it a reasonable inference for me to draw that you ask for seven years in order that a rival company may be started?

Mr. Mather.—Not particularly that. But we are not afraid of a competitor. It does not deter us at all that some rival company might come along.

Mr. Dalal.—As I mentioned to the President yesterday even two years ago when we were passing through a period of depression there were very serious negotiations entered into by a prominent firm here with some group of financiers or manufacturers for the definite establishment of a steel plant with the object of rolling sheets and other things also. If such was the case two years ago, there is no reason to believe that given a little better condition, such would not be the case in future provided a sufficiently long period of protection is given to us. And as regards a rival firm, the firm need not necessarily enter into competition with us, it may make products supplementary or complementary to those that we make and it may even work on some kind of arrangement with us by which we roll certain products and they roll products which we don't roll.

Mr. Natesan.—That is exactly what I was trying to understand. If we extend the period to 7 years, though it may not result in another steel company to manufacture all the things you are manufacturing, they may take other lines and thereby contribute to the expansion of products of steel and make India self-sufficient and self-supporting.

Mr. Mather.—Yes.

Mr. Natesan.—I have heard it vaguely said that whenever the Tariff Board enquiries into the industry, there is some dislocation in the trade not only during the period of the enquiry but also until the new duties come into force.

Mr. Mather.—That is usually correct.

Mr. Natesan.—Would you say that is one of the reasons why you want a fairly long period?

Mr. Mather.—Yes, although I would not rank this as important as the other two.

Mr. Natesan.—Have you noticed any fall in the booking of orders during the period of enquiry by the Board?

Mr. Mather.—Yes.

Mr. Dalal.—It is more so when the period of altering the duties comes along and not in the preliminary enquiry period.

Mr. Natesan.—You did experience such dislocation of the market or fall in orders when the Ottawa negotiations were in progress?

Mr. Mather.—Yes.

Mr. Natesan.—May I take it that if a period of seven years is allowed you would yourself be in a better position to extend your works so as to take in a few more lines which will be paying and which will lessen the volume of imports into the country?

Mr. Dalal.—We will clearly be in a better position if we have protection for seven years than if we have protection for five years.

Mr. Natesan.—I take it that your Board will seriously consider this aspect of the question?

Mr. Dalal.—Yes.

Mr. Natesan.—Now turning to another subject, I wish to understand the position better than what I could gather yesterday. I take it that your transactions with the Oriental Steel Company are on the basis of consignment account and not outright sales?

Mr. Mather.—Not even on consignment account.

Mr. Natesan.—Let me understand the position. It is neither consignment nor outright sales?

Mr. Mather.—Even when they cease to be bars, the sheets are ours. We don't part with the ownership of the goods at any stage whatever. Until the finished sheets are sold, they are on our account.

Mr. Natesan.—The goods belong to you?

Mr. Mather.—Yes. The bars are never sold. The bars remain our property. They are then converted into sheets and the sheets remain our property until the sheets are sold.

Mr. Natesan.—Can I take it that the full quantity of 35,000 tons of sheet bar has been already sent by you?

Mr. Mather.—Barring a very small tonnage, most of it has been sent.

Mr. Natesan.—What is your financial position if part of the quantity remains unutilised when the agreement expires?

Mr. Dalal.—That was one of the points we went into in our negotiations with the Oriental Steel Company. In view of the fact that we propose to extend the agreement for a further period of six months, the question will not arise immediately but at the end of the period a few bars may remain unutilised. We will have to regulate our shipments in such a manner that only a small quantity of bars may remain unutilised.

Mr. Natesan.—Confining myself to the transaction already entered into, I take it that the fact that you have sent about 35,000 tons of sheet bars will affect your profit and therefore you will realise less than Rs. 11-5 per ton which you have calculated and given to us.

Mr. Dalal.—I don't understand how it will affect our profit

Mr. Natesan.—If all the bars that you have sold remain unutilised and if they are not converted into sheets?

Mr. Dalal.—If the bars remain unutilised.

Mr. Natesan.—I have used the word "unutilised".

Mr. Mather.—They will remain our property for our disposal, but we will not make so big a profit as we would otherwise make.

Mr. Natesan.—They will remain your property?

Mr. Mather.—Yes, and we can dispose of them as we please.

Mr. Natesan.—In calculating your profit of Rs. 11-5 you have, I think, taken into account the charges for depreciation and other overhead charges that you do in regard to other items?

Mr. Dalal.—Some of the overhead charges have been taken into account but not the depreciation, on this ground that the extra production does not add to our necessary provision for depreciation in any way.

Mr. Natesan.—Then, the profit of Rs. 11-5 has been calculated on the old freight rates on the Bengal Nagpur Railway?

Mr. Dalal.—That is so.

Mr. Natesan.—If you calculate it on the new freight rates, will not the profit be reduced still further?

Mr. Dalal.—Yes.

Mr. Natesan.—Can I take it that it will be Rs. 6 less?

Mr. Dalal.—We have actually calculated the total benefit which we would derive by this arrangement.

Mr. Natesan.—I have taken your figure of Rs. 11-5.

Mr. Dalal.—It would be Rs. 3 or 4 per ton.

Mr. Natesan.—How do you arrive at that?

Mr. Dalal.—If the arrangement terminates on 31st March, the great bulk of these bars will have been despatched to England before 30th June.

Mr. Natesan.—You would have to send some goods. That will affect your calculation.

Mr. Mather.—On a further quantity it will be approximately Rs. 6 per ton.

Mr. Natesan.—I put one more question. Can you tell us more exactly what would be the nett profit under the new rates?

Mr. Dalal.—I cannot tell you exactly.

Mr. Natesan.—Approximately?

Mr. Mather.—We estimate that if the higher freight rates are levied the nett benefit to the Company will be Rs. 1½ lakhs if it terminates next March and Rs. 3¼ lakhs if it terminates in September, 1934. That is subject to the further assumption made in the last two paragraphs.

Mr. Natesan.—On page 4, paragraph 7, of your memorandum you say the arrangement cannot be estimated to have benefited the Company by more than Rs. 2½ lakhs if it terminates in March, 1934; is that correct?

Mr. Dalal.—That is on the old freight rates.

Mr. Natesan.—Am I right in assuming that the 2½ lakhs of rupees you have arrived at is on the assumption that all your bars will be utilised?

Mr. Dalal.—That is so.

Mr. Natesan.—I want to put one more question. Is the Oriental Steel Company in London using Indian steel as far as possible for the manufacture of galvanized sheets for India?

Mr. Dalal.—We have tried to get them to use our bars as much as possible and we have no reason to believe that they are not attempting to use as much of our bars as it is possible for them to do so. But there are certain difficulties about their using our bars for all kinds of specifications for small tonnages that they receive.

Mr. Natesan.—One more question and I finish. You were telling us this morning in answer to the President that you had entered into contracts for the purchase of coal. If you had your own collieries, naturally one would expect that you should use your own coal. I understand that you are not happy over the contracts entered into for the purchase of coal?

Mr. Dalal.—That is so.

Mr. Natesan.—Supposing the position was quite different from what it is now, instead of the Tata Iron and Steel Company only applying for protection, there were three or four Steel Companies in India who were asking us for protection, do you not think that it is but fair that extraneous considerations such as you have been forced into a contract with certain companies should not in the least guide the Tariff Board in arriving at the proper price of coal?

Mr. Mather.—I think it is relevant to call attention to the fact that the Tariff Board found in 1923 that the only other company making pig iron on a large scale with a modern plant had similar contracts for the purchase of coal to those which we made at about the same time—some of them even more onerous than those which the Tata Iron and Steel Company entered into.

Mr. Natesan.—Will it be a justification for a public body constituted by the Government and the legislature to take that into consideration because two people have entered into contracts which normally would be considered unbusinesslike?

Mr. Dalal.—May I submit that the special considerations of a Company like ours working upon an industry so complicated and difficult—and a pioneer industry such as this—at a time when no such thing was known in the country, have got to be taken into account. When these contracts were made, they were made with the laudable object of capturing the coal supply as much as possible, with the idea that we should not be stranded for want of coking coal at any time. Now we find at the end of so many years that these contracts, as things have turned out, are unwise. Even a few years later when the first Tariff Board examined the question, they came to the conclusion, taking the conditions into account at the time, that they were not unreasonable. If subsequent events have shewn these contracts to be unwise, then I submit that it was not a thing which even a group of prudent men, taking all the circumstances into account at the time, could possibly have foreseen and in view of the very special nature of this industry which was a pioneer industry, a mistake like that ought to be looked at with some generosity.

Mr. Natesan.—I can understand if you say that there are extenuating circumstances in your favour.

Mr. Dalal.—Another company has done that.

Mr. Mather.—We merely mention that to point out that it was not any particular unwisdom on the part of the Iron and Steel Company. The great difficulty we all have now—those who are trying to administer these contracts—is to take our mind back to the circumstances of 1919 and 1920 when not only one group of businessmen but another group of businessmen seemed to think that it was not unwise to enter into such contracts.

Mr. Natesan.—Surely the price of coal at which you would be able to purchase under ordinary terms would be less if there were no contracts?

Mr. Dalal.—Undoubtedly it would be less but the circumstances might have arisen when we would have had to pay more for our coal.

Mr. Natesan.—I am purely putting these questions to understand the position.

Mr. Atha.—I should like to ask you one or two questions about the sheet bars. The bars remain your property and the sheets remain your property. That means I take it that they must be sent here as identical sheets rolled from your bar.

Mr. Mather.—Yes.

Mr. Atha.—So those orders—those odd orders—for different gauges and sizes that cause difficulty are for India only?

Mr. Mather.—Yes. If we are in a position to supply suitable bars even for the special sized sheets they will have to take it; in fact they would do so. But the actual difficulties are that the small orders are for many different sizes. Another complication is that there are several makers in the United Kingdom who are members of the Oriental Steel Company and in order to get the maximum use of our sheet bars we should have to arrange for suitable sizes of sheet bars for each maker as he gets orders for a particular size. If it was a case of one sheet works in the United Kingdom and if it had a monopoly, the position would be much simpler. There would be no difficulty such as we experience now.

Mr. Atha.—The material is always yours?

Mr. Mather.—Until it is sold, it remains our property.

Mr. Atha.—If the specifications of gauges and sizes and the orders go direct to them, they cannot use your bar unless they happen to have the right size.

Mr. Mather.—But the difficulty is this. The specifications for sheets to be made from our bars are not controlled by us. The specifications are issued by people who want them. If a man wants a particular sized sheet bar, he sends his specifications.

Mr. Atha.—It is a question of whether British works happens to have the right bar or not?

Mr. Mather.—That is right.

Mr. Atha.—On the question of depreciation dealt with by Mr. Wiles, it is quite common now to keep what is called a plant register. You don't keep a record of that kind, do you?

Mr. Mather.—We have one but we are not satisfied that it is adequate. We took the matter up early this year with the intention of keeping a correct and complete plant register. We have records from which we can trace pretty nearly everything but we suspect that they may not be entirely complete. That matter was taken up early this year and our new Accountant is now going into the whole question.

Mr. Atha.—You should try to keep a plant register to cover machinery and everything. Each item should be put down, new items which you have added for replacing old ones should be entered and items of plant no longer in use struck off.

Mr. Mather.—Having got an adequate plant register, the question of allocating against each particular item with appropriate depreciation is rather a separate one. We are having that investigated by our Accounts Department, by our Head Office in Bombay and by our Auditors. We are trying to see how far we can go in the way of allocating the depreciation or obsolescence fund to specific items. We are aiming to do that, but I am afraid there will be considerable difficulty. During the time of the greater extensions, we found great difficulty in keeping the accounts of each individual item. That has been a very complicated problem. We have in mind what we ought to do and we are trying to work in that direction.

Mr. Atha.—As regards the question about the yield of the blooming mill, you said that it would be inadvisable to take separate sizes of ingots. That is quite sound. Perhaps two sizes or three sizes of ingots might suffice. I don't think anybody would suggest a larger variety.

Mr. Mather.—All I had in mind was that we could not go much further than we are doing in that direction to get an increased yield.

Mr. Atha.—I suggest that an average yield of 92 per cent. from the blooming mill is quite possible; it is not possible with the ingots as they are to-day, but with the altered shape of ingots and with altered method of casting you should get this result, not immediately but in time.

Mr. Mather.—We can assure the Board that the works organisation of the Company is certainly going a long way in its attempts to improve. We have not reached a stage as yet at which we ourselves feel we can safely budget for so high a yield as that but we certainly do intend to keep working on this question of yield and improve the yield.

Mr. Atha.—Judged by known results it seems that 92 per cent. is not at all impossible. There is a question in connection with the open hearth ingot cost. I think the cost above metal should not be more than the cost above metal for the Duplex under your conditions.

Mr. Mather.—Yes, I should expect to find that so, if we had a modern open hearth plant.

Mr. Atha.—Then of course following your present practice using all the scrap in the open hearth furnace the actual cost of the open hearth ingot will be lower, and the cost above metal for the open hearth process should not be more than that in the Duplex taking over-all costs?

Mr. Mather.—I should expect that.

Mr. Atha.—This Rs. 40 lakhs to be spent on the steel making plant mentioned in statement 19 has not been explained.

Mr. Mather.—The reason why we have not said much more is that our own view is not yet final on that particular point. I pointed out this morning in connection with the ingots which we expect to require from the two plants that we do not expect to get more ingots than we were producing during the first half of this year from the open hearth and it is open to question whether it is worth while for that production to spend money on an entirely new open hearth plant. An alternative would be to spend a similar amount of money on improvements to the existing plant. I am not at all sure that that would be wise; but we have not finally made up our mind. A third possibility is that we might make some arrangement for adding to the steel-making facilities of the Duplex plant.

President.—If you take the explanation on item 10 at page 87, that refers specifically to the open hearth?

Mr. Mather.—I must apologise if that has in any way misled the Board. When we said it should be re-built or replaced we did not necessarily have in mind that the replacement would inevitably be in the open hearth plant itself. There is the third possibility which I have just mentioned but we have not reached finality in our own minds yet. We ought to have made that more clear.

Mr. Atha.—In connection with the general estimate when the President mentioned Rs. 5 as the reduction, it seems to me that there is one figure that can be got out. Increased output would certainly reduce the general charge per ton?

Mr. Mather.—That is correct.

Mr. Atha.—We don't think we have details of fixed charges which would enable us to estimate this.

Mr. Mather.—We will work it out for you. We will try to work out a definite figure. I would like to mention that we have had that in mind in arriving at these estimates that a conspicuous item of reduced costs is what we know as "general works expense". Our total expenditure under that head will not rise appreciably because we make more steel.

Mr. Atha.—I understand that a screening plant of some kind has been put up at the colliery. Is that in one of your own collieries?

Mr. Mather.—That has been put up in the largest colliery with which we have a supply contract with the object of the coal being screened into steam coal and slack. We have two objects in view, one is that the slack being a little lower in ash than the large coal it will be an advantage for us to be able to reserve that low ash portion of the coal for the coke ovens; and secondly, about two-thirds of the output of that coal will be steam coal some of which may possibly be sold in the market.

Mr. Atha.—That should tend to reduce your cost of coal.

President.—You can't put a figure on that?

Mr. Mather.—As we use less coal for purposes other than coke making we will have to use it in other forms, unless we are in a position to sell it.

Mr. Natesan.—In answer to Mr. Atha you said that you do not keep any plant registers?

Mr. Mather.—We have not got plant register at the moment in quite as perfect a condition as we should like to have it, but we have indexed records of all the plant we have bought; we have not got these arranged in the form in which it is done in a plant register but we have no serious difficulty in tracing a particular item.

Mr. Natesan.—I dare say you are paying income-tax. What is the principle they follow with regard to depreciation?

Mr. Mather.—They assess us at varying rates according to the nature of the plant.

Mr. Natesan.—What I am thinking is this: suppose you total up the block value taken by the Income-tax Department will it correspond to the value that we get?

Mr. Mather.—Block value taken into account by the income-tax authorities is higher than the block value of 12¾ crores and also the depreciation allowed by them last year was Rs. 120 lakhs instead of Rs. 78 lakhs allowed by the Tariff Board.

President.—That is to say it was practically the same rate on a bigger block?

Mr. Mather.—Yes.

(Continued on Wednesday, the 22nd November, 1933.)

President.—We go on to Chapter VII on the prices of imported steel. Now the first group of articles of which you give information regarding prices is rails, fishplates and sleepers. I gather that rails and fishplates come within the scope of the International Railmakers' Association, but sleepers don't.

Mr. Mather.—That is right.

President.—The International Railmakers' Association is probably the most powerful and the best organised sales Association in the Steel industry and although the present agreement underlying the formation of the Association expires in 1935, it is fully expected that it would be reformed and would continue in existence and therefore the arrangements regarding prices under the International Railmakers' Association may be assumed to continue?

Mr. Mather.—Yes.

President.—The general principle underlying the International Railmakers' Association's arrangements is that restriction and regulation should be confined to exports?

Mr. Mather.—Yes.

President.—They didn't affect internal markets. In the case of producing countries which have overseas possessions, the scope of internal markets is extended to the markets in the overseas possessions of these countries, so that we in India would be regarded as an internal market from the point of view of the United Kingdom. Therefore the prices quoted by the British manufacturers in India would not conform to the minimum prices fixed under the Railmakers' Association's arrangements.

Mr. Mather.—Yes.

President.—Nor would the quantity that they export be subject to the quotas prescribed by the Association?

Mr. Mather.—No.

President.—I see from your representation that the minimum price fixed under the Railmakers' Association's arrangements for rails is £5-17-6 gold of open hearth quality corresponding to yours.

Mr. Mather.—Yes.

President.—F.o.b. makers' port?

Mr. Mather.—Yes.

President.—Actually the lowest price that they quote for India in 1932 is £7-7-6.

Mr. Mather.—That was not a quotation for India.

President.—£7-7-6 is sterling?

Mr. Mather.—Yes.

President.—£5-17-6 is gold?

Mr. Mather.—Yes.

President.—£5-17-6 on the present franc sterling basis is considerably higher than £7-7-6. Therefore the price quoted for India is considerably lower than the minimum price fixed under the Railmakers' Association's arrangement.

Mr. Mather.—I would not say that this is a quotation for India.

President.—What is this quotation?

Mr. Mather.—I obtained this price privately. To the best of my belief it is to another part of the Empire and I am informed on what I believe to be quite a reliable authority that this is the lowest price at which the British makers either exported or sold in England steel rails last year.

President.—If you take the price quoted by the British makers for their home market in the United Kingdom or for any of their internal markets, it is the very lowest price in 1932.

Mr. Mather.—This is the price for 1932 which they quoted for the reserved markets.

President.—£7-7-6 is the nearest that we can get to the price quoted for rails in India.

Mr. Mather.—I have no other means of ascertaining the probable price for export to India.

President.—There is one question which I want to ask before I leave this question of the Railmakers' Association. Is it open to the Tata Iron and Steel Company to join the Railmakers' Association?

Mr. Mather.—Yes.

President.—Even although your industry is situated in the Overseas Possession of a participating country, you are entitled to join as a member?

Mr. Mather.—We are, so far as we know.

President.—Has the question ever been considered?

Mr. Dalal.—We are considering it now.

President.—Has it ever been considered before? Railmakers' Association has been in existence for how many years?

Mr. Mather.—It originally started in 1904 and operated successfully until the outbreak of war when it ceased to function. It was reconstituted at the end of 1926.

President.—It has been in existence all the time that the Company has been producing rails?

Mr. Mather.—Yes, with the exception of a few years after the war.

President.—Was the question ever considered before this? At present I understand from Mr. Dalal that the question is being considered.

Mr. Mather.—That is so.

President.—Has it ever been considered before?

Mr. Mather.—About two years ago it was considered.

President.—What happened?

Mr. Dalal.—Informal negotiations were carried on in London, but no definite proposals were put forward at that time. The matter is now being considered.

President.—Suppose you did join the Railmakers' Association—let us take the past six years—would your position have been any better?

Mr. Dalal.—Not substantially, because for the last six years we have been under contract; but it would have been better to this extent that the small orders which originated in the Indian States would presumably have been reserved automatically for us.

President.—The orders for railways in the Indian States do not come within the scope of your agreement with the Railway Board?

Mr. Dalal.—No.

President.—What about the N. G. S. Railways?

Mr. Dalal.—I think that does.

President.—They are in the Railway Conference Association?

Mr. Dalal.—N. G. S. is.

President.—So that it is only the minor Indian States that do not come within the agreement?

Mr. Mather.—Very few of the Indian States are included.

President.—During the past six years the prices of rails and also the source of purchase had been determined under an agreement and therefore whether you join the Railmakers' Association or not would not have made any difference?

Mr. Mather.—Very little.

President.—You are at present considering whether it would not be worth your while to join this Association?

Mr. Dalal.—Yes.

President.—If the agreement were continued, the question would wear a different aspect. Am I right, Mr. Dalal?

Mr. Dalal.—Yes, if the agreement was continued for a further long period.

President.—Supposing we fix the period of protection for 7 years and an agreement similar to the kind with the Railway Board was made for the next 7 years, then it would not necessarily be worth while to join the Association?

Mr. Dalal.—Not necessarily.

President.—Because the agreement, I expect, would imply that all the requirements of the Indian railways would be bought from you as far as your output would permit?

Mr. Mather.—That is not covered by the present agreement. The present agreement is that 90 per cent. of the requirements of the Government railways would be bought from us.

President.—90 per cent. of the requirements of Indian railways of the classes of rails which you are in a position to make?

Mr. Mather.—Yes.

President.—There is a definite figure mentioned in the agreement over and above the percentage figure.

Mr. Mather.—The whole is subject to a maximum of 200,000 tons.

President.—That is the maximum?

Mr. Dalal.—Yes, but there is no minimum.

Mr. Mather.—For quantities above 200,000 tons, the railways are not under any obligation to place orders with us nor are we under an obligation to supply above 90 per cent. of 200,000 tons.

President.—The particular form which the protection on rails must assume, that is a question which I should like to raise later and the question whether the form of protection should be a duty or simply a renewal of the present agreement is one which we can discuss more conveniently at a later stage when we have considered the figures. The question whether it would be better for you to join the International Railmakers' Association than to continue the present agreement is one that I suppose would arise more conveniently later.

Mr. Mather.—May I just refer to two points? One is that it doesn't automatically follow that if we apply to join the Association, we would be admitted.

President. I don't assume that either.

Mr. Mather.—Another fact which has been taken into consideration is this: presumably if we join the Association we may be able to get some share of the general export market, which is not expected to be a large share. We might get a quota on the general export market.

President.—In that case would you be permitted to export to the Overseas possessions included in the British Empire?

Mr. Mather.—It is a little difficult to say what form it would take.

President.—If that was ruled out, would you have any export market left?

Mr. Mather.—There might be say—a country like Siam. It is not so much whether we would have a specific export market. We might be given a quota in the export market outside the reserved area. Countries like South America, China, Siam, various parts of Turkey, Portugal, Spain—I think Spain is not a member—Greece, Balkan countries, all these form the general export market which is divided among the member countries by percentage quotas.

President.—Would you be able effectively to take advantage of that market?

Mr. Mather.—That would depend on the circumstances. We might or we might not.

President.—In the first place supposing you are ruled out of markets in the Overseas' possessions of the British Empire, because United Kingdom is supposed to have the first claim in that market, supposing that was ruled out and secondly from the point of view of distance of these markets as compared with other supplying countries, is there very much chance of your taking effective advantage of these markets?

Mr. Mather. That question of distance would not necessarily arise in an effective form. If we are given a quota, then the quotations on an enquiry from some country at some stage will be allotted to us. We shall be allowed to quote at the basic rate and the other competing countries must quote a higher rate. If in spite of that we do not get the order at any rate we are credited with the shortage on our orders, and in the final balance of the Association, we would receive something from the pool, because the country which gets more than its quota is due to pay a certain amount on account of the excess quota.

President.—On what basis is the quota fixed?

Mr. Mather.—Simply bargaining as far as I know.

President.—It doesn't depend on output?

Mr. Mather.—Naturally the output capacity is an important argument in bargaining on a matter like that.

President.—We might turn to that question later. Taking the starting point, the lowest price quoted by the United Kingdom in its internal markets in 1932, you get a figure of Rs. 130 landed in India including duty. You take duty in all these discussions as 15⅝ per cent. I take it that is the average rate of duty on unprotected steel before the Ottawa Agreement Act.

Mr. Mather.—We felt that it was not for us to raise the question whether differentiation or Imperial Preference might or might not have been applied in respect of articles which were never considered.

President.—In these prices you take the freight from the United Kingdom port at 17 shillings?

Mr. Mather.—Yes. The source from which we have taken that information is from the evidence given in 1926 enquiry. We have no other information available as to what the actual freight would be.

President.—There has been no actual quotation?

Mr. Mather.—It would not be open to public knowledge in any event.

President.—The special classes of rails which are actually imported into this country would bear the same freight?

Mr. Mather.—They would presumably bear the same freight.

President.—You have no information about it?

Mr. Mather.—We have no information on that point. So far as I know this was the only occasion on which the freight arrangement between the Secretary of State and the Shipping Companies was disclosed.

President.—Why should the freight on rails be lower than the freight on other standard kinds of rolled steel?

Mr. Mather.—It is a matter of bargaining between the Secretary of State and the Shipping Companies at a time when the Government railways were importing large quantities of materials. But that is purely a surmise on my part. All we know is that it was definitely given out on that occasion that that was the freight.

President.—This is a matter on which we could get information from the Railway Board.

Mr. Mather.—That would be the best source of information.

Mr. Mahindra.—The present rate on semis is 20 shillings less 10 per cent.

President.—From United Kingdom.

Mr. Mahindra.—From here to United Kingdom.

President.—That would not give any indication. The distance is no indication.

Mr. Mather.—No.

President.—That is not necessarily the freight from United Kingdom to India. Freights are not fixed on that basis.

Mr. Mather.—Actually our freight on semis to United Kingdom is lower than the semis from Europe to India.

President.—We will probably ask the Railway Board for information on that point. In calculating the sterling equivalent of these gold prices, I take it you have used invariably the figure of 85·7.

Mr. Mather.—That was the figure when these paragraphs were drafted.

President.—That was the exchange at the time?

Mr. Mather.—Yes.

President.—You took 124·2 as the gold par?

Mr. Mather.—That is right.

President.—The figures do not admit of material variation. Just now we are coming back more or less to 85.

Mr. Mather.—During the last week or two the tendency has been in that direction.

President.—You arrive at the price of fishplates by adding a margin of £2 gold. You take this price of £7-7-6 and add £2 gold to that. Is that a safe basis?

Mr. Mather.—This is the only information I have.

President.—In other words you have taken the margin which is fixed by the IRMA and you have tacked it on to the price that is quoted.

Mr. Mather.—I quite realise that the two quotations are not on an identical basis. I have no specific knowledge of the rates for fishplates within a reserved area as distinct from the extra for fishplates for the general market, but I think if there had been any difference, I should have been informed, but I have not been in a position to get specific figures on that point.

President.—I find in the Iron and Coal Trades Review the difference between the internal prices quoted for heavy rails and for fishplates is about £3-10 to £3-15. Those prices have nothing to do with the IRMA'S quotation?

Mr. Mather.—Those are small sales.

President.—£3-15 is approximately equivalent to £2 gold which to some extent starts the basis on which you have calculated.

Mr. Mather.—That would support it. Under our existing arrangement with the Railway Board in 1925 the extra for fishplates over rails was Rs. 38 and although there have been discussions between the railways and the Steel Company on many occasions about the prices of rails themselves, railways have never raised any protest about the extra for fishplates. They have accepted that the extra is in consonance with the usual practice.

President.—Fishplates are not made by the manufacturers who make rails?

Mr. Mather.—That is so.

President.—To the extent that the two classes of manufacturers come under the International Railmakers' Association, the Association fixes this margin?

Mr. Mather.—That is right.

President.—This Rs. 38 which is the figure under the existing arrangement almost exactly correspond to the exchange figure of 85.

Mr. Mather.—It is perhaps a co-incidence with the agreement itself. It must be, obviously.

President.—It is obvious.

Mr. Mather.—Since the position at the time this was provided lead to that conclusion and the extra is identical with that under our present contract, we considered ourselves justified in using this figure, which the Indian railways have not challenged. Therefore we might proceed on that basis.

President.—What is the usual margin in European countries between the prices of 90 and 115-lb. rails?

Mr. Mather.—That is rather difficult to ascertain. That is not in common use. But we were informed at the time when we were discussing this with the railways that it was 10 to 15 shillings per ton. The Railway Board accepted that when we said that there was no contract between the railways and ourselves for 115-lb. rails. The railways accepted that as a reasonable extra although I believe they had ordered small quantities of these 115-lb. rails either from England or from somewhere else; at least they made enquiries.

President.—Fairly recently?

Mr. Mather.—At the time when we first started making them.

President.—That is about when?

Mr. Mather.—1929-30.

President.—The margins between the prices of these different classes of rails, are not they fixed under the IRMA arrangement?

Mr. Mather.—Not so far as I know.

President.—The minimum price with reference to what classes do they quote?

Mr. Mather.—I speak subject to correction, because there is no authentic source of information. IRMA is a private body. To the best of my knowledge it has reference to rails of 35 lbs. and over.

President.—The minimum price?

Mr. Mather.—So far as I know, because the IRMA price is a price which is brought under reconsideration in connection with every individual enquiry. It so happens that for normal sizes of rails they have not changed their basis. In the case of each individual enquiry the matter is open to reconsideration. The IRMA is in no way committed indefinitely to its prices. It is a purely private body which can and does charge whatever it thinks best.

President.—I am only trying to ascertain when it is stated that there is a minimum price fixed under the IRMA arrangement whether that minimum price, taking the IRMA price as it is fixed at present, is applicable to all classes or is that a minimum applicable to standard classes?

Mr. Mather.—It applies to the great bulk of rails for which the IRMA receives enquiries.

President.—It does not apply to standard rail of 90 lbs. only?

Mr. Mather.—That can be taken as certain. There is no difference between 90-lb. and 75-lb. and 60-lb. rails. I think I am right in that.

President.—What is your source of information about the prices of sleepers?

Mr. Mather.—Actual quotations given on enquiries made by Indian railways during 1932-33.

President.—Rs. 84 and Rs. 83—Rs. 83 being the German quotation?

Mr. Mather.—I think that is right.

President.—The quotations were the same in 1932 and 1933?

Mr. Mather.—Practically.

President.—That is for sleepers without fittings?

Mr. Mather.—Yes.

President.—Sleepers when they are imported are imported entirely from Continental countries?

Mr. Mather.—There have been small imports from Great Britain but I think they are mainly of special designs which the railways wanted to try more or less for experimental purposes. I don't think that there has been any large order for sleepers.

Mr. Mahindra.—All the normal classes of sleepers come from the Continent.

President.—Mainly from Belgium?

Mr. Mather.—Yes.

President.—Is Germany coming increasingly into the market?

Mr. Mahindra.—I don't think that Germany has supplied sleepers to the railways during the last five or six years.

President.—Where do you get the German quotation from?

Mr. Mahindra.—They quoted, but we got the order in each of these cases.

President.—This is simply a quotation?

Mr. Mahindra.—These are quotations on a competitive tender.

Mr. Mather.—In each case we got the order.

President.—The lowest price is Belgian?

Mr. Mahindra.—Yes.

President.—Now coming to semi-finished steel, it is quite clear from the average values as calculated from the Trade Returns that the imports of semi-finished materials into this country represent special classes of products.

Mr. Mather.—I think so.

President.—I get an average figure for 1932-33 of Rs. 118 which obviously refers to special classes of products?

Mr. Mather.—Yes.

President.—You give some figures regarding prices of semi-finished steel. We have had great difficulty regarding prices of semi-finished steel. I should like to have the question cleared before I consider your figure. I should like to get an idea as to how you get information regarding steel prices generally? You say you get your market report.

Mr. Mahindra.—The prices for steel are quoted on the Exchange and these prices are checked by our market reporter and then they are cabled out to us.

President.—The quotations which you get on the Exchange may be regarded as standard quotations to which actual quotations do not conform.

Mr. Mahindra.—Not necessarily. These are quotations which more or less are nominal quotations given to the enquiries and afterwards they are subject to bargaining.

President.—Generally as a result of this bargaining prices would be slightly lower than the Exchange quotations?

Mr. Mahindra.—Yes.

President.—What does your market reporter do?

Mr. Mahindra.—He checks the various quotations and strikes the average.

President.—How does he check?

Mr. Mahindra.—Quotations are given by the manufacturers. He checks the quotations of one manufacturer against those of another.

President.—Is this market reporter a wholetime employee of the Company?

Mr. Mahindra.—No.

President.—He simply does the work for the Company as its agent?

Mr. Mahindra.—Yes. He is paid for his services.

President.—He makes the best enquiry that he can among actual producers or sellers in the market. The information that he gets in that way is checked against standard quotations given on the Exchange and then he gives you what to the best of his judgment represents the actual price which is cabled out to you?

Mr. Mather.—Yes.

Mr. Mahindra.—I make a further attempt to check these prices against the quotations received from other sources.

President.—So that all the c.i.f. prices that you have given in this representation are prices which have been obtained and checked in that manner? Is that correct?

Mr. Mahindra.—Yes.

President.—They are checked in the first instance by your reporter in England and in the second instance by you here?

Mr. Mahindra.—Yes.

President.—So that they are as close as you can get independently to actual quotations?

Mr. Mahindra.—Yes.

President.—That is to say, the prices at which transactions have actually taken place?

Mr. Mahindra.—Not the prices at which transactions have taken place, but prices which have been quoted against enquiries.

President.—What I want to know is this: we cannot depend on trade journal quotations?

Mr. Mahindra.—No.

President.—Because trade journal quotations may or may not conform to actual prices.

Mr. Mahindra.—Quite.

President.—The figures that you give here are figures which are closer to actuals than the trade journal quotations?

Mr. Mahindra.—They are.

President.—Because the result of your enquiries is really to bring the standard quotation either on the Exchange or trade journals nearer to actual quotations in the market?

Mr. Mahindra.—Quite.

President.—But they are not necessarily the prices at which transactions have taken place. Prices might be still lower?

Mr. Mahindra.—Yes. As I have already explained, these prices are subject to a bargain by the enquirer who is prepared to offer a fair sized tonnage. My information is that these prices are subject to a reduction of 1s. 6*d.* to 5*s.* per ton.

President.—As much as that?

Mr. Mahindra.—Yes. As a matter of fact, before I came to this place, I phoned up some of the engineering firms and they confirmed this.

President.—We have received information from engineering firms who are also importers. We have received quotations from them for various periods and I will draw your attention to them at a later stage but if anything they are generally higher. I will come to that point later.

Mr. Mahindra.—Yes.

President.—Now with regard to the prices of billets you give us an average c.i.f. of £4-1-6 and £4-2-6 for sheet bar and adding landing charges at Rs. 2-12 you get a price of somewhere about Rs. 57·8 landed without duty?

Mr. Mather.—Yes.

President.—We have received various prices for billets. Before I go on to the figures that we have received from other parties I should like to point out that the Iron and Coal Trades' Review for October gives a price including landing of £2-7 and taking freight at 18 shillings 6 pence, the price comes to somewhere about Rs. 54-8 instead of Rs. 57·8 that your figures give, unless my arithmetic is wrong.

Mr. Mather.—I have here an October issue which does not give the price.

President.—The figures that I got are £3-0-6 for billets of 2½″ to 4″ and £2-19-6 for sheet bars. It is approximately an average of Rs. 55 including landing charges of Rs. 2-12. Assuming for the moment that is so, the trade journal quotations which ought to be higher are less in this case.

Mr. Mather.—May I call attention to a possible difference there. The prices that we have given are the average prices of January to June. During that period, the Continental Cartel came into operation again and began also to set up a sales organisation since June. That sales organisation has introduced a system of quoting lower prices for the United Kingdom market than for other countries because the United Kingdom market was previously by a long way its biggest market for semis and the introduction of protection in the United Kingdom has cut very seriously into that market for Continental semis and from the time when the selling organisation set up by the Cartel was reasonably well organised, they began to quote lower prices for the United Kingdom market than for other markets. That may be reflected in the quotation. It is natural that a journal of this kind published essentially for circulation in the United Kingdom would quote a price as applicable to imports into the United Kingdom.

President.—As against that, in a representation that was received just a few days ago from the Welsh Tinplate Association, they give us a figure of £2-8 gold for sheet bar which is higher than your Rs. 57.

Mr. Mather.—These prices, as I think you will realise, have been fluctuating very considerably at all times practically and they are still fluctuating very much this year.

President.—Are you thinking of the fluctuations in respect of semi-finished steel?

Mr. Mather.—Yes.

President.—I don't see fluctuations in respect of semi-finished steel. Continental prices have been going up but British prices have remained steady.

Mr. Mather.—I am thinking of the Continental prices. They have fluctuated from time to time.

President.—For all classes of steel or only for semi-finished?

Mr. Mather.—There have been variations in all classes. On the whole the tendency during the current year for Continental steel of other kinds than semis, bars and so on, has been upwards. There has been also a temporary fall during the year which I think we would be able to show But if you see a different price at a different time, it would not necessarily indicate some error in the prices which we set before you for January to June.

President.—I am not suggesting for a moment that there is any error in your figures. That is not my point at all. My point is on the question of semi-finished steel the prices of imported materials are of very great importance in this enquiry and I want to get a figure. I am asking you, in view of these various conflicting figures, what figure am I to take? Give me a figure which I can depend on.

Mr. Mather.—In the issue of October 13th also there is no quotation.

President.—In the October 6th issue, there is a quotation.

Mr. Mather.—It is as you have stated. In the issue of October 27th, although the summary table at the end of the journal contains no entries at all, the section containing the detailed market report dealing with Belgium states that the official f.o.b. price on a gold basis for billets of the sizes with which we are mainly concerned is £2-8. That is gold and the price of sheet bars varies from £2-8 to £2 12 according to the weight of the bar.

President.—Supposing you take £2-8: that is the export price?

Mr. Mather.—That is the f.o.b. price.

President.—It would approximately represent £3-11 sterling.

Mr. Mather.—Yes.

President.—It would give you a c.i.f. price of Rs. 60.

Mr. Mather.—Yes.

President.—That is higher than your figure?

Mr. Mather.—That is so. As we are aware and I think you are also aware, the tendency has been for the prices of steel to rise since the period January to June—during the last few months. That is reflected in the figure which we arrive at in our calculations for billets for October.

President.—You are in closer touch with this question than I am. On the 6th October you got an f.o.b. price for billets which works out at Rs. 54 or Rs. 55; the upward trend in Continental prices started much earlier than October. Early October the price was Rs. 55 and now in India with landing the price for the end of October goes up to Rs. 60. The price little earlier than that comes to Rs. 63·2 without landing, as given by Messrs. Henry Williams. I suppose an average of these figures is as much as you can do. Which of these quotations are you going to take? Rs. 6 or Rs. 7 may make a considerable difference to the billet position.

Mr. Mather.—Quite.

President.—Would you be prepared to make careful enquiries with regard to the price of billets?

Mr. Mather.—Yes.

President.—I don't know what this average is that you will give us. I should like to get more accurate figures than these.

Mr. Mather.—It is my recollection that during this period, January to June, the Continent had not introduced the differentiation in prices for the United Kingdom and other countries. Since then if you will look at the figures, in one case you will find the effect of that differentiation and in the other there is no effect. That has not been taken into account apart altogether from the fact that there are fluctuations from month to month.

Mr. Dalal.—May we give you separate prices from January onwards for these billets as applicable to India up-to-date?

President.—Yes. With regard to bars, the price that you give us for January-June 1933 without duty is, British Rs. 96·1 and Continental Rs. 65·0. The only other source from which we have received information regarding bars is from a firm in Bombay and their quotation are very much higher than yours. Messrs. Richardson and Cruddas of Bombay give us for January-June 1933 for British bars a c.i.f. price without landing of Rs. 120-13 and Continental price of Rs. 69 c.i.f. without landing, a margin almost impossible for me to understand. The continental price that they give of Rs. 69 corresponds closely to that given in the Iron and Coal Trades Review, but the British price that they give I am not able to reconcile that at all. It is Rs. 120-13 c.i.f. without landing! As a matter of fact, the Iron and Coal Trades Review price for British bars—the latest price for October—is Rs. 106 including landing. Messrs. Richardson and Cruddas are the only people from whom we have received information about bars. The other people whom we addressed are not interested in bars. Taking structural sections, plates and black sheets, we have received no information at all about black sheets. Messrs. Balmer Lawrie's quotation, adding Rs. 2-12 for landing, comes to Rs. 114-6-8 for angles and joists, British. Exactly the same price is given to us by Messrs. Jessop and Company against your price of Rs. 112·7 for January-June 1933. With regard to Continental it is Rs. 65-1-9, adding Rs. 2-12 landing, for angles and joists and Jessop's figure is Rs. 65-6-8 against yours of Rs. 61·5. In plates Balmer Lawrie's figure adding landing is Rs. 116-6-8 against yours of Rs. 114·4: Continental is Rs. 81-9-10 against yours of Rs. 8·2; they more or less agree, but on Continental and British structurals there is a fairly considerable difference: yours is lower than theirs.

Mr. Mahindra.—As regards imports of Continental structurals the quotations obtained by these firms are more or less nominal, that is to say quotations just obtained for the sake of comparison. If they were to make a definite bid for a certain tonnage they will get a fairly big reduction.

President.—Six years ago we were trying to collect information about prices from these importers. We could attach greater value to their figures because the imports were in considerable quantities, but at present the imports are on such a very restricted scale that it may be that the quotations are not the sort of quotations which one would get on actual transactions that would be put through.

Mr. Mahindra.—That is so. To my knowledge Balmer Lawrie's are purchasing all their requirements from us and Jessops have not purchased anything from the Continent. These are the quotations received by them from their London office, on making special enquiries.

President.—They have also their market reporters who give them prices as a matter of routine?

Mr. Mather.—I think it is possible that they have not the same interest as we have. They are not actually buying at all.

Mr. Mahindra.—I have here quotations received by Messrs. Balmer Lawrie from week to week and in most of the cases they say "no change" while actual quotations received by us show that either the prices are going up or coming down.

President.—Don't they import for sale?

Mr. Mahindra.—They sell our steel. It may be interesting for you to know that Balmer Lawries are our dealers. Under the agreement they are not permitted to buy anything which we manufacture.

Mr. Wiles.—They may buy everything from you but still they may get market reports from elsewhere?

President.—Messrs. Richardson and Cruddas' figures are always difficult to understand. We will probably try and get some information from them as to how their figures are arrived at. I notice generally the Bombay figures are higher. In all the previous enquiries we found that the Bombay figures were higher, I mean the c.i.f. prices. Why it should be so I do not know. If you look at the old Tariff Board reports the Bombay quotations are always pitched at a higher level and since they are not buying your steel probably they are handling imported steel and are therefore able to speak from experience.

Mr. Mahindra.—To the extent they are handling imported steel that is correct.

President.—Your figures may be right but I always got the feeling that the figures we have received from Tatas in many cases are slightly lower.

Mr. Mahindra.—I submit it is to our interest to get as correct a figure as possible while the other firms are not so much interested.

President.—That is to say, you want to get quotations by which to regulate your own prices and the prices must be such that you would be in a position to secure the market, and therefore there is a tendency to fix the quotations slightly lower than is really necessary; and it is really very important for you that your quotations should not be above the import quotations so as to enable you to secure the market and the tendency therefore is to push them down. That probably accounts for part of the lag.

Mr. Mather.—No. The prices that we have given you are the prices on which our prices have been calculated. The figures that we have given you for January-June, 1933, have been calculated in precisely the same way, and the same considerations were taken into account as those for 1932-33.

Mr. Mahindra.—I should like to bring this to your notice from the National Federation regarding Continental prices (statement handed in). It is in regard to the Cartel price.

President.—What is the point of this?

Mr. Mahindra.—The c.i.f. prices quoted by Continental works are subject to 5 and 6 shillings discount—5 shillings for bars and 6 shillings for plates.

President.—If the quotations that we have received from the other importers are prices at which actual transactions are put through then these discounts have been allowed?

Mr. Mahindra.—Yes. I may state that Messrs. Richardson and Cruddas are our agents and buy most of their steel from us.

President.—Do they buy imported steel at all?

Mr. Mahindra.—We understand that they do buy, but very small quantities. Most probably the steel they buy is in sections which we do not roll.

President.—Generally it must be the sort of sections used in fabricated steel works but probably these are quotations for special sections which cannot be obtained here.

Mr. Wiles.—Will that apply to bars also?

Mr. Mather.—I do not know that but there is some possibility that the bars they are referring to are small bars required for reinforcing concrete.

Mr. Natesan.—Mr. Mahindra, is it possible that they do not bring in the discount when they quote the price?

Mr. Mahindra.—Usually my experience is that whenever an enquirer gets any quotation from the Continental makers through the importing houses here he always manages to get some discount dependent upon making a firm offer.

Mr. Natesan.—Suppose I import a book at 6 shillings: in the list it is given as 6 shillings but at the bottom in a footnote they will say less 12½ per cent. and so on. What is your practice?

Mr. Mahindra. Quotations given here are not really quotations as you mentioned just now; these are the quotations on the Course and when they quote for a definite enquiry for a certain tonnage it is offered subject to a discount.

Mr. Natesan.—When they try to close a transaction they quote a discount?

Mr. Mahindra.—That is right.

President. The real point at issue is, whether in the figures that Messrs. Richardson and Cruddas have given us they have allowed discount or not and it is a point we have got to settle with them. The question of fixing the c.i.f. price for galvanised sheets is more difficult under existing conditions since apparently there is no ordinary market price. I notice from the trade figures that there have been considerable imports recently from Belgium.

Mr. Mather.—That is so.

President. Have you got any figures about Belgian prices?

Mr. Mahindra.—We will send you the figures. The latest price I have here is £11 f.o.b. These are not effective prices.

Mr. Mather.—They are higher.

President.—What is that?

Mr. Mahindra.—This is only a cable quotation.

President. Mr. Mahindra, you can try and get us information about the latest prices?

Mr. Mahindra.—Yes.

President.—As far as British prices are concerned, the Ottawa prices began to operate from November, 1932. Balmer Lawrie, I believe have handled British sheets on a large scale in the past?

Mr. Mahindra.—Yes.

President.—They give us an average c.i.f. British price for January to November, 1932 of Rs. 140 without landing. That is the average price just before the Ottawa agreement came into operation. Since then spelter has gone up. Therefore the corresponding price without landing would be higher.

Mr. Mather.—Yes.

President.—If you add Rs. 2-12 you might probably get something over Rs. 143, and the price that you have given for British sheets landed without duty is Rs. 140-9.

Mr. Mather.—Adjusted for the rise in spelter.

President.—If you make the adjustment you would probably get a price higher than Balmer Lawrie's by Rs. 3.

Mr. Mather.—Probably. Our price refers to January-June, 1933. It might have a slight influence on this. The new agreed price under which British sheets were sold in this market came into operation on the 20th October.

President.—What they say in their letter is that the Ottawa price began to operate since November, 1932, and they have given us the average for November, 1932, leaving out the Ottawa agreement price.

Mr. Mather.—In September, 1932, so far as I know the general export price of galvanised sheets from the United Kingdom was raised. At that time the leaders of the sheet trade knew that negotiations were going on and they were confident of these negotiations going through.

President. We need not go into that.

Mr. Mather.—It is because of that we have taken the first six months.

President.—You have omitted from the 10 months that part of it which has taken so to speak the anticipatory effect of the Ottawa agreement.

Mr. Mather.—I think so. I think that more or less sets out what we may call as the free position.

President.—In your note about the Ottawa agreement, you tell us that kind of anticipation of Ottawa prices began to be felt in the market by about September.

Mr. Mather.—Yes.

President.—You might take an average of January to September and it would be quite a safe period.

Mr. Mather.—If it is the beginning of September; it would be better to take a period of 8 months—January to August.

President.—As far as Indian prices are concerned, prices would be lower from September to November?

Mr. Mather.—You are now talking of the c.i.f. price.

President.—Yes.

Mr. Mather.—They would be higher.

President.—Probably it would be safe to take the average of the period somewhat shorter than January to November.

Mr. Mather.—That is why we took the first half of the year. If you prefer to have the figures for the first 8 months instead of 6 months, we will give you the figures so that you may see how they compare.

President.—We come to paragraph 77. Are you seriously pressing for action against Japan? Is the position really serious?

Mr. Dalal.—It might develop into a serious position at any time.

President.—Have you any information about the quantities imported so far? In the first place what classes of goods are they importing?

Mr. Mahindra.—Generally the class of goods which we don't manufacture.

President.—What do you mean?

Mr. Mahindra.—Sheets of thinner gauges, bars below ½ inch section.

President.—Why not leave them out?

Mr. Dalal.—But there is no knowing that sheets of thicker gauges may not be imported within a very short time.

Mr. Mather.—In the month of September the imports of galvanised sheets were 500 tons. The corresponding figure for the previous year was 110.

President.—What was the price? That is the all important point.

Mr. Mather.—Quite.

President.—We had a statement from the Collector of Customs, Bombay. Apparently these things go to Bombay.

Mr. Mather.—Yes.

President.—We received a statement of prices for the fortnight ending October 31st and he reports in that fortnight 50 tons of galvanised sheets at a c.i.f. price of Rs. 166.

Mr. Mather.—They are very thin sizes. That information would not be complete unless you know the gauge.

President.—How thin are their gauges?

Mr. Mather.—28 and 30 are the nominal gauges which they are mainly offering. The information that we have from the Bombay market is to the effect that they are selling these gauges of 28 and 30 at a price below the price of imported British sheets of those gauges—we ourselves at present are not making those gauges—not only at a price somewhat below that, but also in addition to that instead of supplying the gauges which they were nominally offering, they are actually supplying a little thinner gauge.

President.—If it is 28 gauge their prices are fixed at a lower level than corresponding British sheets?

Mr. Mather.—Yes.

President.—But actually the 28 gauge may be 29?

Mr. Mather.—Yes, that is our information.

President.—If you assume Rs. 166 c.i.f. for 28 gauge, would you consider that a very reasonable price?

Mr. Mather.—It is a fair price for 28 gauge.

President.—It is a good price, mark you, for plain sheets and not for corrugated sheets.

Mr. Mather.—Yes.

President.—Supposing you fix the price of 24 gauge at Rs. 140, what would you consider a reasonable price for 28 gauge?

Mr. Mather.—Rs. 183.

President.—Assuming that this is 28 gauge, the price would be Rs. 166 as against the standard price of Rs. 183.

Mr. Mather.—They are selling distinctly below the nominal price of British sheets of thin gauge. They are reported to be supplying thinner gauges than the nominal gauge. I can't say this from my own knowledge that they are supplying a thinner gauge than the nominal gauge.

President.—Mr. Mahindra, surely you ought to be able to get us the prices of Japanese galvanised sheets?

Mr. Mahindra.—I will get the prices for sheets landed in India.

President.—I should like to get from you a statement of prices of galvanised sheets imported from Japan. With regard to the question like Japanese imports, it is rather important that the prices should be given on a monthly basis, because we want to know the progress they make both in respect of quantities and prices. If you can give a monthly statement showing both the quantity and prices, it would be helpful.

Mr. Mahindra.—Yes, we will send you a statement.

President.—The suggestion that you make that suitable action may be taken under the Safeguarding of Industries Act in respect of protection against Japan, is one which may present difficulties, because under the Safeguarding of Industries Act, as you know, the Government acts only where prices are so abnormally low as to endanger the existence of the industry. A question may arise if at the prices at which Japanese sheets are imported into this country, you still can earn your works cost, depreciation and a small amount of profit, it would be rather difficult to take the line that the existence of the industry is in danger. I am not a legal authority on these questions, but the wording of the Act seems to me to suggest that its usefulness, although it is applicable to protected industries, will be confined to unprotected industries. For, if the idea is that the Steel industry should receive against Japan sufficient protection not merely to cover works cost and depreciation but also a reasonable return on capital, then action under the Safeguarding of Industries Act may not be sufficient. That is to say there is no alternative to off setting duties and that would give rise to difficult questions such as the Most Favoured Nation Clause.

Mr. Dalal.—Exactly.

President.—It was all right in the case of the Cotton industry because the imports from other countries are so small that you can put a preferential duty and get over the Most Favoured Nation Clause. But here since Belgium is quite as important a factor as the United Kingdom, it is rather difficult to apply a higher duty calculated on the basis of Japanese imports than to Belgium imports. To my mind the question is full of difficulties and personally I do not quite know on what lines the Board might suggest a solution for this question assuming we found that the Japanese imports were a serious factor.

Mr. Dalal.—It might become a serious factor at any moment.

President.—I think the best thing for us to do is to let Government face the question when it arises.

Mr. Dalal.—We should take some steps to ward off the danger.

President.—You can take action under the off setting duties provision. If you take action under the off setting duties provision, you are up against the Most Favoured Nation Clause. The only way by which you can get round the Most Favoured Nation Clause is by taking action on the lines of the Imperial Preference, because it doesn't offend the Most Favoured Nation Clause. In this case Belgium is a very important importer of sheets and you would be put to the necessity of applying to Belgium a duty which is not in the least applicable.

Mr. Dalal.—That is true.

President.—We may leave this question at this so that it may find a solution for itself. Then we come on to paragraph 78 which raises the question of landing charges. You suggest an average landing charge of Rs. 2-12-0. We asked various importers both in Calcutta and Bombay to give us figures of landing charges. In Calcutta Messrs. Jessop and Company have given us Rs. 2-13-0 *plus* ¼ per cent. on invoice value and Messrs. Balmer, Lawrie and Company have given us Rs. 2-13-6 as Port Commissioners' charges *plus* one-fourth per cent. surcharge on invoice value *plus* importers' clearing charges of 7½ per cent. of the port commissioners' charges. As against these Calcutta figures, the almost uniform figure that we have received from Bombay is Rs. 24 per ton. My own view is, setting off one against the other we may accept your Rs. 2-12-0 as a reasonable figure for landing charges.

Mr. Mather.—Landing charges differ at different ports. Rs. 2-12-0 would be a reasonable figure to take.

President.—I think probably you are right. Rs. 2-12-0 is about as good an average as we can think of.

Mr. Mather.—Yes.

President.—As regards this question of extra which was added to the price of Continental bars in the 1926 report, you tell us that the Tariff Board does not note the trade practice. I should like to know what the trade practice is in this matter. What apparently the Tariff Board did in 1926 was this. They found on an average Continental sections were 2 per cent. less than the declared weight. Therefore apparently—I don't remember now but I presume this was what happened—the Board assumed that if Rs. 100 was the declared price for a ton of bars and the actual consignment represented, say, 98 instead of 100 per cent. in weight, then the price of a ton of bars was something more than Rs. 100.

Mr. Mather.—That I think was the argument which was followed and I should like to make it clear that we are not putting this forward in any criticism of the Board's treatment of the subject on the last occasion because I think there was some confusion in the minds of the witnesses who put before the Board this information. We have seen evidence of it more recently. To some extent it has been a difficult thing in getting some of the witnesses to realise precisely what information is relevant to the consideration which the Board had in mind. Actually the position we now find to be this. Although it may be that bars are rolled 2 per cent. light, that is to say, the weight of one foot length is 2 per cent. below the weight it ought to be—we don't question that it is less—yet we have found out after a positive investigation during the last three or four years—on one occasion we had to go into it very carefully—that the weight mentioned in the invoice as the weight sold to the consumer is the actual weight and not the nominal weight.

President.—Please restate that.

Mr. Mather.—For instance, a man buys a ton of bars and he expects to get 1,000 feet. If the bars are only 2 per cent. lighter, then it would take 1,020 feet to make a ton. The presumption which would have justified the Board's previous figure was that the man was only supplied with 1,000 feet which weighed 2 per cent. less. What we find in actual practice is that the man is supplied with 1,020 feet of bars which is the actual weight, and he gets the benefit of that extra length of 20 feet.

President.—Is this question connected with the question of rolling margin?

Mr. Mather.—To some extent it is.

President.—I have seen a good deal of reference in the papers that we have received in connection with the questions on this point that we issued, that it is the practice to specify a rolling margin, either up or down. If I make a contract for the sale of steel, say, to you at so much per ton, supposing the weight that I actually deliver to you is less than the specified weight but within the rolling margin, then you are not at liberty to refuse to take delivery. You have to take delivery of it. But then you take delivery at a price which corresponds to the weight that you have actually received.

Mr. Mather.—I pay for the number of actual tons I have received.

President.—Supposing for example the steel that I sent to you instead of being 100 is only 98, then while you are bound to take delivery, you pay only for 98.

Mr. Mather.—That we have ascertained. As a result of the careful enquiry which we found it necessary to make three or four years ago, we can say that that is the actual practice.

President.—Therefore if the c.i.f. price is 100 per ton, you pay only 98 for the quantity received.

Mr. Mather.—I pay at the rate of Rs. 100 per ton for such quantity as I receive.

President.—Assuming it is 2 per cent. less, you pay for the quantity that you have received 2 per cent. less than the price quoted per ton.

Mr. Mather.—The total amount of the bill is 2 per cent. less. What actually happens is this. A man buys 100 tons. When it is found that the weight is 2 per cent. less or 2 tons less, they put the extra 2 tons in. They are anxious to sell 100 tons. Although the buyer could not refuse delivery on the ground that it is lighter by 2 per cent., the normal practice is that he gets the extra length.

President.—He gets the specified foot length, *plus* the extra weight.

Mr. Mather.—He gets the specified weight even though it may involve extra length.

Mr. Dalal.—This is the practice in respect of Continental bars, ordinary angles and rounds.

President.—He gets the weight that he has paid for.

Mr. Mather.—Yes.

President.—If the price is Rs. 100 c.i.f., it does not need any adjustment?

Mr. Mather.—That is so.

President.—What is your rolling margin?

Mr. Mather.—The rolling margin for British standard material is *plus* and *minus* 2½ per cent.

President.—For non-standard?

Mr. Mather.—It is more or less whatever the custom is without serious complaint. There is no such specified limit as there is for tested material, but in actual practice at a time like the present when the customer can afford to be fussy, the margin is higher.

President.—We are told in regard to Continental price it is about 4 per cent.

Mr. Mather.—That is very nearly so.

President.—I suppose more or less it is right.

Mr. Mather.—Normally the margin is higher in the case of untested Continental materials.

President.—4 per cent. is about the figure?

Mr. Mather.—Yes

President.—Coming to Chapter VIII, the first adjustment that you discuss here is the adjustment on account of freight disadvantage. On rails and fishplates you claim the present figure?

Mr. Mather.—Yes.

President.—Although actually your disadvantage during the past six or seven years was a rupee less?

Mr. Mather.—Yes.

President.—On what ground do you want it to be retained?

Mr. Mather.—We submit that it is subject to variation from time to time and that Rs. 8 per ton, to the best of our knowledge, was accepted by the Railway Board in 1926 as being the normal average taking into account the requirements that they anticipated. The fact that there is a change does not affect the accuracy of that normal expectation. Because the orders for rails have been so very small, it is not to be expected that the weighted average would be the same on the abnormally low orders.

President.—Rs. 7 is on an average of 110,000 tons during the past six or seven years. The average of the next seven years is going to be 80,000 tons. Therefore it looks to me that the reduced rate may continue.

Mr. Mather.—It would be better if you could give us an extra one rupee.

President.—You want one rupee more?

Mr. Mather.—In the case of rails we are not asking for substantive protection. What we ask for is that the railways should pay such a price at our works as will enable them to get these distributed to the railways at that price.

President.—The price that matters to you is f.o.r. Tatanagar.

Mr. Mather.—The lower is this figure, the higher it will be f.o.r. Tatanagar. Of course, this is a special case. It is not a material on which we are asking for substantive protection. Here our fair selling price is lower than import price. We have no interest in either Rs. 7 or Rs. 8.

President.—If the agreement were continued on the present basis then the question of freight does not come into the question at all.

Mr. Mather.—If we continued on the present basis including the existing price, that would happen.

President.—What I mean is this. Supposing the agreement was made on the basis of whatever is a fair price f.o.r. Tatanagar, then the question does not arise?

Mr. Mather.—It would in fixing what is a fair price to us at Tatanagar.

President.—In that case, the freight is borne by the railways.

Mr. Mather.—Yes. Naturally the railways will want to have the materials at no greater cost than the imported material.

President.—Supposing the margin between the import price and your price is a considerable factor?

Mr. Mather.—Then, we will begin to touch on the method of fixing the price.

President.—I am afraid we will. On sleepers the disadvantage is Rs. 10. I have no comments at all to make on that.

Mr. Mather.—Yes.

President.—Now coming to the thorny question of imposing protective duties on semi-finished materials, you ask for a duty of Rs. 25, of which Rs. 13 is real protection and about Rs. 12 is the freight disadvantage?

Mr. Mather.—Yes.

President.—You want this duty to be applied to semi-finished materials of all sorts?

Mr. Mather.—Yes.

President.—Supposing we allowed you a duty of Rs. 25 on billets half of which represents the freight to distant parts, would not that work as a very severe hardship to re-rolling mills in those areas?

Mr. Mather.—It would put the price up to them; that is true. On the other hand, of course, we should otherwise be getting less than our nett fair selling prices for the supplies which we send to distant areas.

President.—The two biggest manufacturing centres in India are the two big ports—Bombay and Calcutta. The development of auxilliary industries and subsidiary industries—I am not saying in competition with you necessarily—is likely to take place more in Bombay and Calcutta than in any other centres that I can think of and in the places where the re-rolling industry properly so called is likely to develop most, a duty calculated on this basis would work with the severest hardship.

Mr. Mather.—So far as Bombay in concerned, our freight disadvantage is Rs. 15 per ton.

President.—Leave out Bombay. Take Calcutta. Calcutta is the biggest centre for this type of industry and it seems to me that if there is any likelihood of a re-rolling industry developing on a really satisfactory basis and on a substantial scale, it would be round about here and it is in this area that your duty would throw the heaviest burden.

Mr. Mather.—When we first heard of definite proposals for the establishment of a re-rolling industry working on billets, they were in connection with the question of starting a mill in Southern India and not in Calcutta. It is difficult for us to say how the balance would work out.

President.—Let us come down to concrete cases. There is at present a re-rolling mill started by Messrs. Henry Williams?

Mr. Mather.—Yes.

President.—As far as I understand, they are mainly concerned with the manufacture of railway materials. I think that the kinds of bars that they want to roll from billets are bars required for railway materials and if a duty of Rs. 25 is levied on billets, then it seems to me that it is going to place on the re-rolling mill of that kind a burden which it would be rather difficult to justify.

Mr. Mather.—In a case like that, if this mill were to confine itself to re-rolling materials which we are not rolling we are quite prepared, as we have indicated before, to sell billets at our fair selling price—at a price which will leave us a nett price f.o.r. Tatanagar which would not then be influenced by the duty.

President.—You know in our report we estimate a fair selling price for your semi-finished material f.o.r. Tatanagar. At that price you would be prepared to sell semi-finished materials to re-rolling mills like Messrs. Henry Williams' which are concerned in the manufacture of steel products which do not come in competition with your production?

Mr. Mather.—Yes, so far as they confine themselves to those products.

President.—Do you want them to confine themselves 100 per cent.?

Mr. Mather.—I think our attitude in a case like that would be that they must confine themselves so far as they are taking our billets to the rolling of sections which we do not roll.

President.—I understand according to the practice in other countries where you have re-rolling mills which manufacture special class of sections, occasionally if there is a shortage in the demand for the kind of special sections that you roll it may be necessary for you in order to find an outlet for your products to sell some of them in the form of ordinary sections in small quantities which the larger works may not be in a position at the time to supply.

Mr. Mather.—May I submit that this is a very important question in connection with this enquiry; it has been an important question in other countries. It is very important in the United Kingdom, this question whether the protective duties should be applied at the same rate on semi-finished materials which have been imported into the United Kingdom as for finished steel, and after considerable discussion the same duty was put on semi-finished materials, and the re-rollers had to face that position.

Mr. Wiles.—Those re-rollers are not confining themselves to the production of materials which are not produced by the people who make billets?

Mr. Mather.—They are buying billets at a price which will be in accordance with the duty.

Mr. Wiles.—They are left in a position to compete with people who make billets.

Mr. Mather.—That is a matter for the suppliers of billets.

President.—Supposing you have a duty of 33⅓ per cent., which is the duty in the United Kingdom both on billets and on finished steel, and people who get their billets at a price corresponding to the duty of 33⅓ per cent. are able to compete in regard to their products with the works which produce both their billets and steel products; this implies, I take it, that the cost of conversion on these re-rolling mills must be less?

Mr. Mather.—There are many complications which enter into the comparison. The point I want to bring to the Board's notice is that the question of the levying of protective duties on semi-finished products has been brought up in the United Kingdom and it has been decided to levy these duties.

President.—The position now is that in the United Kingdom after considerable discussion they have adopted the principle of levying the same rate of duty on finished and semi-finished steel and you are quite sure that the conditions are the same in that respect in the United Kingdom and India?

Mr. Mather.—Not the same.

President.—Do you or do you not agree that there is room in this country for the development of really satisfactory re-rolling mills and that the development of it should be encouraged?

Mr. Mather.—No, if you say really satisfactory.

President.—Is there room in this country for the development of a re-rolling industry like Messrs. Henry Williams'?

Mr. Mather.—For railway materials yes.

President.—Messrs. Indra Singh's works?

Mr. Mather.—Yes.

President.—For similar works there is room, is it not so?

Mr. Mather.—I doubt whether there is room for any more.

President.—Messrs. Henry Williams have a re-rolling mill which is designed for the production of railway materials which you do not make. You are proposing a duty which involves practically the whole of the freight to a distant port like Madras or Bombay. Industries of this kind find it rather difficult to compete with products manufactured by similar works in other countries and is it fair that this extra disadvantage of Rs. 12 should be thrown upon an industry like Messrs. Henry Williams when they are struggling to keep themselves alive as you are doing?

Mr. Mather.—We do not propose to put that extra burden to the extent to which they are rolling these railway materials.

President.—If they confine themselvee hundred per cent. to railway materials then you would supply them with their billets at the fair selling price f.o.r. Tatanagar?

Mr. Mather.—Yes.

President.—What is the percentage you would allow for the manufacture of ordinary sections in the course of their operations?

Mr. Dalal.—So long as there is not sufficient demand as it happens at the present moment, for any additional material, to the extent to which they manufacture such material they will be competing with us. Mr. Mahindra will tell you what is actually happening even in such a short time with regard to the very small amount of billets which they have taken from us.

Mr. Mahindra.—The position is this: if they have a very small tonnage to put on the market the tendency is for them to cut into the market, put that material in the bazar at a lower price and thus disturb the entire sale of bars by the Steel Company which affects the nett realisations.

President.—Messrs. Henry Williams you know definitely are not in a position to roll anything besides definite specific standards; is it really necessary to drop your realisations to that extent? Is it not like imports from a country like Japan? You know precisely their limits.

Mr. Mahindra.—What does happen is that it upsets the market.

President.—Because you are easily liable to be upset!

Mr. Mahindra.—The way we look at it is this. If Messrs. Henry Williams go out in the market and say "we will supply you bars exactly the same as rolled by the Steel Company at somewhat below the Steel Company's price", it has a tendency to hold away the dealers from us.

President.—Suppose they agree to roll ordinary sections and supply at the same price as you do?

Mr. Dalal.—As it is, we have to study the psychology of the market; for the sake of a small tonnage put on the market the sale of a very large tonnage is unnecessarily prejudiced and for the little benefit that they will derive we will suffer a very great loss. That is our own experience throughout all the markets. We are merely trying to safeguard ourselves in that respect, otherwise we are quite pepared to give them the billets for such materials as we are not interested in at a fair price.

President.—Is it a fair condition to impose upon re-rollers like Messrs. Henry Williams that they should not under any circumstances sell sections which you sell?

Mr. Dalal.—It seems to us fair because if they really require these billets for rolling railway materials there is no reason why they should not confine themselves to that.

President.—In the course of their business they would be compelled occasionally to sell ordinary sections for which provision should be made?

Mr. Dalal.—We have had somewhat similar experience with regard to sheet bars which we sold to the Tinplate Company to make sheets and it has not been a particularly happy experience.

President.—Don't bring in that case because it is entirely different.

Mr. Dalal.—The tinplate sheets were sold in competition with our sheets.

President.—It is not part of ordinary business of the Tinplate Company to make galvanised sheets. What I suggest is that in the case of re-rolling mills which make special products in this country it is inevitable in the ordinary course of business that they would roll a certain quantity of ordinary sections.

Mr. Dalal.—In that case the only thing to do is to restrict this really to occasions when it is necessary, to a very small percentage and if that is to happen I do not see why they should not buy our billets at the full price.

President.—What do you mean by full price? You mean corresponding to the duty?

Mr. Dalal.—Yes.

President.—In what form would you put the agreement in that case? You arrive at a certain percentage of railway materials, these specialised products, and a certain percentage of ordinary sections. Assuming their requirement in the year is about 10,000 tons, you put the percentage of sales at 90 per cent. and 10 per cent. Then 90 per cent. of their requirements of billets would be sold at a fair selling price and 10 per cent. at ordinary market price. That is the position?

Mr. Dalal.—There should be a further proviso that they would not sell at any price below ours.

President.—That gives us a fair basis for discussion.

Mr. Mather.—There will be no difficulty in making arrangements provided the tonnage is small to allow these to come on the market at an agreed price which will not upset our price.

President.—I should like to have this discussed with Messrs. Henry Williams when they come up and if necessary we may have further discussions with you. They have bought considerable quantities of billets from you?

Mr. Mahindra.—They made a contract for 1,500 tons about seven months ago and during the whole of that period they could only take 220 tons.

President.—What was the difficulty?

Mr. Mahindra.—They did not give any specification.

President.—I should like to read a paragraph of their representation to us on the subject:—"The Tata Iron and Steel Company Limited fixed with us a contract earlier this year (referred to elsewhere) for a large parcel of billets for the re-rolling of steel Taper Keys, Rivet Bars and various special sections. They have recently attempted to avoid completion of this contract by an interpretation of one phrase in the contract in a manner which we do not accept and have held up further supplies". I should like to have an explanation of the position.

Mr. Mahindra.—The position is this: Some seven months ago Messrs. Henry Williams entered into a contract with us for the supply of 1,500 tons of tested billets at Rs. 71 a ton delivered at their works. During the whole period of six months they took only 220 tons. Within 10 or 12 days of the expiry of the six months they put in specifications for the balance tonnage and they expected us to supply. They did have a provision in the contract that we should supply at any time they liked. I wrote and told them that the supply of the balance within 10 or 12 days will not be possible and that the order may be cancelled and the contract renewed on the same basis again and thus regularise the business. This was not an attempt to avoid as we can definitely prove from the correspondence. That was not our attitude.

President.—They then say: "Tatas quoted Rs. 75 f.o.r. Calcutta for April 1933 for a large parcel. The contract was ultimately fixed for 1,500 tons at Rs. 71 per ton f.o.r. Shalimar; but they attempted to cancel 1,000 tons out of this quantity the price of imported billets having risen recently".

Mr. Mahindra.—As I said, we have written to them to renew the contract in order to regularise the business and we will supply it during the period.

President.—Now that you have heard this statement could you put in a statement stating the Company's position because I should like to have something in writing when I examine their representatives.

Mr. Mahindra.—Yes. May I submit that there was no necessity for them to bring this matter up in the representation because it is a common everyday business. If they are right they can always enforce the terms of the contract.

President.—Special difficulties of this kind I do not say do not necessarily occur, but they are likely to occur where there is only one Steel industry in the country.

Mr. Dalal.—I may state that when this particular difficulty arose, Mr. Mahindra consulted me and after discussion I told him that although this should be regularised, it was not a contract which we could set aside and that we should supply billets to them though they were not taken within the time.

President.—That is the sort of attitude which I should like the Company to take in matters of this kind. You are in a position of very special responsibility.

Mr. Dalal.—Quite. We have been doing so. That is exactly what happened.

President.—Messrs. Henry Williams say: "Messrs. Tata Iron and Steel Company state in their representation that an economical sale price for billet is Rs. 70 per ton f.o.r. Tatanagar. This price would probably enable us to compete in this market and capture practically the whole of it with their billet. At the present time they refuse to sell billet at this price with the result that practically all these materials are imported from the Continent".

Mr. Dalal.—That is not a correct statement, because they have never discussed any proposal and we have never given any refusal of that kind.

Mr. Mather.—In fact the actual transanction was made at Rs. 68 f.o.r. Tatanagar as against Rs. 70.

Mr. Dalal.—And that is for tested material. They got the transaction through by representing to me that they could get materials from the Continent as good as the British standard materials at the price and on that understanding I concluded this contract for tested material with them at this price: It is for you to judge whether that statement is correct.

President.—I should like you to give us a full statement of the position in writing.

Mr. Dalal.—Yes.

President.—There is the other question of the supply of billets to the Indian Steel Wire Products. What stage have negotiations for an agreement reached? In the first place is there an agreement?

Mr. Dalal.—There is no concluded agreement.

President.—It is proposed to come to an agreement?

Mr. Dalal.—It is certainly our intention to come to an agreement, but there are some points of difference with regard to certain clauses of the agreement.

President.—You sent us some time ago a draft agreement?

Mr. Dalal.—Yes.

President.—Which is still under consideration?

Mr. Dalal.—Yes, we had one meeting with Mr. Indra Singh and there are certain clauses in the agreement to which they have raised objection.

President.—The two most important matters under this agreement as far as we are concerned are first the price and secondly the kind of sections which they are to roll. As far as price is concerned, the provision in the draft agreement, is that more or less agreed to?

Mr. Dalal.—So far as the price is concerned, there is no dispute; only about the freight.

President.—You mean the question whether the price should be put up.

Mr. Dalal.—That is a matter in dispute.

President.—Otherwise leaving alone these new freights the price is to be Rs. 60 per ton for the first two years and a minimum of Rs. 70 for the rest of the period, that is to say the import price subject to a minimum of Rs. 70.

Mr. Mather.—Import price only on the basis of the old duty. The protective duty will not affect that.

President.—The import price is calculated on the $12\frac{1}{2}$ per cent. duty?

Mr. Mather.—Yes. We have made that clear to Mr. Indra Singh and he is agreeable to that.

President.—The freight question is still under discussion?

Mr. Mather.—Yes.

President.—What about the kind of sections to be rolled? What is the position?

Mr. Mather.—There is a difference of opinion.

President.—What precisely is the difference of opinion?

Mr. Dalal.—They want to roll all kinds of sections.

President.—All kinds of small sections under half inch.

Mr. Dalal.—Yes.

President.—What do you want them to confine themselves to?

Mr. Mather.—They will confine themselves to under $\frac{1}{2}$ inch rounds and squares. They want to roll small angles and rounds and practically any material which is within the capacity of their mill.

President.—You want them to confine themselves to rounds and squares.

Mr. Mather.—About 4 years ago in the earlier stages of working out the scheme, we offered that we would supply billets for the rolling of rounds under half inch only and they replied accepting that specifically and repeated the sizes in their letters to us and said that they didn't want to roll anything except rounds under half inch. That was the understanding until practically at the last moment when they have disagreed.

President.—At the time when we made our last enquiry in regard to wire and wire nails, the question of rod mill was considered and besides wire rod it was then definitely anticipated that various lighter sections would be rolled.

Mr. Mather.—They can roll small squares. We take no objection to that.

President.—Whatever the previous correspondence on the subject was, the impression that I formed during the enquiry as the result of listening to the evidence of your Company and of the Steel Wire Products is that at least during the period of protection the Steel Company would have no objection to the Steel Wire Products rolling smaller sections subject practically to no restriction.

Mr. Mather.—The impression at that time was that they wanted to roll rounds and squares. We didn't wish then and we do not wish now that they should confine themselves specifically to this limitation, that is to rounds only. We have no objection to their rolling squares.

President.—In the draft agreement you want them to confine themselves to rounds?

Mr. Mather.—Yes.

President.—You are prepared to revise that draft agreement?

Mr. Mather.—Yes.

President.—In what direction?

Mr. Mather.—They may roll squares. They may roll small angles provided that if we gave them notice that we want at any time to roll angles in our own plant, they will cease rolling.

President.—That is rather a difficult condition

Mr. Dalal.—If you would oblige us as there are several matters in dispute between Mr. Indra Singh and ourselves with regard to the various clauses of the contract by informally arbitrating, we on our side would be quite prepared to abide by whatever you might say.

President.—It is rather a heavy responsibility for the Tariff Board.

Mr. Dalal.—Not as a Board.

President.—I should not like to say that the Tariff Board would arbitrate on a matter of this kind. We shall certainly try by discussion with you and the Steel Wire Products to clear up the position.

Mr. Dalal.—Yes.

President.—And see where each party stands exactly.

Mr. Dalal.—Thank you very much.

President.—The representatives of the Steel Wire Products are appearing before the Board next week and we shall know their point of view. should like to know precisely what the position is at present. You are prepared to let them roll not merely rounds, bars, but also squares and angles subject to the provision that if at any time in future the Steel Company decided to roll any of these sections except rounds, bars, then they must cease making them.

Mr. Mather.—Yes.

President.—To which they have not agreed.

Mr. Mather.—We originally suggested 6 months. They suggested two years and we replied one year as a sort of compromise.

President.—Supposing a restriction of the kind was imposed on them, would they still find sufficient outlet for their products? They claim that their rod mill can make altogether 45,000 tons in a year. Supposing you took 15,000 tons out of it for wire rod, you may get a total output of 30,000 tons. You must remember the market on the Calcutta side. As a practical proposition I doubt if the Steel Wire Products can do anything more in the way of wire rod.

Mr. Mather.—I am not sufficiently familiar with the details of the problem as to be able to suggest an alternative figure. Bearing in mind that they are already producing quite a considerable tonnage of wire nails, that the import of wire nails is still fairly on a large scale and that the import of wire is also moderately large, I should have expected to see that the figure would be higher. I cannot put it any further than that, because, as I said, I have not made a specially detailed study of the matter. The imports of wire nails are still at the rate of 11,300 tons a year—that is in addition to the quantity which they are already making.

President.—On the basis of the figures of 1932-33 I fix the total consumption of wire other than fencing wire and wire nails, taking imports and the Indian production, at a figure of 28,836 tons.

Mr. Mather.—Something should be added for fencing wire presumably, that being the commonest and the easiest form of wire to make.

President.—Let us put it at 30,000 tons.

Mr. Mather.—I should put it higher than that.

President.—How much is fencing wire in 1932-33?

Mr. Mather.—4,500 tons.

President.—That comes to a little over 32,000. Let us put it at 30,000 tons.

Mr. Mather.—Yes.

President.—That includes Rangoon, Karachi, Bombay and Madras. If you take the Bengal market which is practically the only market of which they can be certain, I personally doubt if you can go beyond 15,000 tons of rod.

Mr. Mather. I agree with you to this extent, that I would not suggest that in the first few years they would get, say, 80 per cent. of the total

Indian demand in the way we have succeeded in doing with bars and other products, but I should have expected them to be able to get about two-thirds of that.

President.—I rather doubt whether their wire plant can absorb more than 15,000 tons of rod.

Mr. Mather.—It is neither difficult nor expensive to extend the wire plant.

President.—Assuming for the moment that they cannot either produce or dispose of wire and wire nails corresponding to more than 15,000 tons of wire rod, that leaves them with a surplus capacity of 30,000 tons. If that was the position, would the kind of restriction that you are contemplating impede them unduly?

Mr. Mather.—The importation of non-protected bars was 47,000 tons.

President.—Supposing squares and rounds are ruled out?

Mr. Mather.—I am speaking only of bars.

President.—What does the term "bar" mean in this connection? Does it include rods, squares, hexagons, flats, everything except angles?

Mr. Mather. Yes, except angles, beams and so on.

President.—Would you allow them to roll special shapes?

Mr. Mather.—If they want to roll some sections—I mentioned angles to which they agreed the other day—we are prepared to let them roll under the restriction that we have proposed. They can roll window frame sections if they want to develop that business.

Mr. Dalal.—We are prepared to allow them to roll anything except flats subject to a year's notice.

President.—The kind of flats that they use for cart tyres, that is protected.

Mr. Mather.—That comes within our range of manufacture.

President.—What is the main use of these smaller flats?

Mr. Mather.—I don't think it is much imported at present.

President.—You are prepared to let them roll in small sections except flats?

Mr. Dalal.—Subject to a year's notice if we want to roll them.

President.—In your evidence in the last enquiry I rather thought you said that whatever may be the terms of the formal agreement, the Steel Company would, at any rate within the period of protection, not undertake the manufacture of any articles which were likely to restrict the outlet for the Indian Steel Wire Products. I rather gathered that was the position although the Steel Company made it perfectly clear that they would preserve a free hand in the matter. That is to say they would not commit themselves to any formal agreement, but they said that as far as they could see they would not undertake the manufacture of any articles during the period of protection.

Mr. Mather.—We should not be likely to undertake. I think that is still the position. We still have no reason to participate. On the other hand we are rather anxious not to commit ourselves to letting one company absorb a bigger area of the steel business than they are likely to be able to control effectively in the future and thereby shut out other people—whether ourselves or some other subsidiary concern—who might be able to cope with that particular part effectively.

President.—The wire and wire nail industry is in a very special position and it has a long history. The Legislature was persuaded on our recommendation to Government to give temporary protection to this industry on the understanding that this rod mill would be installed and the whole possibility of a rod mill being economically worked was dependent on the rod mill being able to undertake sections other than wire rod.

Mr. Mather.—Yes.

President.—Having given them protection on that basis and having got them committed to that undertaking, I, at any rate, feel—I have been connected with this question since the beginning—we are rather in a special position of responsibility.

Mr. Mather.—We feel that too.

President.—If in the course of negotiations between you and the Steel Wire Products there was any serious danger of the industry being unduly handicapped, it would be in my opinion a most unfortunate development.

Mr. Dalal.—There is no such development. In all these matters we shall be subject to your advice.

President.—It is very kind of you to say so. Mr. Dalal, before I leave the subject of re-rolling mills, there is one point regarding Messrs. Henry Williams that I want to have cleared up if possible. You suggest that it might be possible to reach a working arrangement under which billets which Messrs. Henry Williams require for the manufacture of railway materials may be supplied at your fair selling price and the billets required for ordinary sections would be supplied at the ordinary market price. The point that I want to have cleared up is this. I take it that you agree that if they rolled some ordinary sections not for the purpose of placing them as such on the market but keeping them in stock for the purpose of converting them eventually into railway materials, in that case your undertaking to supply billets at a fair selling price would apply, that is to say you want the ordinary market price only on such billets as are utilised for the manufacture of ordinary sections which are placed on the market as such?

Mr. Mather.—That is right.

President.—Since I discussed with you this morning we have received a paper from the Indian Steel Wire Products in which they tell us that the clauses in the draft agreement to which they take exception are (i) clause 2 in which the Steel Company have reduced their supply of billets to 30,000 tons a year and (ii) other clauses which relate to the increased freight and the classes of sections. Apparently that is also a point at issue.

Mr. Dalal.—That can be easily settled.

President.—You will be able to meet their point of view?

Mr. Dalal.—I think so with your advice.

President.—What precisely is the disagreement at present on that?

Mr. Dalal.—We have stated 2,500 tons a month. They say that their capacity is larger. If their capacity is larger, I don't think that there will be any particular difficulty in increasing our supply of billets.

President.—You have sufficient surplus capacity to supply them?

Mr. Dalal.—Yes, so far as they are concerned. They are in the field before others.

President.—In case you find it necessary to roll smaller sections of the kind which are now unprotected on what mill do you propose to have them rolled?

Mr. Mather.—We are not anticipating that we shall roll them during these few years on any mill which we now have. That is why we are quite willing to let them roll subject to notice. We have told them that there are no plants on which we can roll them and that it is not at all probable that we would give them that notice in the course of five years. We don't wish, in the matter of rolling of any particular kind of product, to be tied up indefinitely to any firm which, as far as we can judge, may not be so sufficiently well equipped as to be able to cover that ground, in addition to the ground which is already covered by agreement, at all fully. It might prevent some others, whether it is our own firm or somebody else, from doing similar work in the re-rolling field.

President.—You want to keep a free hand?

Mr. Dalal.—It is possible for us to roll them but we do not contemplate rolling them on our present mills.

President.—It is simply formal. You want to keep your hands free so far as this matter is concerned.

Mr. Dalal.—Yes.

President.—Not that you have any serious intention of rolling those sections?

Mr. Dalal.—No.

President.—In regard to that point, it occurred to me that you have also made a proposal that the protective duty should be applicable to all unprotected classes of bars.

Mr. Mather.—Yes.

President.—But I presume you have made that proposal not because you have any intention of manufacturing them but that the existence of that section is likely to stop evasion.

Mr. Mather.—That of course is the part which most directly concerns us. But if the protective duty on bars, whatever it is, is made applicable to all sizes and shapes of bars, the question of evasion is avoided. It has caused difficulties in the past. We felt that it would be accepted as more reasonable that we should make that proposal knowing that the great bulk, at any rate, of the sizes of bars which we are not yet rolling will be made out of our billets on the mill of Sirdar Indra Singh and therefore we have an interest that there should be an adequate market for such products.

President.—I now come to paragraph 83 which deals with the question of freight disadvantage on semis which you want to have fixed at Rs. 12 a ton, that is with reference to re-rolling mills which have been started at ports. We have discussed that question and it is not necessary to raise it any further. We come to the question of these other adjustments on rails, fishplates, sleepers and semis. The only adjustment that you ask for is in respect of freight disadvantage. It is on sections, bars, plates and sheets that these other adjustments are required. I have been trying to summarise the claims that you make in respect of these other adjustments. On tested steel of these classes, the adjustments suggested are cash discount 1 per cent., merchants' commission 1 per cent. and miscellaneous claim ·5 per cent. No other adjustment is asked for in respect of tested steel. It comes to 2½ per cent.

Mr. Mather.—Yes, on the specified adjustments.

President.—These miscellaneous claims, I understand, cover things like delay in delivery, losses in transit, errors in loading, etc.

Mr. Mather.—Yes, and sometimes wrong booking.

President.—On untested steel the adjustments required are cash discount 1 per cent., merchants' commission 1 per cent., deferred rebate Rs. 1½ per ton and miscellaneous claims ¼ per cent., non-standard and defective material ¼ per cent., and bad debts ¼ per cent., giving a total of 2¾ per cent. *plus* Rs. 1½ per ton.

Mr. Mather.—Yes.

President.—These are in addition to the Sales Department expenses which are included in your estimated works cost?

Mr. Mather.—Yes.

President.—I have been trying to compare these figures which you have suggested with the actuals for 1932-33 as given in Statements 27 and 28. On tested steel, taking the total of these adjustments for 1932-33, the average on structurals is 3·2, on bars 3·6, plates 1·4 and black sheets *nil*. As against that, the claim that you have made is on structurals 2·4. That is applying this percentage to the fair selling price as given on page 27 of your representation. Is that correct?

Mr. Mather.—Yes.

President.—We apply these percentages to the fair selling prices.

Mr. Mather.—Yes.

President.—Applying these percentages applicable to tested steel, we get on structurals 2·4 against an actual of 3·2, on bars 2·4 against 3·6, on plates 2·5 against 1·4 and on black sheets 3·1 against *nil*. As far as plates are concerned, your explanation is that the actual in 1932-33 is an unreal one to the extent that the sales were negligible in that year.

Mr. Mather.—Plates?

President.—I mean black sheets.

Mr. Mather.—It is not explicitly *nil*. We have not entered the figures because the total quantity sold is 100 tons. It does not seem at all sound to draw deductions from such a very small quantity of sales in that particular year.

President.—The only product in respect of which the claim is higher apart from black sheets is plates.

Mr. Mather.—Yes.

President.—That you will set off against the reductions in other cases?

Mr. Mather.—We felt that it would make for simplicity and not lead to any serious error from whatever point of view the matter was discussed if we applied a uniform adjustment to all products.

President.—Taking untested steel, on the same kind of calculation, your claim in respect of structurals is 4·2 against an actual of 4·1.

Mr. Mather.—Yes.

President.—In bars it is 4·2 against 3·4. In plates it is 4·3 against 3·4. In black sheets it is 4·8 against 7·4. In galvanized sheets it is 6·1 against 5·1. Except in the case of black sheets you have asked for a higher adjustment in every case.

Mr. Mather.—For that we have advanced a definite reason. The deferred rebate system was not in full operation during that year. That is what we normally call the Tata Dealers rebate. The fuller operation of it was introduced in the course of the year. We expect that it will bring the figures from those actually shown in Statement 28 which are in all cases less than Rs. 1·5 per ton up to an average of about Rs. 1·5 per ton. On account of the Tata Dealers rebate, we have made much more widespread sales now than in the early part of that year.

President.—What it amounts to is this, that the amounts you would pay to your dealers for the purpose of pushing on sales are going to be larger in the future than they were in 1932-33. The effect of extending the deferred rebate system means a larger total turnover.

Mr. Mather.—Yes, though not at a higher rate per ton.

President.—To that extent in the aggregate, the lag between the market price and the realised price will be greater.

Mr. Mather.—Yes.

President.—In order to make the comparison really effective your actual costs in 1932-33 do not include the Sales Department expenses?

Mr. Mather.—That is so.

President.—Your total expenses in respect of sales on the estimates made must include the Sales Department expenses. After all, these rebates and commissions and things of that kind are so to speak payments made by you to dealers in order that your market may be extended. It comes to that.

Mr. Mather.—We regard them more as essential reductions on prices. In a sense, rather to a limited extent, they are payments for services.

President.—I don't suggest that it is payment for sales. It is really a deduction from the amount that you might get under ordinary conditions.

Mr. Mather.—Yes.

President.—In order to determine your correct charges -by charges I mean the extent to which your realisations are short of the market prices—on the estimated basis we must take the sales department expenses into account for the purpose of comparing with 1932-33.

Mr. Mather.—I don't know. The sales department is an expense and not a reduction from receipts.

President.—Your sales department expenses are outgoings.

Mr. Mather.—Yes.

President.—To the extent that they reduce the surplus realisations that you get over your expenses?

Mr. Mather.—I don't look at it in that way at all. I look at the operation of the sales department as part of the necessary expenses of administering the Steel Company. I think the Company has not regarded the sales department expenditure as an item which should be specifically deducted from the receipts any more than the cost of the General Manager's office, or the Accounts office looking after the preparing of bills and so on.

President.—Have you any figures to show what the average sales department expenditure was per ton of saleable steel in the latest year?

Mr. Mather.—Yes.

President.—What does it work out to per ton of saleable steel?

Mr. Mather.—It is approximately a rupee. The expenditure in 1932-33 was Rs. 4 lakhs; in 1931-32, Rs. 3½ lakhs and in 1930-31 Rs. 4½ lakhs. The average of the last three years has been almost precisely Rs. 4 lakhs. During that period we made more than 4 lakhs of tons of saleable steel and nearly 1½ lakhs of tons of saleable pig iron.

President.—If you take the adjustments that you ask for in respect of untested steel, can you tell me on the average of finished steel, not in respect of each class of product but on the average of finished steel, by how much your claims would exceed your actuals?

Mr. Mather.—By claims you mean the rates of provision for those types of deduction which we have asked for as compared with actuals? We can work out the figures. I have not got a figure ready at the moment.

President.—Could you let me have it?

Mr. Mather.—Yes.

President.—Your contention is that the whole of the increase is covered by the extension scheme?

Mr. Mather.—Yes. We will work that out on the 1932-33 basis.

President.—I should like to get some information as to your position in respect of these various adjustments as compared with the position of the importer of steel in this country. I understand from statements that we have received from other importers that on the whole the general practice in the case of imported steel is that the c.i.f. price is really c.i.f. and c.i., in other words the commission goes out of the c.i.f. price. That is to say if a thing is priced Rs. 100 c.i.f. it is at that price that the importer would pass it on to the wholesaler and out of the realisation from the wholesaler the importer deducts his commission whatever it is, say, 2½ per cent., and what is left, that is 97½ per cent., is the amount which would be remitted to his constituent, the manufacturer.

Mr. Mather.—It depends on the arrangement. There are houses who work on commission basis; there are others who buy outright and then sell.

President.—The impression that I have gathered from the various importers is that these things are done on a consignment basis and the price is c.i.f. and c.i.

Mr. Mather.—That is the position generally, I believe.

President.—Therefore when we are trying to compare your fair selling price with the c.i.f. price, it is but right that an addition should be made to your fair selling price of these commissions and discounts which are already included in the c.i.f. price. That is correct?

Mr. Mather. That is right.

President.—If that is so and if no other charges are included in the c.i.f. price, things like deferred rebates, bad debts. . . . . .

Mr. Mather.— Cash discounts are included in the c.i.f., commissions are included.

President.—I exclude these two items. If you are comparing your fair selling price with the importers c.i.f. price, the cash discounts and commissions should be added to your fair selling price. What about deferred rebatos and bad debts and miscellaneous claims?

Mr. Mather.—Bad debts naturally would be included.

President.- The whole discussion proceeds on the basis that the fair selling price is compared with the c.i.f. price. If the importer incurs a bad debt it is an addition to the c.i.f. price. If it is added to your fair selling price it would correspondingly be added to the c.i.f. price.

Mr. Mather.—C.i.f. in fact is the only one source from which bad debt can be met so that as far as bad debt occurs it goes towards the reduction of the nett c.i.f. price.

President.—The c.i.f. price must cover charges for bad debts. There is no other source from which the charge can be met?

Mr. Mather.—I don't know of any other source.

President.—What about deferred rebates?

Mr. Mather.—That is not covered by the c.i.f. price. That system is not in operation.

President.—I am not for a moment suggesting that there is no justification for the deferred rebate system. What I am trying to suggest is that if you find it necessary to give a deferred rebate, for the same reason I take it the importer is under the same necessity?

Mr. Mather.—No. Our position in respect of the market is radically different from that of the importer. There is a necessity and possibility of our getting control of the market to an enormously preponderating extent as we have shown. There is the element of necessity behind it and it has therefore been justifiable for us to take steps to secure that great control which might not have been worth while for an importer who in any event had no prospect of getting so large a quantity. There is no importing firm or even an exporting manufacturer in Europe who could supply the enormous quantity of steel that we have put on the markets in so large a scale nor would it give them an adequate return for the expenditure under the rebate system.

President. May I take it that the position is this: you want to capture as large a portion of the market as is possible and therefore you want to offer every reasonable inducement to your dealers and merchants and all that you do gives you wind to compete effectively with the importer. That is the party with whom the market is to be divided—between the importer and yourselves.

Mr. Mather. -We want to place ourselves in a position of advantage and have effective control because if we had, say, 10 per cent. less of the market then we could not have reduced our costs to the extent that we have reduced them. If we had secured only 70 per cent. our production would have been still less.

President. It is of very great importance to you to capture as much of the market as possible?

Mr. Dalal.—Our protection is based upon getting a certain output and therefore it is essential for us to get that output.

President.—I understand that it is essential but what I do not understand is why for that purpose it is essential for you to offer deferred rebates.

Mr. Dalal.—That is of course for us to prove. We find that it is necessary to secure such a market.

President.—The point that puzzles me is this: I recognize that during the past six years the Tata Iron and Steel Company has been making a very determined effort to capture as much of the market as possible. They have been doing that against difficulties, the main difficulty being that in the case of importers there are long-established trade connections and if an industry like this has to capture the market held by the importers it is necessary that special inducement would have to be offered. That has gone on all these years until now you are in a position to capture about 75 per cent. of the market. To that extent you have been able to establish connections yourselves. You are starting to-day with a 75 per cent. market: is it necessary for the next seven years to go on giving inducements on the same scale?

Mr. Mather.- We have 72 per cent. of the market at the present moment because of these very substantial inducements. If these inducements were to be removed we would not have anything like this percentage of the market. Whenever there is a little difference in price there is great inducement to the dealer to accept that offer and it is this inducement that holds him back and it is the only way by which we can extend the market and keep our hold on it.

President.—In addition to these claims you also claim certain adjustments on account of certain unaccounted for factors. To that extent you are in a position to alter or reduce prices as compared with the importer. It is over and above that that you are asking for things like deferred rebates.

Mr. Mather.—We recognise that there must be a limit but these are various forms of inducement which we have found it necessary to hold out to him to capture the market.

President.—It is for us to be satisfied.

Mr. Mather.—May I point out another factor? I take it your point is that it might have been necessary for us during the last few years until we had established working connections in so large a market and the argument you are advancing is that it does not necessarily follow that it will be equally necessary for us to keep arrangements which cost us a certain amount of money in the future. I say that it may even be a greater necessity than it has been in the past, for this reason that the Continent is beginning to organise the sale of steel through cartels and there is going to be a time when there will be a larger quantity of steel put on the market and then they might raid the market and break our connections. For the development of our own sales we naturally, when our production was lower, sold in the freight advantage areas to the maximum possible extent. We regarded Calcutta as a relatively difficult market to get at in the early years and the way we got a footing in the Calcutta market was by raiding the market from time to time when the demand up-country happened to be slack by selling here at a distinctly low price. To get hold of the market we raided the market and that is how we first managed to break the connection of the Calcutta market with the Continental and other European suppliers. The position now is substantially the reverse. We are the established factor in the market and the other people play a minor part at the present time. The occasion may very well arise at any time if they thought that they could get our dealers away from us when they might offer 10,000 tons of bars in the Calcutta market and break our connections: We may lose that quantity. A sudden cut in c.i.f. prices will be more possible as a result of organisation on the Continent.

President.—What form would this raid assume?

Mr. Mather.—A sudden cut in prices.

President.—If we have provision for off-setting duties would not that be provided against?

Mr. Mather.—It is impossible to meet occasional raids of this kind.

President.—This is really tantamount to dumping. This is very sporadic dumping.

Mr. Mather.—Yes.

President. And the whole object of the scheme of off-setting duties is to provide against dumping of this sporadic character.

Mr. Mather.—The more sporadic it is the less likely is it for off-setting duties to be effective.

President.—If dumping does any harm to the Indian industry it is when it takes the form of sporadic dumping, and it is in respect of that kind of dumping that off-setting duties have any meaning.

Mr. Mather.—I submit that this kind of raid on the market might be over before Government had time to make up its mind to have an enquiry. If they came and offered, say, 10,000 tons and pushed it in a fortnight at a price cut of 5 or 10 per cent., the effect on the average price might be small but it might take more than 10,000 tons out of our volume of business.

President.—During the past six years when you are trying hard to capture the market and at least you are able to secure 72 per cent. of the market, did ever a Continental raid like this take place?

Mr. Mather.—No. But I do contend that as and when the cartel is effective in the future it will be in a much better position to do it.

President. The only way in which we can assume possibilities of this kind is on the basis of past experience. Has there ever been a raid of that kind?

Mr. Mather.—There has not been a raid of a big nature but in small quantities. Sometimes certain tonnages have come into the market at very low prices, say a couple of hundred tons.

President.—Would Tata's trade connections get upset by that?

Mr. Mather.—They do not get upset: what happens is that people who regularly buy from Tatas see that their neighbours could buy these low tonnages at a lower price and therefore they feel that they are not getting the advantage that they should.

President.—Is the object of the deferred rebate to meet competition from the Continent or from the re-rolling mills?

Mr. Mather.—This has been in force long before the re-rolling mills came into existence.

President.—Its extension is that due to the re-rolling mills?

Mr. Mather.—No. I think we can establish that from the fact that this rebate system first started in the up-country areas before the re-rolling mills were in existence. We started in the up-country areas, which are our freight advantage areas, because it was a much better policy for us to get 100 per cent. of the demand there than 70 per cent. in Calcutta. We extended from there to other areas, to less favourable areas on the basis of the experience in the up-country area so that it tended to bring in people automatically to make enquiries to us.

President.—Competition with the re-rolling mills has been almost a negligible factor: the object of the rebate is to provide against specially low prices over a short period from the Continent. May I take it that that is the position?

Mr. Mather.—Yes.

President.—It is in respect of possible raids from the Continent that the rebate system was introduced.

Mr. Mather.—When we first conceived the scheme they didn't need a special raid with the object of driving us. But as you will be aware from a study of these export prices, there are fluctuations. There are times when the prices come down irrespective of the fact that little material comes to India. We want to be safeguarded against our customers suddenly stopping buying from us. We might have to accommodate them on the price and we want to be sure that they would still continue to buy from us.

President.—Let me be quite clear. I gathered from you that it is in respect of the re-formation of the cartel that you anticipate the danger.

Mr. Mather.—I think the possibility of this organised raid may be greater in the future than it has been in the past.

President.—It is as a result of the re-formation of the cartel that this danger is apprehended?

Mr. Mather.—Yes.

President.—As the result of the re-formation of the cartel, you are having a higher Continental price?

Mr. Mather.—Yes.

President.—One may be set off against the other?

Mr. Mather.—Not necessarily. I submit that there are different aspects.

President.—My point is this: suppose we give you fair selling prices based—I don't say entirely to a large extent on prices prevailing before the re-formation of the cartel aren't you provided with a reserve?

Mr. Mather.—That might very well prove to be the case. We might be provided with a reserve which might be adequate so far as the price mainly is concerned, but we might lose orders for quantity.

President.—You won't lose quantity unless you refuse to lower your prices. What I suggest is if as a result of basing your protection on prices before the re-formation of the cartel, you are provided with a reserve to the extent that current prices are higher than those prices, to that extent you are in a position to lower your prices accordingly.

Mr. Mather.—We might draw on the reserve to that extent. Then our difficulty would be, if this was a temporary raid, to get our prices put up again at the end of two or three weeks.

President.—That is a risk to which any business man is exposed.

Mr. Mather.—Does it not seem to you to be a matter of reasonable prudence and one which can be justified commercially that we adopt a method which avoids such fluctuations?

President.—But at the same time it places an unnecessary burden on somebody. I want to be quite sure that this additional burden is really justified by the circumstances or whether you are not exaggerating the danger which may arise.

Mr. Dalal.—May I submit that cartel or no cartel this deferred rebate system will have to remain in force for some considerable time, because otherwise we will lose the connections which we have made up and to that extent we may have to reduce our output. We have found from experience that as we have gone to the freight disadvantage areas such as Bombay and Madras owing to the necessity of extending our sales, we have had to introduce this deferred rebate system in Bombay and Madras which are the two latest areas and the necessity was forced upon us simply because we had to sell a large proportion of our products in this freight disadvantage area and that was irrespective of the existence of the cartel. The cartel makes the position worse, but the cartel is not the only thing on account of which this rebate system has been introduced. Besides in regard to this point which you just now made, does it not assume that the cartel will remain for all time during the period of protection and that the high price level which it has introduced will also necessarily remain?

President.—I am assuming that the danger is connected with the re-formation of the cartel. If the cartel breaks up, the danger is eliminated.

Mr. Dalal.—The deferred rebate system does not entirely depend upon the existence of the cartel. It is forced upon us because of the necessity of selling as large an output of ours as possible. We are after-all a single firm and we cannot afford to hold back the stock for a month or two, whereas our competitors are a number of firms and it is possible for them to do so.

Mr. Mahindra.—May I mention another point in this connection? This form of deferred rebate is very well known. This sort of scheme has been recently put up by the pig iron manufacturers in England.

President.—That has nothing to do with the point I am raising. I quite understand that the deferred rebate system is quite a recognised system. All that I am concerned with at present is whether in making provision for you in respect of deferred rebates, we are not giving you an unnecessary advantage over the importer in this country. That is all the point.

Mr. Mahindra.—The other point I want to mention is this. I had a long discussion with one of the partners of Messrs. Richardson and Cruddas and he told me that previous to our coming into the market for large sales they used to get deferred rebates from the Continent on their yearly purchases.

President.—How long ago was that?

Mr. Mahindra.—About 4 or 5 years ago.

President.—That is the only case you have heard of.

Mr. Mahindra.—I happened to discuss this question and he mentioned it to me.

President.—Now I come to the question of freight disadvantage which is in paragraph 90. There again I should like to compare your claims with the actuals of 1932-33. You had better take statement 29 regarding freight disadvantages on untested steel. On structurals your claim is 5 against an actual of 4·2; on bars 5 against 5·1; on plates 5 against 5·5 and on black sheets 5 against *nil*.

Mr. Mather.—Not against *nil*, but against an unspecified amount.

President.—I have no comments to make in regard to tested steel. In regard to untested steel, on bars in statement 30 you claim 6 against an actual of 5; on structurals you claim 3 against 3·07; on plates 5 against 3·6; on black sheets you claim a disadvantage of 2 against an advantage of 4·2 and on galvanised you claim a disadvantage of 5 against an advantage of 1·5.

Mr. Mather.—That is right.

President.—In respect of bars the reason why you have asked for an extra rupee is on account of probable competition from re-rolling mills.

Mr. Mather.—Yes.

President.—Aren't you asking for the same thing twice over when you want a freight disadvantage of 12 to be added to the duty on billets and at the same time this extra disadvantage of one rupee on the same ground?

Mr. Mather.—No, because re-rolling mills are growing not even so much as re-rolling of billets as re-rolling of scrap. There are re-rolling mills working on scrap in Lahore and Benares. Mr. Mahindra will be able to tell you. These are working in our freight advantage areas.

President.—What areas are you having in mind?

Mr. Mahindra.—United Provinces and the Punjab.

President.—What is the sort of estimate that you have made of their probable output, supposing you take the output of last year?

Mr. Mahindra.—About 1,500 tons per month.

President.—All rolling from scrap?

Mr. Mahindra.—Yes.

Mr. Mather.—Are you thinking of 1932-33 figures?

President.—I want figures for the latest year.

Mr. Mahindra.—About 10,000 to 15,000 tons.

President.—The whole of that output is sections of the kind that you are making?

Mr. Mahindra.—Except one rolling mill which is rolling smaller than half inch.

President.—It is a fairly considerable production.

Mr. Mather.—That mill is rolling about 200 tons a month. That is their capacity. Whether they are rolling that amount or not I do not know.

President.—Isn't there room in the country for both companies?

Mr. Mather.—We are not suggesting that there is no room in the country, but in so far as these mills supply bars which we have previously been supplying in areas where the freight advantage was Rs. 25 or Rs. 30 a ton, a very small additional supply from another source would affect our average freight disadvantage. That is all we are contending. We are not asking that anything should be done to make it more difficult. In actual fact it raises their price by one rupee. We are not asking for this in any sense as a measure to hamper the re-rollers.

President.—Would it not help you to the extent of extra one rupee to sell at a lower price in that area?

Mr. Mather.—Yes, but equally it will make them to sell at a higher rate above the price of imported material.

President.—The more probable thing is that the initiative would be taken by you.

Mr. Mather.—The initiative of lowering the price has come from them in every case. Whenever the re-rolling mills start they begin by cutting down the price which we have established in the area.

President.—We will take this question again. I should like you to refer to statements we have received from various re-rolling mills in this connection. This is from Luxmi Iron and Steel Manufacturing Company, Limited, Ghaziabad: "In April 1933, a representative of Tata Iron and Steel Manufacturing Company, Limited, had a tour round Northern India and sold about 2,800 tons of square and round bars at Rs. 90 per ton f.o.r. Ghaziabad and Lahore to their agents totally disregarding his own production costs and the railway freight of Rs. 17 per ton from their work to Ghaziabad which means that the selling price f.o.r. works was Rs. 73". Was that the price at which it was being sold consistently?

Mr. Mahindra.—It was sold at Rs. 90 a ton to the merchant houses who put on their profit on that.

President.—The point I want to know is this: the parties, the sort of merchants to whom you sold at Rs. 90 in April 1933, had you been selling them previously at the same price or at a higher price?

Mr. Mahindra.—This is defective and high carbon material which we had not sold before.

President.—Was it carbon material or defective material?

Mr. Mahindra.—Defective as well as carbon material.

Mr. Mather.—Primarily high carbon.

President.—What was the price of mild steel bars that you sold in that area?

Mr. Mahindra.—About Rs. 135.

President.—And this difference of Rs. 45 was justified entirely on the ground of the defective character and the high carbon content?

Mr. Mahindra.—Yes. There was another justification too and that was as we have different dealers who are bound to us for purchasing all their requirements from us, I received a large number of complaints that if we did not supply something of this nature, they would go out and purchase elsewhere.

President.—Practically what it amounted to was that you wanted to prevent the dealers to go to the re-rolling mills.

Mr. Mahindra.—Yes.

President.—For that purpose it was necessary to sell your high carbon bars at as cheap a price as possible. If we gave you freight advantage, you would be able to play at this game still better in the future because you will be able to save to that extent your freight.

Mr. Mahindra.—No. May I submit another aspect. The freight disadvantage which we asked for is more or less to withdraw certain materials from the freight advantage areas and to put them in freight disadvantage areas.

President.—I don't want to dispute your statement, but I have got to judge these matters on the probability of the cases.

Mr. Mahindra.—In regard to the sale of the materials, may I point out that it was restricted to 5 tons at a time. If we wanted to dump or do anything of the kind, we would have supplied very freely.

President.—No, obviously not. Look at the Continental raid. That is how you disorganise the market for a newcomer.

Mr. Mather.—Substantial quantity for a short period.

President.—It comes to the same thing.

Mr. Mahindra.—This quantity was supplied in 4 or 5 months time.

President.—In that connection may I also read the rest of this? "Moreover Tata issued a circular in the fourth week of December, 1931, prohibiting his dealers to purchase double headed rails from Railway auctions on pains of forfeiture of the Tata dealers' rebate which on representation of several big dealers was withdrawn in the third week of February, 1932, intending that no firm should purchase and sell the same to the rolling mills".

Mr. Mahindra.—May I submit that there is nothing in the Tata dealers' rebate agreement which provides that I can issue a notice of this kind to prohibit buying double headed rails. There may be some misunderstanding.

President.—The statement is entirely incorrect, in the fourth week of December prohibiting his dealers to purchase double headed rails?

Mr. Mahindra.—I am certain we never issued a notification of this kind. There may be a misunderstanding.

Mr. Dalal.—We can verify this statement.

President.—They say: "At Alambagh auction sale held in Lucknow in March, 1932, the said firm received a letter signed by the Managing Agents of Tatas to purchase all steel rails and carriage axles up to Rs. 70 per ton f.o.r. Lucknow and the said firm did purchase the rails at that price. In short the said agreement to export rails to Japan was determined for the reasons that can be better narrated than written at this stage. This was done with a view that the raw material cost for the rolling mills should be abnormally high".

Mr. Dalal.—Perhaps Mr. Mahindra does not know all the details of the case; because this was done before his time.

President.—Are you in a position to give us some information?

Mr. Dalal.—Some idea was mooted by the then Sales Manager about capturing the scrap market for ourselves. It was not a well-founded idea. Some attempt was made for a month or two and an agreement was proposed to be arrived at with a particular merchant, but the whole thing was dropped as ill advised and wrong.

President.—It was not persisted in?

Mr. Dalal.—No.

President.—In a circular issued on the 23rd February, 1933, Tatas have clearly forbidden their dealers to purchase materials manufactured by other rolling mills, failing which the Tata dealers' rebate agreement would be considered as cancelled.

Mr. Mahindra.—This is an essential part of the Tata dealers' agreement that if they want to purchase from anywhere else, they have got to purchase it with the permission of the Company.

President.—That I understand.

Mr. Dalal.—May I say that this sale was not done at any loss to us at all. In fact we made a good profit on the sale of these high carbon materials which would otherwise have had to be melted. We have worked out a statement here which shows that even at the price at which we sold these materials we realised a profit of Rs. 32·56.

President.—Could you put in that statement?

Mr. Dalal.—Yes. This was done at the request of several merchants and dealers in that area, some of whom made the request personally to me.

President.—I should like just by way of illustration to draw your attention to another statement made by Mukand Rolling Mills. They have sent us a copy of the circular issued by you in which you offer these high carbon rounds and squares and on which you say you have made a profit.

Mr. Dalal.—Yes.

President.—One point in that circular is this. You say "These materials are sold to our dealers to enable them to sell in competition with Mukand's materials and a list of the stations to which these materials would be sold is attached herewith", that is to say, it was obviously a matter of warfare.

Mr. Dalal.—I don't know whether it was a matter of warfare, but it was certainly done to keep our dealers going; otherwise they would have broken away from the Tata dealers' agreement and gone over to them.

President.—But for the question of competition which arose in connection with Mukand Steel Rolling Mills, you would have sold these materials at better prices and made better profit.

Mr. Dalal.—Probably.

President.—So that the price of Rs. 90 was fixed, I don't say entirely but to a considerable extent, in view of the competition from Mukand Steel Rolling Mills?

Mr. Dalal.—I don't deny that we could have sold those materials at a better price but for this competition.

President.—I drew your attention to this statement in connection with the additional freight disadvantage on bars. I suggest one effect of that would be that the initiative in the reduction of price might be taken by Messrs. Tata's.

Mr. Mather.—Whether one rupee in price would make any difference to our taking the initiative or not, this should also be borne in mind that in so far as it would raise the price that we would get at the ports and in areas where we are not in direct competition with re-rolling mills, it would give us an equal inducement to sell in other areas as well as there.

President.—In regard to structurals where you ask for a disadvantage of 3 against an actual of 0·7 and on plates 5, in both these cases it is on account of the estimated increase in output?

Mr. Mather.—Yes.

President.—In regard to sheets also it is based on the estimated increase of output?

Mr. Mather.—Yes.

President.—How exactly do you calculate the increase next year?

Mr. Mather.—Very largely by calculating the freight disadvantage under which we have to work in selling a given percentage of the demand.

President.—I have no means of judging whether the increase in output justifies any increase in freight disadvantages, I have got to take it on your authority and I have no means of testing it. The only test I can apply is this. I take your estimated output of these products, compare it with the actual output of 1932-33 and see by how much the output has increased. It is a very unsatisfactory way of testing it. If I simply go on the proportion by which the output is going to be increased, I suggest that on the whole the increases you have suggested are too high?

Mr. Mather.—If regard was only paid to that, that might well be the inference but what happens is after we have sold the whole of the output which can be absorbed in freight advantage areas we have to go to freight disadvantage areas. We will concentrate, as we did for many years, in selling where the freight advantage is more or where the freight disadvantage is small. We have now reached a stage in which in order to sell larger quantities of sections we have to go further afield. For instance, the excess production will mainly have to go to Bombay and Madras and perhaps to Karachi and Rangoon. Our freight disadvantage in Bombay and Madras is Rs. 15-12. The freight disadvantage in Karachi and Rangoon is still higher. A small addition to the quantity which we sell in such very big freight disadvantage areas as that very rapidly increases the average nett freight disadvantage for the whole.

Mr. Wiles.—When you use the term average nett freight disadvantage, what do you mean?

Mr. Mather.—That we have set off the freight advantages against freight disadvantages. I want to make it clear that we have taken the freight advantages also into account. For instance, we sell 30,000 tons in such and such an area where there is freight advantage and another 40,000 tons in such and such freight disadvantage area. We calculate and then say that on the whole 70,000 tons the average nett freight disadvantage is so much.

Mr. Wiles.—Can I take it that in calculating your gross freight disadvantage, that is to say, the amount which you propose to add to your fair selling price, you have deducted the entire freight advantage which you get?

Mr. Mather.—We have.

Mr. Wiles.—It is only the balance which you have added to the price?

Mr. Mather.—In setting these figures before you both as to the actual results last year and the estimated results of the future, account has been taken of the freight advantage as well as the freight disadvantage.

President.—That is to say, you take the advantage that you get in the advantage areas and take the disadvantage in disadvantage areas, set one against another and arrive at the nett figure?

Mr. Mather.—That is right. Assuming that the demand is constant, if we have to put more materials on the market, we must necessarily go into areas where the freight disadvantage is very heavy.

President.—We are in a very difficult position. You take a commodity like galvanized sheet which is consumed on a very large scale. You are asking us to increase the duty by Rs. 6 on this account.

Mr. Mather.—I submit in connection with galvanized sheets that we are estimating here to sell on the future programme 75 to 80 per cent. of the Indian demand. According to our figures for last year, wherever we sold about 80 per cent. we had a freight disadvantage of about Rs. 5. I see nothing in the circumstances to justify any expectation that we can sell 80 per cent. of the sheets demand at a lower freight disadvantage than that.

President.—What about structurals?

Mr. Mather.—We stand in the same position. There we might not reach quite so high a percentage.

President.—As regards bars you are going to sell 6,000 tons less than you did in 1932-33.

Mr. Mather.—Yes.

President.—Why not make a small reduction on that account?

Mr. Mather.—Because the output of bars from scrap by re-rolling mills in our good areas is increasing. If those mills were to be in Southern India and Karachi, we should not have introduced this proposal.

President.—Set one off against the other.

Mr. Mather.—I don't think that it would be sufficient.

President.—It is very difficult for us to test unless we go into the whole question of freight. We have to take it at your word.

Mr. Dalal.—We can supply you with all the information you require. We are quite prepared to satisfy you. Essentially it is a very difficult and complicated matter to estimate the freight disadvantage taking station to station and year to year.

Mr. Mather.—It is admittedly an estimate. We cannot say positively in advance. We have given the freight advantage and freight disadvantage to every station in India. But going on our general experience of last year where we have analysed the results quite closely and laid the figures before you, we do expect that the disadvantages will work out in this manner and I think the general argument that I have put before you in connection with galvanized sheets is a sound one.

President.—What is the total demand in the areas round about here, taking Bengal, Bihar and Orissa, United Provinces and the Punjab, for galvanized sheets?

Mr. Mather.—There again we are not in a good position to state what the total demand is. We know where we are selling. Up to the present our sales have been less than half of the demand.

President.—We can get figures from the Trade Returns. Take 1931-32 figures and apply it to 1932-33.

Mr. Mather.—Bengal 32,600 tons, Bombay 30,900 tons, Karachi 6,200 tons, Rangoon 6,900 tons, Madras 7,400 tons, total 84,000 tons.

President.—That is for what year?

Mr. Mather.—For 1931-32. That does not include the imports into Kathiawar which are now growing.

President.—You sold 20,000 tons in that year?

Mr. Mather.—Approximately 29,000 tons. As far as the total demand of India is concerned, it has remained constant. It is practically the same in 1932-33. The rate for the first half of the current year is also practically the same.

President.—So that the main market outside Bengal is Bombay?

Mr. Mather.—Yes.

President.—If you want to increase your output from 47,000 to 90,000 tons, you have to find your market necessarily in Bombay?

Mr. Dalal.—Even for the recent increase we have had to go to Bombay.

Mr. Mather.—The imports are coming mainly into Bombay.

President.—I come to this question of the unaccounted for adjustments in paragraph 91. You explain at some length in paragraph 91 what the reasons are for this adjustment but you make a statement in it somewhere about the burden. The main reason for the general application is to keep the freight expenditure to the minimum. The Company must sell in full waggon loads; most buyers, particularly of untested steel, would prefer delivery in small lots and must be offered a price inducement. That is the main reason of general application. Is that right?

Mr. Mather.—Yes.

Mr. Mahindra.—That is the main reason

President.—You cover a great part of your freight disadvantage by your ability to ship wagon loads and in order to retain that advantage you have to offer inducements to dealers who purchase from you to take in larger quantities from you and therefore you offer an extra price inducement?

Mr. Mahindra.—Yes.

President.—Is it possible for you to say what part of this claim is represented by this factor?

Mr. Mahindra.—I could give you a statement giving you the tonnage where we have reduced the price with the object of getting full wagon loads.

President.—I should like to get some idea of the sort of reductions you have made in a particular period and the quantities for which such reductions have been made.

Mr. Mather.—The position is this. The British prices for tested material are generally for small orders for small tonnages. I have here a statement given by engineering firms that there is a standard price for associated firms up to a tonnage of 250 tons; as soon as it is above 250 tons they all make their own prices. There are certain firms who are outside the British Steel Exporters' Association and they can quote any price according to the tonnage offered to them.

President.—And these are the people who are disorganising the market?

Mr. Mather.—Yes, as well as the fact that whenever there is a big order for more than 250 tons in one job, the members of the Association are open to quote any price they like.

President.—And the result of that is acute competition out here?

Mr. Mather.—That is true.

President.—In order to meet that acute competition fabricated steel makers want correspondingly low price from you?

Mr. Mather.—That is the position. They come to us and place the facts before us according to the latest information and tell us that this is the only price which will get them the order and in most cases it has been proved that our prices given to them have given results in prices for Indian fabricated work very near the prices quoted by the British manufacturers for the same job. Orders have been awarded with a very small margin to the fabricators.

President.—Do you consider that as one of the most important factors in this?

Mr. Mather.—In the tested materials it is one of the very important factors.

President.—Fabricated steel makers require structurals and plates mainly?

Mr. Mather.—Yes.

President.—What is the sort of proportion that you take for ordinary bridgework?

Mr. Mather.—1/3 plates and 2/3 sections and, say, 10 per cent. of bars.

President.—Shall we say 60 structurals, 30 plates and 10 per cent. bars?

Mr. Mather.—That would be roughly right.

President.—Apparently the total demand for fabricated steel last year was approximately about 50,000 tons so that the reductions that you have incurred in respect of these materials is limited to 50,000 tons?

Mr. Mather.—Yes.

President.—It is only a part of this order in respect of which reductions have occurred?

Mr. Mather.—Our total quantity of tested steel of this kind sold last year was only 32,000 tons. Nearly all that we sold in that way. A large proportion of it is sold against specific requirements of the particular structure.

President.—It is only to a part of the 32,000 tons that it applies?

Mr. Mather.—A great bulk of the 32,000 tons. The total quantity of steel fabricated in India is nothing like 50,000 tons; it means that they must have used some other material. It is possible that in certain cases firms can use small quantities of untested material such as roofing sheets they may require for buildings I do not know if they are included in the tonnage figures.

President.—What are the other factors?

Mr. Mahindra.—One other factor which affects the realisation for the tested material is the price of wagon material supplied for wagon building. The price quoted to the wagon building industry is always below the basic price.

President Materials that you sold for wagons are included in this 32,000 tons?

Mr. Mahindra.—Yes. Another very important factor is that when we supply tested material to the railways we have to give them a price based on railway material rate which will work out this way. If I have an order for material to be booked to Lahore I have to supply the material at a c.i.f. price *plus* the duty, *plus* freight from Karachi to Lahore at railway material rate while I have to pay freight from Tatanagar to Lahore. Lahore is generally a freight advantage area but it becomes a freight disadvantage area in case of supplies to the railways. That factor has been taken into the calculation.

President.—The freight advantage in that area arises because you get certain concession rates and these concession rates are set off against ordinary rates which are paid by materials coming from Karachi, but if both of you are put on the basis of railway material rates you are at a disadvantage?

Mr. Mahindra.—Yes. There is another important factor which affects realisations and that is in regard to materials sold through agents. We appoint our selling agents for tested material; we have to sell to them at a reduction of about Rs. 10 in order to enable them to stock the material and to sell against small orders which are received from time to time from the various customers.

President.—In what quantities do these people deal?

Mr. Mahindra.—They have not been buying in big quantities recently: about 1,000 tons is booked by each firm in Calcutta at a time.

President.—What you are trying to do is to enable them to stock at your expense?

Mr. Mahindra.—Yes, otherwise we would have to do it ourselves.

President.—Suppose they bought imported material?

Mr. Mahindra.—They get a reduction in the price of imported material from the c.i.f. price on which we are basing our calculations. I have the evidence from one of the biggest engineering firms on this subject.

President.—Have you got it in writing?

Mr. Mahindra.—The difficulty is this. There are certain Association firms in England who give secret rebates; the non-association firms give open rebates. I can give you the evidence of firms who receive open rebates but it is very difficult to give evidence of firms who get secret rebates.

President.—If you take the Calcutta firms it will be about 4,000 tons a year?

Mr. Mahindra. It was 7,000 tons during 1932-33.

President.—The total figure of steel supplied to dealers on those terms is about 7,000 tons a year?

Mr. Mahindra.—Yes.

President.—On which you quote Rs. 10 less?

Mr. Mahindra.—Yes? in order to cover their expenses for stocking.

President.—What else?

Mr. Mahindra.—There is another very important factor which comes in the calculations for nett realisation and that is the assistance given by us to certain industries who use tested material for the purpose of taking up a new industry or helping them where there is competition from abroad.

President.—Whom are you thinking of?

Mr. Mahindra.—One of the important concessions given by us last year was to the Hume Pipe Company; we gave them 500 tons of plates for manufacturing pipes at a concession rate; those were very special concessions.

President.—Why?

Mr. Mahindra.—As the price against which they had to compete was very low.

Mr. Mather.—And they having to compete not only against steel pipes but with cement and cast iron pipes.

President.—That happens only in connection with the Hume Pipe Company?

Mr. Mahindra.—Yes. In addition to this we have given concession for the manufacture of pressed steel tanks.

President.—Is there very much demand for pressed steel tanks? Have you any idea of the steel you supplied last year for pressed steel tanks? Is it the only firm which makes pressed steel tanks?

Mr. Mahindra.—Not necessarily. Messrs. Jessop and Company have taken advantage of these concessions and they have started a department for manufacturing these pressed steel tanks and they have captured most of the markets which were supplied by importers.

President.—It all amounts to this, that practically in respect of every kind of steel products made out of rolled steel in which there is severe competition from abroad, in respect of these classes of articles there is a corresponding fall in the price of rolled steel supplied by you. In the case of fabricated steel the price you quote for pressed steel tanks is even lower.

Mr. Mahindra.—Because the duty on fabricated steel in those classes is lower and they can import in competition against fabricated steel at a lower price.

President.—That is the point, that if the difference between the Indian cost and the import price is greater in the case of one form of fabricated steel than in another then in that case you quote a correspondingly lower price for steel so that there is a direct relation between fabricated steel prices and rolled steel prices.

Mr. Mahindra.—Yes.

President.—What other industry?

Mr. Mahindra.—There is the case of dogspikes for which Messrs. Henry Williams were supplied material at Rs. 90 against Rs. 122 per ton which enabled them to get the order and manufacture it in the country.

President.—What was the quantity involved there?

Mr. Mahindra.—600 tons.

President.—Is it possible to make some estimate for some particular year, 1932-33 if possible, I don't say of all classes, because it appears to me to be one of the most important factors?

Mr. Mahindra.—May I submit that the statistics as I have got them now for the purpose of preparing returns are such that it will make it very difficult for me to get the information unless I go through each order, get the tonnage out and see what concessions we have given. There is another very important factor: if there is an order or an enquiry from Southern India and I have to supply steel to a Calcutta firm for supply to Southern India I have got to give a price which takes into account the freight disadvantage because the fabricating firms or importers can import material at a low price. Therefore all the freight disadvantage is taken in the price which I give to the Calcutta firm. This is not reflected in the freight advantage and disadvantage statement which we have submitted to you.

President.—Practically you supply the rolled steel to the Calcutta engineering firm at the Madras c.i.f. price?

Mr. Mahindra.—That is the position.

Mr. Mather.—On this question of sugar machinery and so on if these are to be manufactured out of our steel we must make a corresponding reduction in the price of the steel bearing the whole of the protective duty.

President.—All these things that you mention are covered by the 32,000 tons. We know that figure; what we do not know is the extent of the reduction. 32,000 tons of tested steel was sold for use in various kinds of fabricated steel; on that or on the greater part of it you have got to make special reductions; approximately what sort of reduction did you make on it?

Mr. Mather.—That is very difficult to say because certain reductions have been on a very big scale, and some on a smaller scale; some reductions have been covered up by the few extras which we get.

President.—If you offered a reduction of Rs. 15 per ton on about 30,000 tons of tested steel it would have worked out on the output of 1932-33 to a reduction of one rupee per ton of finished steel.

Mr. Mather.—The analysis which we have given you shows that the gap is not as big as that. In statement 29 we show that the gap for structural sections on the average is Rs. 7·6, for bars Rs. 4·1 and for plates Rs. 6 per ton. The average according to the quantity sold would be approximately a little over Rs. 6 per ton on the 32,000 tons.

President.—That will give you some rough idea.

Mr. Mather.—Yes.

Mr. Natesan.—What does it come to per ton?

Mr. Mather.—About Rs. 6 over all.

President.—Is it possible to arrive at an illustrative figure of that kind for the reductions that you make for the purpose of inducing people to take large lots without putting yourself to undue trouble?

Mr. Mather.—We are thinking of tested steel. I don't think that particular question of reduction of prices merely to persuade a buyer to take a large lot of tested steel at one time hardly arises.

President.—My point is this: I am trying to form as clear an impression as possible of the most important causes which account for this unexplained lag. If you take the special prices which you have got to quote in respect of tested steel used by the various engineering firms, that might account for somewhere about 8 annas out of the average of Rs. 6 or Rs. 7 that you are suggesting. Do you see my point?

Mr. Mather.—We are thinking of tested steel only.

President.—If the average of tested steel in 1932-33 is somewhere about Rs. 6, then to the extent of 8 annas it is accounted for by the special reductions that you make on tested steel supplied to engineering firms.

Mr. Mather.—8 annas on all steel?

President.—Yes. That is the sort of line on which I want to form an impression as to how this lag is explained. Can you give us any kind of figures which would illustrate the extent to which the practice of offering inducement to dealers to take large lots accounts for the average lag in the year 1932-33?

Mr. Mahindra.—That would apply only to 7,000 tons which is taken by the engineering firms who stock our materials and sell them.

President.—I am not on that point. I am thinking of the special reductions that you give to dealers in order to induce them to buy from you large lots so as to facilitate shipment in wagon loads.

Mr. Mather.—That is on untested materials?

President.—Yes.

Mr. Mather.—We will see what we can do. We may be able to get figures which will illustrate that point.

President.—You would also get me the reductions on that?

Mr. Mather.—Yes.

President.—We are in a very difficult position on this question, because if we are going to make provision in the fair selling price to cover this unexplained lag, we cannot consistently with our responsibility make a proposal for adding so considerable a figure to the fair selling price without giving at any rate a fairly clear indication of the sort of reasons that we have taken into account particularly in view of the fact that in 1924 and 1926 no provision was made for this. The idea that occurs to me as a result of the general talk that we have had now is that if you could by means of illustrative figures give us an idea of the directions in which these special kinds of reductions have led to this lag, it would be useful. You can't make a precise estimate of that?

Mr. Mather.—No.

President.—But if you can make an attempt to give us some figures which would at any rate illustrate the position, it would be useful.

Mr. Mahindra.—We will send you a statement.

President.—I should like to go on to discuss Chapter IX and deal with your protective proposals. On a comparison of the fair selling price and the import price, no duties are required on rails and fishplates.

Mr. Mather.—Yes.

President.—But your proposal is that a duty at the rate of the average revenue duty before the Ottawa agreement should be imposed during the protective period.

Mr. Mather.—Yes, and should be included in the protective schedule.

President.—The reason why you want the rails and fishplates to be included in the protective schedule is from the point of view of off-setting duties.

Mr. Mather.—In case some emergency should arise. We don't want to be debarred on the ground that it has not been included in the protective schedule.

President.—That I understand. Why is it necessary to have more than a nominal duty?

Mr. Mather.—Our contention is that we should not be expected to sell rails to the railways at less than the price at which they could buy rails in the ordinary course subject to the ordinary revenue duty. We feel that we are entirely justified in adopting that attitude because it is reasonable in itself, if no question of protection arose. We should not be expected to sell at appreciably below the nominal import price, because to the extent to which that would give us a larger surplus revenue than would be required on the ascertainment of a fair selling price, we should be prepared to see the Board utilise that surplus revenue for the reduction of the other duties, leaving our total surplus revenue at whatever the Board considers necessary.

President.—I will take your first point. You base your proposal on the principle that you must be in a position to sell your rails at ordinary market prices?

Mr. Mather.—Yes.

President.—Ordinary market price in the sense of price as determined by import price *plus* the revenue duty?

Mr. Mather.—Yes.

President.—Revenue duties are what Government fix from year to year?

Mr. Mather.—Yes.

President.—There is no particular sanctity about 15 5/8 per cent.

Mr. Mather.—No.

President.—Suppose on a consideration of all the factors Government decide to fix the revenue duty on rails at 5 per cent., you have no complaint?

Mr. Mather.—No. But we should hardly think it sound that Government should fix a lower revenue duty on rails, for example, than on other products like machinery which bears 10 per cent.

President.—Do Government get any revenue out of the duty?

Mr. Mather.—No.

President.—Therefore the level of duty is of no importance whatever. The duty of 10 per cent. on machinery brings more money to Government than 2½ per cent. or 5 per cent. The duty on rails whether it is 5 per cent. or 2½ per cent. does not make any difference in the earnings of Government. Why do you ask Government, on a product on which they are not going to get any revenue at all, why do you ask Government in the first instance to fix a fairly high revenue duty and in the second place to fix the duty at this emergency level which was introduced for very special purposes? What is the point of the revenue duty? I can understand your asking for a revenue duty if it was necessary that a certain amount of protection should be derived from the revenue duty, but that is clearly unnecessary in this case. Therefore neither from your point of view nor from the point of view of the Government is there a slightest case? You may have a nominal duty but anything beyond that is clearly unnecessary.

Mr. Mather.—A change in the revenue duty would alter our receipts from rails and it would correspondingly alter the price at which Government would receive rails. It does not seem to us that Government could reasonably contend—or in fact Government would be likely to contend—that it should so arrange the revenue duties that a particular article in which it is interested should be available to Government at a lower price on the basis of a lower revenue duty than other articles to which revenue duties apply which are required by the general public.

President.—Leave out the question of Government. As far as you are concerned, does it make the slightest difference?

Mr. Mather.—Yes.

President.—What you get on your revenue duty you are going to hand over.

Mr. Mather.—May I put another aspect of the matter? We are anxious to see the duties on other forms of steel reduced to the extent to which it is compatible with the main principles on which we should be protected as a whole.

President.—That is from the point of view of the producer or the consumer?

Mr. Mather.—Both, because we feel whatever the duty is—whether it is 15⅝ per cent. or 4 per cent.—it will have no appreciable effect on the demand. If the money resulting from that can be utilised to reduce protection on other kinds of steel, it may reduce the price to the consumer of other kinds of steel sufficiently to be able to affect the demand and help to increase the volume of steel required by India.

President.—Let me see the reductions that you propose as a result of the surplus; that is simply an illustration.

Mr. Mather.—That is purely an illustration.

President.—It is in paragraphs 105 and 106.

Mr. Mather.—There would be a reduction of Rs. 10 on structural sections and Rs. 10 on bars.

President.—Is it so very certain that if the price of rails were reduced from Rs. 110, which is more or less the present figure to Rs. 94, the demand for rails on the part of the railways would not go up?

Mr. Mather.—I don't say that it is certain that it will not go up but it seems to me less probable that that would have any effect on the demand than the corresponding change in the prices of these other articles. I may be wrong. It can only be a matter of opinion.

President.—If there is any choice, it is not by any means a conclusive one. It admits of a lot of argument whether it is better from your own point of view or from the point of view of increasing the output to reduce the price of rails or the price of structurals and bars. It is not a question on which you can come to a clear cut answer, because it admits of argument.

Mr. Mather.—I realise that it admits of argument and that it is not a case which can be established without the possibility of further discussion, but our impression definitely is that the market for such things as structurals and bars, particularly of ordinary bazar quality, might be appreciably susceptible to such a price difference as this. Then a further consideration arises that it would seem to us that protection having been effective to the extent of making it possible for us to supply rails at the price at which the buyers of rails would get them without any special protective duty subject to a revenue duty, so long as further protection is required on other articles, it would be reasonable for the users of these articles to claim that they should be given any further benefit which might have arisen.

President.—That is from the consumer's point of view?

Mr. Mather.—Yes.

President.—Let us look at it from the point of view of the manufacturer, from the point of view of the effectiveness of protection. Supposing as a result of enquiries made by the Railway Board or a similar competent authority we formed the impression that there was a reasonable likelihood of the demand for rails in this country going up in the next seven years if the price of rails were reduced from Rs. 110 to somewhere about Rs. 94 or Rs. 95; supposing we formed that impression clearly, placing yourself in our position for the time being, don't you think we should be justified in suggesting that there should be no duty on rails?

Mr. Mather.—Yes, if that impression is undoubted. May I point out another consideration which enters into this? New rails are mainly used for new construction. The cost of rails in proportion to the cost of construction of the new line is normally about one-fourth of the total. Therefore a reduction in the price of rails from Rs. 110 to Rs. 94 is not going to be very much of a reduction in the total construction cost.

President.—10 per cent. on structurals would make such a big difference to bridgework.

Mr. Mather.—We are not suggesting that this should be applied to structurals used for bridgework but that it should be applied to other forms of protected steel which bear a high protective duty.

President.—Are you quite certain that if you take an ordinary building of moderate dimensions in which bazar structurals are used it would make a perceptible difference to the cost of that building?

Mr. Dalal.—Not to the cost of the building as a whole. It might make a perceptible difference to the man who would be induced to use a steel beam instead of a wooden one. It would make very little difference to the cost of the building as a whole but it might make a good deal of difference when he came to decide whether he would use steel or wood. He has an alternative material.

President.—What is the price of a structural section without the reduction?

Mr. Mather.—Without the reduction Rs. 108; with the reduction Rs. 98.

President.—That would be 9 per cent.?

Mr. Mather.—Yes.

President.—If you made a reduction of 9 per cent., that would help, you think, to cover the margin between, say, the price of timber and the price of steel?

Mr. Mather.—It might make the difference very well in certain cases.

President.—A difference of 9 per cent. on the price of steel?

Mr. Mather. Yes.

President.—In the case of bars?

Mr. Mather.—Similarly.

President.—What kind of materials would bars compete with?

Mr. Mather.—They don't compete very much with other materials. Wooden window bars are not used commonly in India. All I am suggesting is that the effect of a reduction in price on ordinary bazar sections and bars would be very likely to have a direct effect on the volume of demand—at any rate much more than a similar reduction in the price of rails. From my talks with the Railway Board I understand that the price of rails is only one-fourth of the total cost of construction of a new line.

President.—In the case of a new permanent way?

Mr. Mather.—There are of course special cases where the renewal of existing track is done with new rails. That is not the common way in which new rails are laid.

President.—That is a point on which we would like to make enquiries.

Mr. Mather.—Yes.

President.—Suppose as a result of enquiries on that point we were satisfied that it might mean a considerable increase in demand?

Mr. Mather.—The position, as Mr. Dalal points out, would be this. If it led to a substantial increase in the orders for rails we should then be turning out more materials on which we have less protection.

President.—Supposing you made more than 80,000 tons of rails?

Mr. Mather.—You mean if this artificial reduction in price stimulated the demand?

President.—I don't think there is any point in that. The point is this. The whole question is about the surplus over the works costs which matters. The surplus over works cost in rails is Rs. 38 and in structurals and bars Rs. 37. There is very little to choose.

Mr. Dalal.—The proposals that we were making were that the railways should pay a commercial price for their rails. The duty suggested may be susceptible of a little variation but we thought that the duty would be the general level of revenue duty. With the addition of that, what we thought was that the Railway Board should get a commercial price for their rails. Admittedly if they were paying a price for the rails which was merely equivalent to our fair selling price, it would be very much below the fair commercial price. We had some discussion on that subject some time ago with the Railway Board in negotiating the extension of the present contract for one year, and when we made the point I think it was admitted by the Railway Board that what they wanted was a fair commercial price for rails. We submit therefore that it would be quite fair and just if the Railways got what was the fair commercial price for their rails and any benefit which might accrue from our being able to manufacture rails at less than the fair commercial cost, should go to reduce the duty on other articles. This is the principle which has been admitted.

President.—That price would be affected by the rate at which you fix the revenue duty?

Mr. Dalal.—Certainly.

President.—If the revenue duty were fixed at 5 per cent. the fair commercial price is reduced correspondingly?

Mr. Dalal.—I submit that would not then be the fair commercial price; knowing that we were in existence the duty would be artificially reduced to a lower limit than would otherwise be for stores that Government would be purchasing.

President.—Supposing you were ensured a price which covers works costs and you get a reasonable return on capital in addition to all these takings?

Mr. Dalal.—If on this particular matter, at a fair commercial price we stand to gain something over our fair selling price why, I submit, should that not be taken into consideration in the reduction of the duty on other materials which indirectly help to increase our output and may also directly help the consumer?

President.—Supposing on a consideration of that point we came to the conclusion that from the point of view of the increase in output at any rate it makes no difference whether it is rails, structurals, or bars which get the benefit and we fix it on rails, how does it affect you? May I make my difficulty clear? Supposing I accept the principle of the fair commercial price, what you get in the form of fair commercial price on rails you don't retain it on your own proposals?

Mr. Dalal.—No.

President.—You surrender that part of the fair commercial price in the expectation that articles in respect of which the duty is increased those articles would increase in output and help you. Suppose on examination we find that you would be equally helped by the increase in the output of rails it seems to me that as far as you are concerned the position is quite fair.

Mr. Dalal.—It is rather problematical whether the output of rails would necessarily be raised on this account, whether the Railway Board or the railways in India being under the necessity of renewing their rolling stock would not in any case have to purchase rails at this price. Another point for consideration is this. The Legislature when it discusses the provision regarding the duties is perhaps not likely to study the whole thing in all its details. It may not realise that on rails we surrender a certain part of our revenues and it will only look at the duties on bazar articles such as bars and structurals on which the duty would to that extent be increased, and unfortunately if the revised freights are going to stand there will be a still further increase and all that would create difficulties with regard to passage of the measure by the Legislature.

President.—These political considerations we will leave to politicians. If Government considered that our proposals are defective from a political point of view they will alter our proposals accordingly. As far as I am concerned the question is purely one of relative economic benefits of the proposals.

Mr. Dalal.—Even apart from the duty if you look at the IRMA prices that we have given, do you think that a figure of Rs. 94 is a fair commercial price?

President.—The price at present quoted for the Indian market is a price quoted by British manufacturers to some extent to have a monopoly of the Indian market.

Mr. Dalal.—If you take the general gold prices they are very much higher, Rs. 147, and Rs. 130 is the lowest British price.

President.—Rs. 130 at the port which would be about Rs. 125.

Mr. Dalal.—It will be Rs. 123.

President.—Rs. 123 would be your price; you are prepared to go down to Rs. 110.

Mr. Dalal.—We have not said that.

Mr. Mather.—We have put in the figure of Rs. 110 simply and solely for the purpose of making it clear. We do not propose to retain whatever excess we may get there and that Rs. 110 is the existing definite price which we know of at the present moment. We do not know what would be the revenue duty that you would take into account in accordance with the proposals put forward.

President.—We have no information; Government have not told us anything about their position or their idea of fixing the price of rails at a fair commercial level.

Mr. Mather.—I don't know whether I was right in mentioning this since the Government themselves have accepted the principle but that is exactly what happens. If 15⅝ per cent. is deducted the price at Indian port is Rs. 109; less Rs. 7. It comes to Rs. 102·7 if no duty is taken into account at all.

President.—Against your fair selling price of Rs. 94?

Mr. Mather.—Yes.

President.—If Government decided to levy no revenue duty on rails a fair commercial price f.o.r. Tatanagar would be Rs. 103?

Mr. Mather.—Yes.

President.—And your contention is that apart from any question of revenue duties at least the import price must be maintained?

Mr. Mather.—Our contention is that general level of revenue duties should be maintained.

President.—You don't think that it is worth while from the point of view of justifying the protection which the Indian steel industry has received and the extent to which it has made use of it to be able to show that in respect of the most important classes of steel product they have been able to bring down prices to some extent in the course of ten years? Supposing it was possible for the Tariff Board to show that as a result of ten years protection and the progress made in the industry under the scheme of protection, it was possible for the Tata Iron and Steel Company to offer the users of rails in this country rails at Rs. 94 a price unheard of in any part of the world, that will be an achievement for the steel industry. It is a matter of great importance: I should be able to put the case for protection with a cleaner conscience if I could show that in respect of a matter like this so much improvement has been made.

(Continued on Thursday, the 23rd November, 1933.)

President.—There was one point, Mr. Mather, that I missed yesterday in connection with the question of adjustments. I should like you to give me averaging the adjustments that you estimate for the future and the actuals of 1932-33, some idea of how the average claimed compares with the actual average of 1932-33.

Mr. Mather.—I have some figures here on that subject which I give you subject to correction. Averaging the unexplained gap for each kind of product in 1932-33 in accordance with the future programme it comes to Rs. 8·5 per ton; averaging the gap for which we asked the Board to make allowance in future also in the same programme the figure comes to Rs. 5·8 per ton.

President.—We will take that figure for the time being subject to confirmation. Mr. Dalal, in connection with the question we were discussing yesterday there is just one matter on which we should like your assistance and that is this: would it be possible for the Company to give us an estimate of the future fair selling price of rails f.o.r. Tatanagar on different outputs? You have calculated your fair selling price on an output of 80,000 tons;

suppose, for example, the output fell to 50,000 tons. I should like you to give me figures on that output taking into account the reduction in the output of rails and its reaction on the other products, and similarly I should like you to give me figures for, say, 100,000 and 120,000; that is to say give us four figures 50,000, 80,000, 100,000 and 120,000 tons.

Mr. Dalal.—Certainly we can give you the figures. Regarding rails the suggestion that you made yesterday would apply equally to State managed railways and to the company managed railways. That is an important point to be taken into account because with regard to the Company managed railways the Government of India have informed us that they have no voice in the regulation of their purchases; then again there is the further question of the Indian States Railways.

President.—These two points that you mention are points for which adjustments of some kind was made when the old agreement was made not as far as State railways are concerned but as far as company managed railways are concerned. I take it that the agreement with the Railway Board in respect of rails covers the requirements for rails for company managed railways?

Mr. Mather.—That is so. That arrangement was made between the Government of India in the Railway Department and the Companies. I understand quite un-officially that some adjustment was made between the companies and the Government of India but we have no knowledge of the nature of such adjustments.

President.—What I mean is the fact that the company railways are not under the control of the Railway Board is not necessarily a circumstance which will prevent the sort of adjustment that you contemplated quite tentatively yesterday.

Mr. Dalal. My point was, we have primarily to deal with company managed railways with regard to which the Government of India have informed us that they have no control over their purchases or over their rates. If any proposal is going to be made which gives rails to the railways at less than the commercial price, there is no reason why the Steel Company should sell rails to company managed railways at less than the commercial rate.

President.—That raises a different kind of issue. The way I am looking at the question is this: The steel industry under any kind of arrangement which may be made should be ensured of a fair price. That is essential: the other point is that as far as the railways and the railway using public are concerned no unnecessary burden should fall upon them. If these two points are allowed for then as far as we are concerned it seems to me that the question has settled itself. Now these are the only two points with which we as a Tariff Board are concerned, to see that your interests are safeguarded and the interests of the consumer are properly allowed for.

Mr. Dalal.—When you say the railways and the railway using public should not be put to an unnecessary burden we accept that, but if the rails are to be supplied at a price which is the fair market price prevailing throughout the world, then that would not be an unnecessary burden.

President.—That is the point which I am considering. That is to say, whatever price may be arrived at for the sale of rails, your contention is that it must be a price which not merely ensures a fair return to the steel industry as calculated on your costs, but you suggest that it must also be a price which corresponds to a fair commercial price in the sense of the import price *plus* any duty which may be levied by Government for revenue purposes according to its budgetary requirements.

Mr. Dalal.—We propose the general level of revenue duties.

President. That is a point we propose to consider.

Mr. Dalal.—With regard to the Indian State railways, if rails are going about at below their fair economic price there is no doubt that everybody will come to take advantage of such a situation. With regard to Indian

States we have not even any guarantee or assurance, just as we have in the case of State managed railways, that they will take all their steel requirements from us.

President.—As far as rails are concerned, if you take the orders that you have got in recent years, what roughly is the proportion of orders that you got from the railways in Indian States?

Mr. Mather.—It has been very small during the last few years.

Mr. Dalal.—We will give you a statement.

President.—When we estimated 195,000 tons of rails did we include the orders from Indian State railways or did we not?

Mr. Mather.—The Tariff Board took that estimate on information given to them by the Chief Commissioner of Railways. There was no closer analysis of what that covered, but it is true normally Indian States have not taken large quantities. The only large order that has been booked by the Steel Company during the last few years has been an order for about 12,500 tons for Cochin Railway through the South Indian Railway who are the Managers of the Cochin Railway. In subsequent years we had also orders for about 1,000 tons from two or three others.

President.—The question you are raising, Mr. Dalal, is practically this that since railways in Indian States are not under the same obligation to assist the Indian Steel industry with orders for steel work of various kinds and that therefore the price to be paid by them for rails has probably to be considered on a basis somewhat different. Is that what it amounts to?

Mr. Dalal.—The States themselves for any of their requirements are under no obligation to purchase our materials and all of them do not necessarily do so at the present moment. Now if we are put under any kind of obligation to supply rails below the fair commercial price to such railways, that does not appear to me to be fair. At the present moment they cannot be taking a large part of their requirements from us. If they are going to get rails below the fair commercial price, they would certainly do so.

President.—It will be a perfectly proper thing. We are considering the question in a very tentative manner at this stage. Supposing ultimately we came to the conclusion that an agreement for the purchase of rails at a price approximate to the fair selling price should be arrived at, in that case in the case of railways in the Indian States, it would give us a handle for pressing upon them the claim of the Indian Steel industry to general orders for steel. May I put it on that basis?

Mr. Mather.—Yes, but then to what extent that will be an effective handle.

President.—The only way by which you can provide sanction in this case is by exerting public opinion and I venture to think that an expression of opinion by a public body constituted by the Government of India will have some little influence in shaping public opinion. That at any rate is a factor which we have to consider.

Mr. Mather.—We were only bringing the various consideration arising out of the proposals to your notice. These are the figures showing the total orders booked from the Indian State Railways. In 1930-31 the orders booked were 3,200 tons from the Nizam's Railways out of a total of 95,000 tons from all sources. In 1931-32 the figure for Cochin is 10,200 tons *plus* in that same year 1,600 tons making a total for Indian States Railways to just under 12,000 tons.

President.—That was a very special thing.

Mr. Mather.—That was a very unusual thing. In 1932-33 our total orders from Indian States Railways were between 1,700 and 1,800 tons.

President.—In paragraph 98 you discuss again the question of the duty on billets which we considered fairly fully yesterday. I propose to go on with the next paragraph in which you deal with the question of differential duties. I should like in the first place to ask what the opinion of the Company is as regards the effectiveness of the scheme which implies differential duties. Does it make any difference to the Company?

Mr. Dalal.—No.

President.—You make the suggestion in this paragraph that if a scheme of differential duties is continued, it should be conditional on the continued exemption from protective duties from the United Kingdom. That may be a fair suggestion or not. I should not like to express an opinion on that. I only want to point out that the Tariff Board proposed differential duties in 1926. They did so entirely from the point of view of the interests of the Indian consumer. That was the logic which was employed by the Tariff Board. If now the Tariff Board adopts the line that in return for the differential duties there must be compensating benefit from the United Kingdom, I had a sort of feeling that we should to some extent be stultifying the logic that underlie the differential duties. After all this is a question which involves high policy with which, as I understand it, the Tariff Board is not concerned. On these grounds I personally would find it rather difficult to attach any kind of conditions to the scheme of differential duties. My reason is if to-day I am satisfied that the interests of the Indian consumer do not warrant a scheme of differential duties, I will drop it whether we get compensating benefit from the other end or not. That being so I do not feel personally that I can accept any kind of conditions with regard to that. Then you go to suggest with regard to the differential duties that it must be a condition that British steel should be up to the standard specification or that British steel should not be made of basic Bessemer process. The first thing I want to know is whether there has actually been any imports of non-standard steel or Bessemer steel from the United Kingdom.

Mr. Dalal.—Not so far.

President.—It is a provision for the future.

Mr. Dalal.—We understand that the manufacture of steel on the basic Bessemer process is being considered in the United Kingdom. All we wanted to do is to safeguard ourselves in the case of a probable import of basic Bessemer steel—it would undoubtedly be cheaper and not of the same quality as the standard steel—under the differential duties.

President.—It is a case entirely for the future, in case this threatened danger materialises.

Mr. Dalal.—Exactly.

President.—Is the suggestion that you make administratively practicable? Is it possible for Customs authorities in India to make sufficient tests for determining whether a particular consignment of steel is standard steel or basic Bessemer.

Mr. Mather.—I think not. To the best of my recollection that question was explored by the Tariff Board in 1926.

President.—We examined the Collector of Customs.

Mr. Mather.—The conclusion was reached that it would not be administratively possible and I know of no change in the situation since which would make it possible. So far as the question of steel made by the basic Bessemer process is concerned, I submit that it would be possible to do this. I understand at the present time that steel coming to India from Great Britain and claiming the advantage of the lower duty is accompanied by some statement from the Indian Trade Commissioner to the effect that it has been made in the United Kingdom.

Mr. Dalal.—Under the Ottawa Agreement.

Mr. Mather.—Even apart from that, I am speaking in more general terms. Although I haven't got precise details of the procedure followed, I believe some declaration is made by the Indian Trade Commissioner in London indicating that to the best of his knowledge—he won't give it unless he knows for certain—the steel is made in Great Britain. I speak subject to correction on that point. That is my impression. If there is such a system, I don't think it would present any greater difficulties to the Indian Trade Commissioner to amplify the certificate to the effect that it is not also made by the basic Bessemer process at any rate during the next few years, for this reason that on the plans which we have knowledge of at present which have led us to include this suggestion, there will be only one works in Great Britain making basic Bessemer steel in the near future. The name of the works is known and the general scope of its operations is well known so that I don't think the Indian Trade Commissioner would be presented with any serious difficulties if he were asked to amplify the kind of certificate that he is already giving.

President.—Instead of having it tested in the Custom Houses in India, you would depend on the certificate at the other end.

Mr. Mather.—Yes.

Mr. Atha.—If any steel does find its way here, it will be steel which has been sold by the firm in question as semi-finished to various re-rollers. It would be rather difficult to find out whether the bars they send out were steel of that quality.

Mr. Mather.—If the operation of that firm develops in such a way that it begins to put semi-finished steel on the market on any substantial scale, there would be complication there.

President.—The semi-finished steel that they make from the basic Bessemer process is converted into steel by some of the other worked and the finished steel imported here.

Mr. Atha.—It is very unlikely that they would only send semi-finished steel.

Mr. Mather.—No.

President.—Supposing we followed the system that we followed last time in 1926 and allowed for a difference of Rs. 7 between prices of United Kingdom steel and Continental steel, whatever the sort of steel, to some extent that provides a safeguard, is it not?

Mr. Mather.—It does give you a margin of Rs. 7. It means unless they use basic Bessemer steel and reduce the cost of the British steel by more than Rs. 7, they are not in an advantageous position over the Continent.

President.—It provides a little more assurance with regard to standard and non-standard.

Mr. Mather.—Basic Bessemer process steel would not be standard steel according to the normal standard specification.

President.—You have made two suggestions: first that British steel should be declared to be a standard steel. If the question was really one between standard and non-standard, then this difference of Rs. 7 would provide sufficient assurance.

Mr. Mather.—I think that is so.

President.—It can't be quite so effective in the case of the other factor.

Mr. Mather.—No.

President.—That will depend on the case of basic Bessemer, because presumably it will be cheaper to produce.

Mr. Mather.—Yes.

President.—This difference of Rs. 7 which corresponds to 10 shillings, is it still the recognised difference?

Mr. Mather.—It is very difficult to say from definite experience. That difference of Rs. 7 was introduced on the assumption that standard steel could be obtained from the Continent at 10 shillings higher than the non-standard steel. I don't think we have had any positive indication during the last few years that business is actually done in Continental standard steel at any rate for this market.

Mr. Mahindra.—There have been indications sometimes. The indication is in this way that some people informed us here that they could obtain steel from the Continent according to the British standard specification.

President.—The fact of the matter is that since there has been very little standard steel from the Continental and very little non-standard steel from Britain, there is no recognised difference which you can lay down as the result of actual transactions.

Mr. Mather.—We can't put before you any positive evidence.

President.—But I suppose the recognised figure would be about Rs. 7.

Mr. Mather.—Yes.

Mr. Natesan.—I often heard it said that Continental steel is purchased in England and that is passed off here as English steel.

Mr. Mahindra.—What exacly happens is very often re-rolling mills in England purchase Continental billets and roll them into bars and possibly send them out here as British steel.

Mr. Mather.—I think there is a safeguard so far as those are concerned in the certificate given by the Indian Trade Commissioner.

Mr. Atha.—I think that is correct both in connection with the export to Australia and India, there is a certificate which the exporter has to give.

President.—I think the position is sufficiently safeguarded.

Mr. Mather.—I am suggesting that if the Board decided to adopt our suggestion about the basic Bessemer process, the same process would be equally satisfactory in connection with the differential duties.

Mr. Dalal.—If it is satisfactory with regard to Continental steel imported, there is no reason why it should be less satisfactory in regard to basic Bessemer steel manufactured in the United Kingdom itself.

Mr. Atha.—It is very hard to trace. If everybody is honest, that is all right. It is really very difficult to trace it.

President.—The real argument for a method of certification is, there may be a few cases in regard to which they may go astray, but in the great bulk of cases we provide a certain amount of guarantee.

Mr. Mather. The view adopted by the Government in introducing this system of certification is a view which we should be inclined to support. If evasion were to occur on any substantial scale, we should be likely to know about it.

President.—And the matter would be brought to the notice of the certifying authority.

Mr. Mather. Yes. Where evasion has occurred, it has reached our ears more quickly.

President.—It will be possible in the great bulk of the cases to provide that they conform to the certificate.

Mr. Mather.—Yes.

President.—In adjusting this Rs. 7, the method which the Tariff Board followed in 1926 was to take the difference of Rs. 7 and if the proportion of tested steel is Rs. 15, and untested steel is Rs. 85, 85 per cent. of Rs. 7 is added to the British price. 15 per cent. of Rs. 7 is deducted from untested steel.

Mr. Mather.—That is right.

President.—The reason of calculating in that inverse ratio is otherwise the aggregate return would be affected.

Mr. Mather.—Yes.

President.—In para. 101, you suggest that the duty on British structural and plates should be Rs. 18 or the revenue duty whichever is higher. Rs. 18 is 15¾ per cent. calculated on the import price.

Mr. Mather.—Yes.

President.—Is it not more straightforward to put it in this form, the estimated protective duty or the revenue duty whichever is higher?

Mr. Mather.—I see what you mean. The question is rather more complicated now than it was in 1926 when the Board had to consider one or two similar cases, for instance fishplates, in that there is not now a normal revenue duty because at any rate unless it is assumed, which we don't want to—we as a Steel Company do not want to express any opinion—that even this material would come under a differential duty as has been introduced for certain classes of steel which are not protected at all.

President.—I do not follow you. What I am suggesting is whatever the estimate of the protective duty is—Rs. 2, Rs. 3 or Rs. 4—we propose that as the primary duty and we suggest the revenue duty as an alternative, whichever is higher would be the duty which should be applied. If for financial reasons Government decide to reduce the revenue duty from 15⅝ to 12½ per cent. you are sufficiently safeguarded.

Mr. Mather.—No, there again an additional complication arises in this enquiry. We are suggesting—of course if the suggestion is not put into effect admittedly this difficulty disappears—we are suggesting later on that while you are considering differential duties the benefit of this extra duty should be utilised.

President.—What do you mean by differential duties in this connection?

Mr. Mather.—The figures in the second group.

President.—You mean differential duties as between the British and Continental steel?

Mr. Mather.—Yes. We are assuming in a later paragraph that to the extent that the application of a revenue duty will give us more than Rs. 2 on structurals and Rs. 4 on plates, *i.e.*, more than what is required in fixing our fair selling price, that extra duty will be utilised to reduce the duty on other forms of steel. If the revenue duty is subject to alteration—let us presume and hope that Government's finances will improve it is more likely to alter in the downward direction than in the upward direction. If some benefit of this extra duty is taken to reduce the duties on other materials, we should suffer. Therefore we should have no grounds for objection to the general principle of Rs. 2 or Rs. 4 or the revenue duty whichever is higher, if no consequential modification is made. But if a consequential modification is to be made, we should I think be justified in asking for a minimum.

President.—If a reduction on your surplus on that account has already been taken into account by the Tariff Board then of course a reduction of the revenue duty by Government would place you in a position of disadvantage.

Mr. Mather.—Yes.

President.—That is perfectly true, but supposing we do not make any presumption with regard to the rates at which revenue duties would be fixed during the next seven years and whatever the revenue duty is that will be fixed as an alternative rate to the specific duty; if we put it on that basis—as the whole thing is uncertain we do not take into account any surplus which may be derived—then you are all the better for it.

Mr. Mather.—If no surplus is taken into account, then we have no ground for objection.

President.—Then, that seems to me to be a more logical way of looking at it: if Government decide to have a revenue duty which is higher than the protective duty, they do it for their own reason. If you benefit by it, it is a sort of windfall about which no particular fuss can be made.

Mr. Mather.—We have no objection. We merely want to make it clear that we are not particularly asking to be put in that position.

President.—It is bound up with the proposals which you make regarding the distribution of surplus.

Mr. Mather.—Yes.

President.—The aspect of it which I don't like is the assumption that this duty of 15¾ per cent. which came into existence as a result of the temporary circumstances should be regarded as a permanent rate of duty for the whole period which I don't think is a very satisfactory way of doing it.

Mr. Dalal.—We have to take some figure for the purpose of calculating a surplus.

President.—With regard to the duty on galvanized sheets, although on the calculations the duty would be Rs. 44, you have reduced it to Rs. 42 by adjustment for the higher price of plain sheets. Why is it that the plain sheets sell at a higher price?

Mr. Mahindra.—Because the purchaser is willing to pay a higher price. The plain sheets are really of a higher quality than the corrugated sheets. When the sheets are manufactured, plain sheets are picked out without any blemish and the other sheets are converted into corrugated sheets.

President.—The plain sheets are selected?

Mr. Mahindra.—Yes.

President.—In paras. 105, 106 and 107, you deal with this question of surplus.

Mr. Mather.—Yes.

President.—Since you say that it is illustrative of the surplus which would depend on the particular proposals that you make being accepted in that form, I don't propose to deal with it more fully than I have done. I come now to para. 108 in which you make specific tariff proposals. The first item with which you deal is 102 (c). Now the proposal is that all these bars included in 102 (c) which are now subject to a revenue duty should be subject hereafter to the protective duty.

Mr. Mather.—That is so.

President.—You have made it clear yesterday that it is not because you have any definite intentions of rolling these bars yourself. In that connection you make the statement that while the change would involve slightly higher duties in some cases and smaller duties in others, on the whole the position would be more or less the same. We are asked to take a leap in the dark. I have not the slightest idea at present how the consumer would be affected. If the change that you propose is accepted, what would be his relative position as compared with the present tariff system. That is a matter on which we should get clear ideas. Would you be able to give us a statement of prices of some of the typical classes of bars and rods included in the present unprotected category, so that we can know to what extent the subjection of these things to the protective duty would alter the market prices.

Mr. Mather.—Our difficulty would be to estimate with not very highly classified statistical information how far the particular classes are typical and to what extent they are likely to be affected in respect of prices.

President.—Mr. Mahindra, you are in touch with the market. You ought to be able to tell us in an approximate sort of way of these classes of bars, which are most in demand, what their prices are and how the proposed duties would affect those prices. It is not a matter on which it would be possible to get exact statistics, but you who are more in touch with the market could give us a statement.

Mr. Mahindra.—Yes.

Mr. Mather.—We will do our best.

President.—In the first place tell us, these are the most important classes of bars and rods which are now subject to a revenue duty; their current prices are such and such; if the protective duty that you have estimated for bars is applied, how the prices would be affected. We should know then the proportion in which the prices are likely to vary as a result of this change?

Mr. Mahindra.—Yes.

Mr. Mather.—I understand that it may be possible for us to ascertain the total Government revenues on the present non-protected forms of bars and rounds.

President. What do you build on that?

Mr. Mather.—We know the tonnages and the values to which they were applied.

President.—Tell us, in the aggregate this is what is going to happen.

Mr. Mather.—We might be able to get you an aggregate figure. There is one further complication and that is—I am speaking subject to a further examination of the statistics—I am not sure yet whether we could sub-divide these non-protected bars and rods according to their origin whether British or non-British.

President.—That is a difficulty.

Mr. Mather. We have of course a differentiation and we can give you the figures on the basis of a uniform duty and alternatively on the basis of differential duties on British and non-British. But I suggest that the problem will reduce itself to small dimensions if it is found necessary—it will be a matter for you to decide later—to protect at any rate the main rounds, squares and flat under ½" as a consequence of the commencement of production of these products in India at Tatanagar from our billets. If you should, in the course of your enquiry, find it necessary to grant the request which I understand has already been put before you by the Indian Steel and Wire Products asking for protection then the amount which you could possibly leave out, I think, would be quite small. It must, I think, be inevitable.

President.—That is not quite the point. The point is this. Even if we accept the proposal of the Indian Steel and Wire Products and as a result of protective requirements we increase the duty, in submitting our proposals to Government, we have to make an estimate of the additional burden which is going to be thrown on the consumer by our protective proposals, however justified the proposals may be.

Mr. Mather. We will certainly investigate that and help you to the extent that is possible on the basis of what I still fear may be rather inadequate statistical data dealing with other people's business and not ours.

President.—The statistical data would not be accurate. All that you can attempt to do is to give an approximate indication of the position.

Mr. Mather.—We will investigate the matter closely and give you all the information that seems relevant to us on that point.

President.—You have no information as regards the proportion in which these imports come from the Continent and from the United Kingdom. I don't think any of the published journals will give us that information. Neither in the monthly nor in the annual is it given.

Mr. Dalal.—Perhaps the Collectors of Customs might help you.

President. If we write to the Collectors of Customs, we should be able to get the figures. Obviously they are having the figures classified.

Mr. Dalal.—Yes.

President. The next item is 103 (*j*). What precisely is the point here? At present the protective duty only applies to plates chequered and ship, tank, bridge and common qualities. Is that the position?

Mr. Mather.—Yes.

President.—Or all the other varieties?

Mr. Mather.—We consider that our manufacture of plates is now developed to such an extent the quantity included in our programme is such—that in addition to the consumption of India, it is practicable for us to make, and it is important that we should be in a position to satisfactorily make, all qualities of plates.

President.—What are the more important additional qualities of plates that would now come under this?

Mr. Mather.—Mainly boiler plates.

President.—I suppose boiler plates are the most important plates which come under 103 (*i*).

Mr. Mather.—Yes, I think so.

President.—If this *ad valorem* tariff valuation of Rs. 240 for boiler plates and special qualities is correct, there is not very much protection needed.

Mr. Mather.—The tariff value is not for the boiler plates, but it is for the fire box plates. What appears to me to be the position is I admit it is not entirely clear from this, but I believe I am right in understanding the position to be this that all plates which are not specifically chequered and ship, tank, bridge and common qualities are dutiable at these two *ad valorem* rates given in the schedule. In connection with part of this group which can be described as boiler fire box and special qualities, the tariff valuation is Rs. 240 but if a plate does not fall under this particular group, it would presumably come in at an *ad valorem* duty on the declared value, which would probably be less than Rs. 240.

President.—Obviously this tariff valuation of Rs. 240 does not apply to anything except boiler fire box and special qualities.

Mr. Mather.—It does not mean boiler plate but plate for the fire box of the boiler.

President.—What does this category "special qualities" imply?

Mr. Mather.—I do not know.

Mr. Atha.—Fire box plates are subjected to a very close analysis—very low phosphorus, very low carbon and subject to special tests.

Mr. Mather.—Yes.

President.—It would be more expensive?

Mr. Mather.—Yes.

President.—What is the duty you propose on plates? Non-British rate is Rs. 32?

Mr. Mather.—Yes.

President.—That is lower than the present *ad valorem* duty?

Mr. Mather.—Yes.

President.—What is the price of boiler plates?

Mr. Mather.—According to the Iron & Coal Trades' Review the export price for British boiler plates is 10 shillings above those of common plates. But we want to raise the question whether these are actual prices or not.

President.—The British price does not matter because the protective duty that you suggest is very little, it is practically revenue duty on the whole plate. Have you got the price for Continental boiler plates?

Mr. Mather.—No. We think we may take this as a sufficient guide, that the price of boiler plates exceeds that of ordinary common plates by about 10 shillings a ton. It will hardly affect the argument.

President.—The point that troubles me is this; the extension that you propose is extension to plates of the kind used in connection with machinery. Our tariff schedules regard machinery and things connected with machinery as sort of sacrosanct. Duties on machinery and component parts of machinery are always fixed at a low level. The various engineering firms have brought to our notice this time that on account of very large reduction in the demand for ordinary kind of fabricated steel for bridgework they are turning increasingly to the manufacture of machinery. If the extension of this duty to things like boiler plates has the effect of increasing their cost of the raw steel they require for machinery then it might raise a rather serious question.

Mr. Mather.—It seems to us to be quite legitimate that we should ask for protection on the manufacture of a kind of plate which we can produce satisfactorily and the inclusion of which in our production programme may very well be necessary to make up the total production which we have estimated.

President.—So that we can give compensating protection to people who use that class of steel only by increasing the cost on machinery, because obviously their costs would go up.

Mr. Mather.—We certainly should not wish in any way make it difficult for the engineering firms to manufacture by making their cost higher. It would not be to our interest to do so to establish their claim satisfactorily. I submit that these plates are mainly used in India for repairs and if we develop this business we should be able to a very large extent to replace imported plates required for repairs, and I am right in saying that by far the preponderating quantity of boilers, are imported as boilers and would come in at the machinery duty. The main demand for these plates on which Government would get revenues in that classification is for plates required for repairs.

President.—Of course you could clinch the question straightaway if you could give us the actual prices of boiler plates to see how the duty that you propose compares with the present *ad valorem* duty. If it does not mean considerable increase the question settles itself.

Mr. Mahindra.—There are no boiler manufacturers in India.

President.—Now let us take 102 (*e*) of the Tariff Schedule. Your proposal here is mainly with reference to the question of high tensile steel.

Mr. Mather.—That is so.

President.—Have you received any information from the Central Board of Revenue regarding the duties to which high tensile steel is assessable?

Mr. Dalal.—No.

President.—As far as I understand, if high tensile comes in a fabricated form it would come under 102 (*h*) or 102 (*i*). Is that right?

Mr. Mather.—I think it probably might come that way but we understand that some people have formed the expectation that high tensile steel of the kind in which we are interested being alloy steel would rather come under 102 (*e*).

President.—You mean even if fabricated?

Mr. Mather.—Yes.

Mr. Atha.—High tensile steel not necessarily?

Mr. Mather.—No. High tensile steel of the kind in which we are interested.

President.—So that whether fabricated or unfabricated it is open to the Custom to bring it under that section?

Mr. Mather.—Yes, possibly.

President.—Your suggestion is that the word "alloys" should be cut out or do you propose that the whole item should go out?

Mr. Mather.—We do not lay any particular stress on the complete deletion of the item; we may perhaps have gone a little beyond our province in making our suggestion quite so comprehensive. But I do not think these other kinds of steel do come in except in the form of bars unless they are already and more specifically in some other classification such as hardware. If you think it would simplify the position we would be quite content to modify our suggestion and ask for the deletion of the word "alloy" from that item.

President.—With regard to this question of high tensile steel have you seen the specifications?

Mr. Mather.—We have seen the proposed specification.

President.—And you can make that class of steel?

Mr. Mather.—We have made that class of steel.

President.—There is no question of patents arising in connection with this class of high tensile steel?

Mr. Mather.—There are patent questions involved which have not been finally settled.

President.—How does the question of patent arise in connection with a thing like high tensile steel?

Mr. Mather.—Two steel-making firms, one in England and another in Germany, have applied for patents in their own countries and both firms have applied for patents in India but their applications for patents have not yet been settled.

President.—Assuming for argument's sake they get patents on this, then what would be the position?

Mr. Mather.—The position would be this: if it was established that the present patent applications were valid, it would then be for us either to try and negotiate a license from one of these firms or bring out a new composition of our own which is not covered by these patents.

President.—If the purchaser of high tensile steel specifies the particular composition in respect of which a patent has been issued?

Mr. Mather.—Then our hands will be forced; our position would be somewhat difficult.

President.—Then why don't you oppose it?

Mr. Mather.—We have not opposed it yet but we are considering the question.

President.—In connection with high tensile steel Messrs. Braithwaite and Company have made the suggestion that the duty on high tensile steel should be fixed at a higher level than on mild steel. That is different from your proposal. Your proposal is that whatever protective duty is estimated for mild steel bars should be applied also to high tensile bars.

Mr. Mather.—Yes.

President.—You do not support the other proposal?

Mr. Mather.—No.

President.—I suppose in some respects it may be to your advantage to make high tensile steel more expensive.

Mr. Mather.—If it was made more expensive, to the extent that the consumer decided to use mild steel instead, we might obtain indirect advantage in that the quantity of mild steel consumed would be greater.

President.—If the consumption of high tensile steel is increased in the country and you are in a position to make high tensile steel, to that extent you would be able to make a better surplus.

Mr. Mather.—I do not see any reason why we should anticipate that.

President.—What is the normal margin between mild steel and high tensile steel?

Mr. Mather.—It varies according to the composition. There are high tensile steels which are not alloys in the ordinary sense of the word. The extra cost of making that steel is not so great as the extra cost of making high tensile steel containing chromium and copper.

President.—The lowest margin would be somewhere about Rs. 5?

Mr. Mather.—I don't think it would be as low as that.

President.—What would you consider the lowest?

Mr. Mather.—I should consider Rs. 7 or Rs. 8 as the minimum; probably it is more, Rs. 12 or Rs. 15.

President.—We have a representation here from a re-rolling mill who apparently wants to ask you for high tensile billets. They say for high tensile for fishplates which you supplied at Rs. 121 a ton the Continental price was Rs. 60 f.o.b. Continent?

Mr. Mather.—Did he buy at Rs. 60 from the Continent?

President.—The precise statement is this "Tata's high tensile billet at Rs. 121" and against that a note "Cost price to the Continental manufacturer would not exceed Rs. 60 per ton".

Mr. Mather.—I do not know in what connection they are submitting that, whether they think it is an unreasonable price for the Steel Company to ask. It would be interesting to know whether Messrs. Henry Williams bought billets on that price basis from the Continent if they thought our price was unreasonable.

President.—They make no comment regarding Tata's price and whether this is the price at which he actually bought or a price that he got in response to enquiries I do not know.

Mr. Dalal.—We do not know whether in estimating the cost they took overhead charges and so on?

President.—I don't know either.

Mr. Wiles.—This is in answer to a question "Works cost actual or estimated of two or three typical classes of permanent way material billets under the following heads:—".

President.—You do not remember anything about either an enquiry or a transaction?

Mr. Mahindra.—The position is, we made a contract to supply them 1,500 tons billets at Rs. 71 per ton, and our usual extra for D class steel is Rs. 50 per ton. The D class is a high tensile steel and the cost of production is very much higher than mild steel. For structural purposes high tensile steel is manufactured with chromium and copper contents. I asked Mr. Elderston to let me know in advance what would be the composition of the steel. He wrote a letter giving me the tensile strength and the chromium and copper contents, etc.

President.—The presence of the word alloy gives unlimited scope.

Mr. Mahindra.—May I also mention this, in connection with Messrs. Henry Williams, that the only high tensile steels which we manufacture and supply at present are class C and D sheets. C. and D class steels are both alloy high carbon steels. These steels are only used for forgings and for certain parts of wagons.

President.—The next item is 102 (*f*). I suppose it is a harmless entry.

Mr. Mather.—So we feel. It is perhaps relatively harmless. We think that steel made for springs other than bars may be billets. For instance we can make and supply steel springs to the Indian railways. At one period we supplied them in large quantities.

President.—That is again high carbon steel.

Mr. Mather.—At one time we did quite a good business with some of the Indian railways. We supplied that steel in the form of bars. This would allow billets to be brought in for that purpose.

President.—It might incidentally give unasked protection to Hukumchand, who makes spring steel.

Mr. Mather.—Possibly.

President.—If we omitted this whole clause, under what category would that come then?

Mr. Mather.—Steel other than bars, blooms, billets and so on would come under the blooms and billets. If it were in some very special form, it would come under "Iron and Steel, all other kinds".

President.—That would again be subject to the revenue duty.

Mr. Mather.—Yes, so that the position would really be this: if this kind of steel came in forms which are dealt with specifically, it would come under the specific treatment indicated for that.

President.—When you supply them, do you supply them in the form of bars?

Mr. Mather.—Yes.

President.—If we bring all these unprotected bars under the protective duty, any steel of this kind which is imported in the form of bars would be subject to the duty on protective bars.

Mr. Mather.—Yes. What we have in mind dealing with this kind of steel other than bars—102 (*f*)—is that if this were removed and if this kind of steel in the form of billets is imported, it would come under the same treatment as we ask for billets. If it comes under some other highly specialised form, it would come under all other kinds of steel which is not protected.

President.—If it comes in the form of billets whatever Ottawa protective duty is applicable to billets would be applicable to it. If it comes in any special form, it will be subject only to revenue duty and it will not harm you.

Mr. Mather.—That is so.

President.—The next item that you refer is 103 (*a*) C.

Mr. Mather.—That is about the inclusion of sleeper bars.

President.—Sleepers other than cast iron and sleepers of special kinds.

Mr. Mather.—Yes.

President.—Is there any real danger if this provision is not included?

Mr. Mather.—We have from time to time been told that unless we supplied these bars at a very low price as compared with the prices for other kinds of steel, sleeper bars could be imported from the Continent.

President.—Have you any information about the quantity?

Mr. Mather.—I don't think there have been any actual imports recently, but we have reduced our price to extremely low levels as a consequence of the probability that these bars might be imported.

President.—It is a curious position. If the imports are large, then you are obviously affected and the imports must be stopped by means of duties.

Mr. Mather.—The quantity in question was substantial. The imports didn't materialise, because we had to cut our price very heavily.

President.—Therefore the effect of the duty would be that you would raise your price.

Mr. Mather.—Exactly. In any event the duty would not be such as to enable us to get more than a reasonable price.

President.—The duty that you suggest on sleeper bars is 16 against 25 which you suggest for other forms of semis.

Mr. Mather.—That is right.

President.—There the whole difference is the freight disadvantage because your duty on billets is based on a special freight disadvantage which does not apply to sleeper bars. You are asking for Rs. 16. The effect of including sleeper bars of special shapes in this item and with the duty altered according to your proposals would be Rs. 16 and Rs. 25 which you asked for semi-finished billets.

Mr. Mather.—Yes.

President.—We must consider these questions in consultation with the Collector of Customs. In para. 110 you raise a rather important question, *viz.*, that if there is to be a substantial reduction of duties, the reduction should be effected by easy stages. I want to ask in connection with that, supposing we accepted your proposals as they stand in Table IX, would you have any objection to these reductions on the lines you have proposed?

Mr. Mather.—I think it would be a definite advantage not to make these reductions in one step on black and galvanised sheets. The reductions are very big--Rs. 40 on black sheets and Rs. 41 on non-British galvanised.

President.—Which are the reductions that you can bear straightaway. Take Continental structurals. It is coming down from Rs. 46 to Rs. 37½.

Mr. Mather.—Probably the other way round.

President.—Yes it is going up. You don't mind an increased duty straightaway.

Mr. Mather.—All that we have in mind is if people see the prospect of the price going up, they buy. On the other hand if the prices go down, they don't buy.

President.—If prices are going to be raised, the trouble would be at the other end, that is to say the man who wants steel won't get it. He will hold it against the price rising up.

Mr. Mather.—We can't do that to an appreciable extent. It is simply that we should maintain our bookings on a normal level. As I explained yesterday, we must put ourselves in a position to despatch steel from the works with the same regularity as we make.

President.—With regard to plates the proposed duty is Rs. 32 and the present duty is Rs. 45.

Mr. Mather.—I think that would be a very suitable field for reducing duties by stages.

President.—It is particularly with regard to sheets.

Mr. Mather.—It is much more striking in connection with the sheets. We are speaking of course on the basis of the actual experience which we had at the end of 1932 of a very serious disturbance in the market due to the knowledge of the market that there was going to be a substantial reduction.

President.—I should like to put a proposal to the Company in this connection. Whether we accepted your proposals regarding duties or whether we made proposals very different from yours, would it suit the Company while if recommending protection for a period of seven years we proposed two scales of duties, one scale of duties at a higher average for the first three years and a subsequent scale for the next 4 years, instead of taking an average and proposing an average for the whole period of seven years?

Mr. Mather.—I presume the total effect would be the same, but the duties would be definitely laid down in advance to avoid any fresh enquiry at the end of three years.

President.—There will be no enquiry at all. What we may do, if we consider the proposals quite satisfactory, is this: we try to make such calculations as we can regarding the possible reductions over a period of three years. We take that into account and we say during this period the duties must be fixed on this basis and then we calculate all the reductions possible at the end of 7 years and make an average for the last four years and say that the duties should be fixed on this basis.

Mr. Dalal.—I presume that the total effect would be the same as the effect of any duties which you would propose for the average of the seven year period.

President.—It would approximately be the same thing. It would be put into force in a different form.

Mr. Dalal.—I think that is very reasonable.

President.—Personally I think from the point of view of the industry and of the trade and everybody concerned, it is more satisfactory while definitely laying down that protection should be continued for 7 years on whatever period we decide, that duties should come into force in two stage, so that you can adapt yourself more easily to new scale of duties. That doesn't mean too quick a transition.

Mr. Natesan.—Supposing we have it for three years, just six months before the expiry of that period will it not lead to a disturbance in the market and dislocation in trade?

Mr. Mather.—I think that is a very reasonable question. In view of what we have put forward, I don't take the view that there will be no disturbance, but I do feel this in favour of Mr. President's suggestion that if it is known a long time in advance definitely that the change is going to occur on a certain date and that it is going to be to a certain extent, both the market as buyers and we as producers know positively on what ground we are working and we can minimise the effect of the disturbance if the reduction is not very great. What usually happens is when some reduction is expected, no body knows how much; we might not even know exactly when it is going to come into effect. It is extremely difficult to deal with the effect of such a change.

President.—What will be its effect upon the progress of great building constructions?

Mr. Mather.—That of course would depend very largely on the amount of difference between the duties in the earlier period and the later ones.

President.—Some kind of disturbance you cannot avoid in any case. What you are trying to do is to minimise the disturbance. There are two sorts of disturbance, I think, which are very bad for the industry. One is a very sharp reduction at one stroke and another is the small reductions at too frequent intervals. But if you have a fairly substantial period of 3 or 4 years and all the parties concerned know definitely what the position is going to be, you do as much as humanly possible to minimise this disturbance.

Mr. Mather.—I think it would be distinctly advantageous in many ways.

President.—Now I come to the question of off-setting duties which you raise in para. 112. I have tried to analyse your proposals. There are really six elements in your proposals involved in it. The first is that Government has to ascertain at least once a year the level of import prices. With regard to that, have you contemplated the sort of channels along which Government ought to get this information? The whole point is that the information should go to Government automatically.

Mr. Dalal.—We were thinking mostly of the Customs.

President.—Would that be a very satisfactory arrangement? I will tell you what I am thinking of. In 1924 and 1926 when proposals on these lines were made by the Tariff Board, there was a considerable quantity of imports and Collectors of Customs were in a position to give prices which more or less represent the position in the market. Now you will see that the imports have declined. Such prices that the Collectors of Customs may be able to give Government may not altogether represent the real position in the market. This is the idea that occurred to me. I have been seeing recently fortnightly statements from Collectors of Customs. I expect that it would be more in the same form that they would send information to Government. The last that I got was a statement of prices from Bombay in which certain articles are grouped in certain categories. Bars and special bars are grouped and average prices given. Under plates also many things are grouped. So, unless a certain amount of trouble is taken by the Collectors of Customs, the information that they may give may not be of practical use.

Mr. Dalal.—If they were instructed to maintain statistics in a better form, I don't think it would present any insuperable difficulty. There is another suggestion which I should like to press on the Board. If it was so agreed, we ourselves could obtain as much information as possible from not only the Customs but also from our own sources as well as from other importing houses and submit the figures at the end of the year to Government and leave them to be checked by Government by means of such independent enquiries as they may choose to make.

President.—As you send your statements of costs to us, you propose to supply statements of prices.

Mr. Dalal.—Yes, in very great detail. We would take special trouble over that.

President.—You will send the prices that you get from your reporting agencies and from other independent agencies.

Mr. Dalal.—Yes, also Custom's prices. They can check them in any way they like.

President.—The second element in your proposal is if the prices are lower by 10 per cent. than the Tariff Board assumes, the duties should be raised correspondingly by executive action.

Mr. Dalal.—Yes.

President.—Conversely if prices are higher by 10 per cent. the duties are to be lowered. In that case, the Company must be given an opportunity to adduce reasons for not reducing costs. If you are to be given an opportunity for adducing reasons why the duties should not be lowered, similarly the organisations which consume steel should be given an opportunity to adduce reasons why the duties should not be raised. That would be a fair proposal?

Mr. Dalal.—Provided such enquiry is made within a reasonable time.

President. The moment you give opportunities to parties for adducing reasons why duties should not be raised or lowered, you get nearer the stage where something like a regular enquiry becomes necessary.

Mr. Dalal.—We might even accept the position of raising or lowering the duties automatically without there being an obligation on Government to consult any party provided it is understood that it would not be compulsory on Government to reduce duties if they thought from information in their own possession that such a course was not necessary.

President.—I think the most suitable kind of provision in cases of this kind is to put in a provision on the basis of the existing clause in the Protective Act to raise or lower the duty according to the movement of prices and leave it to the discretion of Government. Only Government in taking action will consider such information as they get regarding the courses of prices. Suppose Government reduce the duties because prices have been going up and you feel that your interests will be very seriously affected, whether there is a provision or not, it is open to you to represent your case and I cannot conceive of a situation in which a responsible Government of India would ever refuse to give consideration to a representation that comes from an important industry like you. Is it necessary to put all this into the Act?

Mr. Dalal.—Because in practice we have found that the present provision is not very effective.

President.—The moment you put all this into the Act, you are near the stage of a regular enquiry. Governments having various preoccupations, would like representations from interested parties to be enquired into.

Mr. Dalal.—If Government wanted an enquiry we could not say that they should not make the enquiry. We are prepared to submit to the automatic imposition only subject to the proviso that it should not be obligatory on Government to reduce the duty if they thought that the circumstances did not justify such a reduction.

President.—The next point in your proposal is that the duties are to be revised by executive action but they should be reported to the Legislature.

Mr. Dalal.—Yes.

President.—You are aware of the corresponding provision in the Safeguarding of Industries Act. The provision is that every notification imposing duties is to be laid before both Houses and shall cease to have effect if within two months it is not approved by a resolution of each house. Would you accept it in that form?

Mr. Dalal.—No, that would mean a regular debate on our Company every year.

Mr. Natesan.—Then you will have to transfer your office to Delhi or Simla!

Mr. Mather.—There is a difference between our position and the action under the Safeguarding of Industries Act namely that this action would be taken in the case of an industry whose circumstances have been very fully enquired into by the Tariff Board, accepted by the Government and approved by the Legislature itself in the passing of the new Protection Act whereas such a procedure as you have referred to under the Safeguarding of Industries Act has its justification that Government might do it in the case of an industry, the circumstances of which the legislature had no opportunity of discussing.

President.—In the case of a protected industry, all that happens is when a variation of duties is effected under the off-setting duties provision, that the duties are varied so that the prices are stabilised at the level sanctioned by the legislature.

Mr. Mather.—The degree of protection sanctioned by the legislature is maintained.

President.—For what period do you want these duties? Supposing there is an alteration of duty in January, 1936 once the alteration is made, how long is the revised duty to continue?

Mr. Mather.—Presumably until the next enquiry.

Mr. Dalal.—Until again the circumstances warrant any change.

President.—If the reduction in prices reaches the level assumed by the Tariff Board, the duty should be dropped again.

Mr. Mather.—In actual practice the changes would not be more frequent than...........

President.—Supposing for example in January, 1936 there is a fall in price to the extent of about 15 per cent. below the level assumed by the Tariff Board and the off-setting duties provision is put into force and duties are raised correspondingly, it continues until there is an improvement of prices to 9 per cent. below what the Tariff Board assumed. If prices rise from 15 per cent. to 9 per cent. below the level assumed by the Board, the additional duty would go and the Government would be justified in reducing the duty. That would be roughly the position. Then you propose in certain grave emergency Government might take steps on the application of the Company or otherwise. In that connection you have provided against Continental raids, exchange depreciation, dumping and so on. It is in connection with matters of this kind that a provision on those lines should be useful. Apart from the normal operation of off-setting duties provision, you can have sporadic cases of raid or exchange depreciation.

Mr. Dalal.—Exchange depreciation might be provided against by such a measure but I doubt very much whether sporadic cases such as we discussed yesterday could be provided against.

President.—The existence of a provision in the Statute enabling Government by executive action to take steps of this kind itself is a deterrent because if a foreign manufacturer does that, he is going to have a higher duty tagged on to it.

Mr. Dalal.—Our proposal is different. We have stated in para. 113 that when any action is required to make the scheme of protection effective owing to reasons other than a change in the prices of imported steel, it should be taken after full enquiry and with the sanction of the legislature.

President.—That is a different matter. What you are thinking of is sudden grave emergency which arises owing to sudden lowering of prices.

Mr. Dalal.—We are thinking of dislocation of transport, very serious strike, etc.

President.—In that case you would have to have an enquiry.

Mr. Mather.—Yes.

President.—What you are thinking of is in a sudden and grave emergency action is to be taken by the executive.

Mr. Dalal.—We were thinking of the emergencies I have just mentioned.

President.—If you are thinking of emergencies of that class I do not know if you can do without an enquiry.

Mr. Dalal.—That is exactly why we have suggested an enquiry.

President.—Not in connection with the proposal. I rather thought that in cases of sudden grave emergency you expected that the off-setting duties provision, in the sense of automatic provision, was the one to apply. If the variation of duties is only necessitated by other reasons in the sense of change in economic conditions which result in increased works costs, a patent change in economic conditions which result in increased works costs—take for example the price of coal: we take it at Rs. 5 and suppose at the end of 5 years or so it goes up to Rs. 10—a thing like that, strike, breakdown in transport system—all that would have to be dealt with differently.

Mr. Dalal.—Yes.

President.—With regard to this provision for a regular enquiry, you admit that in matters of that kind there should be a regular enquiry, and at the same time a provision for legislative action.

Mr. Dalal.—Yes.

President.—In that case it is unnecessary to put into the Protection Act because the legislature has the right to amend its own Acts. It is only in cases where executive action is necessary that you ought to have a suitable provision in the Protection Act, but if what you suggest is an amendment of the Act itself, it is unnecessary to put it into the Act.

Mr. Dalal.—We are not thinking of an actual provision in the Act.

President.—It is open to the legislature to amend its own Act.

Mr. Dalal.—Yes.

President.—If you make a convincing representation to the Government of India, the Government of India move the legislature and a suitable amendment is made.

Mr. Dalal.—Yes.

Mr. Wiles.—I notice in para. 135 you suggest that you should be allowed to retain the advantage to which you referred at the end of para. 112. Are they not inconsistent or do you reconcile these two statements?

Mr. Mather.—That is our opinion. In para. 135 we have set out what we think would be a reasonable line of policy to be followed whereas in 112 we are offering to make some concession in that direction if it can be accompanied by an automatic increase of the protection and only if it can be accompanied by an effective method of increasing the protection if prices fall.

Mr. Dalal.—That is why we mention that it should not be obligatory on Government to raise the duty if they thought it was not necessary.

Mr. Wiles.—In para. 11 where you suggest no estimates of the future trend of prices should be formed other than the actual prices which prevail in the first six months what is your object in making the period so short? By the time we come to our recommendations we shall have full 12 months' figures. Is there any reason for excluding the subsequent six months?

Mr. Mather.—We should certainly regard the figures of the full calendar year 1933 as not representing at all accurately the average of recent prices. We do think it very probable that they will not represent what we may call the average world steel trading conditions in the next few years because in 1933 for the first time the Continental Steel makers have formed a cartel with a definite provision for control over prices and they have in the last few months to an appreciable extent succeeded in raising prices. There have been previous attempts to do the same thing which did not meet with appreciable success. We have no reason to think that the present reconstruction of the cartel will continue to be effective as it stands at present. We mentioned to the Board a day or two ago that there was already evidence of a possible breakdown in that one of the Belgian works had given notice to the national organisation that it was going to leave the group at the end of the year, and work independently. That will automatically compel the national organisation to give corresponding notice to the cartel as a whole. We cannot say what the ultimate outcome will be from this situation but we do say that the existence of the cartel as an effective means of controlling prices is precarious, and if the prices for the calendar year 1933 as a whole were taken as a basis we shall probably be in the position of requiring protection or off-setting duties practically by the time the new Act came into operation

Mr. Wiles.—At the time you wrote this representation the cartel had not got to work?

Mr. Mather.—It did work and it had its effect on prices before June. The period which we have suggested as the basis, January-June, does contain a couple of months or three months of the effect of the reformation of the cartel on prices. It should therefore be regarded as half on a basis of uncontrolled price and the other half the beginning of controlled prices.

Mr. Wiles.—In coming to conclusions on statistics normally anything less than a year is a very unsafe period to take; six months is too short a period?

Mr. Mather.—In that event we suggest an average c.i.f. price of July, 1932 to June, 1933 or, if you prefer it, the two complete years 1932 and 1933.

Mr. Wiles.—Regarding this question of alloy steel I take it that the object of leaving these outside the protective scheme was that they were not manufactured in India at the time. If the demand increased very largely now are you prepared to meet it?

Mr. Mather.—We are prepared to meet the demand for alloy steel for which the demand is not likely to be extremely large. There are certain special forms of alloy steel of a very expensive nature which we are not making and which possibly will not be made during the next few years.

Mr. Wiles.—In regard to your claim for compensation in para. 105 in the event of demand for rails going down, that question would only arise if the rest of your proposals are accepted. If that is not accepted the question of compensation does not arise because you already have compensation in the surplus profit. You don't utilise it in any other way.

Mr. Mather.—Yes.

Mr. Wiles.—In para. 100 I am not certain that I followed the discussion very closely. Do you regard the proportion of tested and untested steel as sold in 1932-33 a safe guide for the future?

Mr. Mather.—I think so.

Mr. Wiles.—They are likely to be altered if the demand goes back very considerably.

Mr. Mather.—We don't think it would alter very considerably. Of course as the figures we have given you show there are fluctuations from year to year.

Mr. Wiles.—One of the reasons you adduce for the failure of protection is the tremendous change in the proportion of tested and untested steel. You don't regard it as likely that the demand for tested steel would go back to the former level, when the general demand returns?

Mr. Mather.—At any rate we do not think it safe to base the scheme of protection on the assumption that the average demand for the next seven years is going to be at a comparatively higher level.

Mr. Wiles.—You are on the safe side to start from the bottom.

Mr. Mather.—We are entitled to that in so far as we are increasing our output. The demand for untested steel in India will probably take its full share if not more than its full share of any increase in the total demand.

Mr. Mahindra.—As a matter of fact my information is that in most cases people are beginning to use untested steel in place of tested steel.

Mr. Wiles.—We want to be satisfied that it is likely to continue.

Mr. Mahindra.—The military department now almost always buy untested; they did not buy it before but they are buying it now. The I. S. D. are buying untested; they never used to purchase it before.

Mr. Wiles.—You mentioned a point yesterday: in talking of the allocation of the surplus from the rails you stated that you thought a reduction in the duty on certain other forms of steel was likely to increase the demand for sections. I suppose it is equally likely that a reduction in the price of imported steel will increase the amount of imports, that is to say importers are likely to share in the increased demand.

Mr. Mather.—To the extent to which we cannot comply with the increased demand, yes.

Mr. Wiles.—That demand will not come exclusively to you?

Mr. Mather.—No, not necessarily.

Mr. Wiles.—I want you to help me if you will to understand this rather complicated question of freight disadvantage. Apart from any question of protection I take it that your natural market would be the area in which you have got a local price advantage over your competitors.

Mr. Mather.—What do you mean by natural price advantage?

Mr. Wiles.—Within a given area you can supply goods cheaper than your competitor. To-day that range of area is not a compact geographical area; and the reason is that you have certain freight concession which converts that geographical area into an amorphous thing; freight concessions in fact have created what is really a highly unnatural market.

Mr. Mather.—I submit that apart altogether from freight concessions the area in which we are in an advantageous position is controlled very largely by the nature of the coastline of India and the position of the ports.

Mr. Wiles. I don't see that it makes any difference to the theory; it merely means that your competitors are a little closer than they would be.

Mr. Mather. Our actual competition has been in the past from imports.

Mr. Wiles. In theory it does not matter whether it is imports or another industry starting at the port. The only point I want to get at is this that your proper market is that in which you have a freight advantage over your rival.

Mr. Mather.—Yes.

Mr. Wiles.—That means, if I understand it rightly, that your f.o.b. price Jamshedpur must be higher to the extent to which it costs you more to send your materials beyond your proper market.

Mr. Mather.—Since in order to deliver outside our proper market we should obviously receive a lower net price.

Mr. Wiles. I am now coming back to the protected industry. Given a compensation for freight disadvantage that is a net compensation or freight disadvantage less freight advantage, in order to recover it you have not only got to add to the price in the freight advantage area but deduct in your freight disadvantage area.

Mr. Mather.—Yes.

Mr. Wiles.—There is a uniform price over the two areas?

Mr. Mather.—We might make ourselves a little clearer. I will give you specific instances. We sell a certain tonnage say at Delhi at a freight advantage and we sell a certain tonnage in Madras at a freight disadvantage. In Madras the price to the consumer can only be the import price *plus* the duty. In Delhi the price to the consumer is the import price *plus* the duty *plus* the ordinary freight from the port to Delhi. It cannot be more than that. So that the prices differ and so do our net receipts differ. We shall get a higher net realisation in Delhi than we do on our sales in Madras.

Mr. Wiles.—That is just the point I am trying to make, that you recover from the consumers within the freight advantage area sufficient to compensate you for the disadvantage for the lower scales in the freight disadvantage area. That is to say, the consumer in Bihar and Orissa or the United Provinces are really paying part of the price for the goods which are being sold in Madras.

Mr. Mather.—I think not. The consumer in the United Provinces can't pay and will not pay more than the price of the imported article landed at the port *plus* the duty *plus* the normal freight. The very fact that in order to dispose of our production we have to sell in Madras does not enable us to get a higher price from the buyer in the United Provinces.

Mr. Wiles.—You have got it already in your duty. That is the whole point. It has been added to the duty, so that in fact those who are paying the duty are paying higher than those in the freight disadvantage area.

Mr. Mather.—We are asking let us say for allowance on account of freight disadvantage of Rs. 5. Supposing that was ignored completely, there was no question of freight advantage or freight disadvantage to be taken into account, then the price to the purchaser in Delhi would be Rs. 5 less and the price to the purchaser in Madras would be Rs. 5 less. But the purchaser in Delhi would still be paying more for the steel than the purchaser in Madras. He did that before protection was introduced. He always paid more in Delhi than did the purchaser at the ports.

Mr. Wiles.—That is because the price is fixed by the outside market.

Mr. Mather.—The coming into being of the Indian industry has not altered the situation at all. The difference in price of steel in different parts of India is essentially the same and will remain the same.

Mr. Dalal.—That is in accordance with their respective geographical position.

Mr. Mather.—I submit that the only factor which would seriously affect the position is the coming into existence of other steel works in India itself, those steel works being placed essentially in a different position from ours. Unless that is possible, and we do not envisage it to be possible, this difference in price at some inland part of India and at the ports will continue as it has been in the past, practically a permanent thing dependent on railway freight from the ports or from Jamshedpur to various destinations.

Mr. Wiles.—The fact remains that the increased price throughout India which you calculate at Rs. 5 as freight disadvantage would equally apply to freight advantage area as well as to freight disadvantage area.

Mr. Mather.—We do not apply it more heavily to the freight disadvantage area.

Mr. Wiles.—I say that both have to pay.

Mr. Mather.—Yes.

Mr. Wiles.—Assuming there was no protection at all. I take it there are two markets in India, one in which you have advantage and the other in which your rivals have got advantage. I take it there would be no hard and fast line between those two markets; there must be an indeterminate area in which you would be prepared to sacrifice some of your advantage and some area where your rivals would be prepared to sacrifice some of their advantage. You are both competing on equal terms.

Mr. Mather.—Yes. That would depend a good deal on the volume of business. If we were offered a higher price and found a demand for our steel, we would not be tempted to go beyond what you regard as our natural limit in very good times when the demand was big.

Mr. Wiles.—If the demand was equal in both markets then the two factors would wipe each other out and there would be no question of freight disadvantage compensation.

Mr. Mather.—That is on the hypothesis that there is no protection.

Mr. Wiles.—There would be no need to consider freight advantage at all in the protective scheme. If the demand in the two areas is approximately equal then there can b no justification for any freight advantage compensation.

Mr. Dalal.—If the demand was large enough and it exceeded our productive capacity.

Mr. Wiles.—That means to say you justify your claim for freight compensation by first establishing that your competitors' freight advantage are much greater than yours, that is to say that the demand in his market is bigger than yours and secondly that your own market cannot absorb all your production.

Mr. Mather.—Yes.

Mr. Wiles.—Is it easy to establish those two propositions?

Mr. Mather.—The inability of what you may regard the natural market to absorb our production. The very fact that in order to dispose of the not excessive production that we have made in the past, we have to take 80 per cent. or more of India's total demand in many of these products is a sufficient indication.

Mr. Wiles.—It might do in some circumstances, but it would not establish it in full. Have you any idea what proportion of the demand in your freight advantage area has been met?

Mr. Mather.—We do have figures.

Mr. Wiles.—All this is very artificial, but you cannot have protection without having all these artificial considerations. If you are going to claim compensation for taking steel to Negapatam, you have got to justify that you are right in sending it to Negapatam. That means to say that we want to be satisfied that you have absorbed the whole market within your freight advantage area.

Mr. Mather.—I have figures here. In 1932-33 we sold 20,000 tons of untested heavy structurals in freight advantage areas as against 40,000 tons of similar material in freight disadvantage areas. For light structurals the corresponding figures are 9,000 tons in the freight advantage areas and 21,000 tons in the disadvantage areas. These are all untested. For bars the sales in the freight advantage areas were 10,700 and in the freight disadvantage areas 56,700 tons. I have some figures for tested materials such as plates and sheets.

Mr. Wiles.—Can we accept your sales as being equivalent to the demand?

Mr. Mather.—To the best of our ability we are constantly striving to push our sales in the advantage areas, because it gives a bigger net realisation.

Mr. Wiles.—Have you any idea of the total quantity of imported steel sold in your freight advantage area?

Mr. Dalal.—We have no means of collecting it. We are constantly trying to sell as much as possible in our protected areas, naturally because we make the best realisations and make more money. Except for this competition of the re-rolling mills and for some material which is occasionally smuggled from Karachi to Lahore or for little variations of that kind, we attempt to capture 100 per cent. of that market. Our organisation is the most efficient and competent for that purpose.

Mr. Wiles.—To what extent is the present condition of the market abnormal? Will a revival of the demand be spread equally throughout India within your freight advantage area or outside it? Is it possible to say?

Mr. Mather.—I don't think we have any ground to form an idea.

Mr. Mahindra.—One doesn't know in which area they would start a very big project. The sugar mills which have been started recently have been more or less in that belt where the sugarcane is grown.

Mr. Wiles.—That is to say the demand for steel is not constant?

Mr. Mahindra.—No.

President.—That is the demand for tested steel. The demand for untested steel is a more regular factor

Mr. Mather.—Yes. Even so there has been a spurt in the time of building sugar factories. There won't be a big constant demand. That is a passing phase.

President.—Projects and things of that kind are not regularly recurring things, but house building is a fairly normal thing.

Mr. Mather.—Yes.

Mr. Dalal.—There is no reason to assume that more houses are built in the Punjab than in other provinces.

President.—If you have a very vast improvement in wheat prices, people would invest money in houses in the Punjab.

Mr. Mather.—Yes.

Mr. Wiles.—When protection ceases, this compensation will have to be provided by yourself by reduction in your costs.

Mr. Mather.—Normally that would of course be a set of circumstances which would enable protection to be removed and leave us in a stable condition.

Mr. Wiles.—That means you have got to reduce your costs—you know the competing costs—to the extent they have a freight advantage over you.

Mr. Mather.—Yes.

Mr. Wiles.—The other side of that statement is that the further you extend your activities beyond your freight advantage areas, the greater will be the cost of protection.

Mr. Mather.—Not necessarily. That would only happen if we are increasing our activities outside our natural areas unnecessarily. We make more steel in order to be able to sell at Madras, having satisfied to the best of our ability the complete demand of the freight advantage areas, we produce additional steel in order to be able to supply to the freight disadvantage areas.

Mr. Wiles.—It must cost more so long as you are asking for protection as a compensation for the disadvantage.

Mr. Mather.—It helps us very considerably to reduce the cost of all the steel that we produce.

Mr. Wiles.—Those two factors have got to be balanced.

Mr. Mather.—You have seen the figures for the freight advantage and disadvantage areas. If we sold no steel in freight disadvantage areas, our total production of these kinds of steel would be reduced by about two-thirds or three-fourths. Then of course if we are operating on the basis of making only 200,000 tons a year instead of 400,000 tons a year, all our costs at the works itself would be very much higher.

Mr. Wiles.—As far as the public is concerned, there ought to be a balance of advantage which they and you derive in the reduction of costs due to the increased output and the additional cost they have got to pay for your freight disadvantage.

Mr. Mather.—The balance is in the public's favour. May we put it this way: the allowance which we are asking the Board to give us for the freight disadvantage is approximately Rs. 5 per ton. We consider that Rs. 5 per ton does not represent as much as the reduction in the cost of all our steel, because we make the extra quantity which goes into the freight disadvantage area.

Mr. Dalal.—On the contrary reduction in costs due to increase in output is very much larger than the cost in the way of increased freight.

President.—Mr. Dalal, we have received a representation from the National Federation of Iron and Steel manufacturers in the United Kingdom. Have you got a copy of it?

Mr. Dalal. We have.

President.—The Board would be glad if the Tata Iron and Steel Company would send us any comments that they wish to make on that representation as early as possible. We propose to examine the representative of the National Federation I think about the middle of December, probably on the 17th or 18th December, but we should like to get a statement of your views on this representation at least a week before that.

Mr. Dalal.—We shall try to do that.

Mr. Wiles.—I propose to take up just a few minutes more of your time in further consideration of what I called elementary economics this morning. Can you give me an idea of what your average delivery charges are?

Mr. Mather.—You mean the average cost of freight per ton.

Mr. Wiles.—Yes.

Mr. Mather.—I am afraid we shall have to prepare it.

Mr. Wiles.—Could you just give me an argumentative figure? Rs. 12 you suggest as the cost of your freight disadvantage on billets.

Mr. Mather.—It will be in the neighbourhood of that figure.

President.—How do you work out your bills—f.o.r. destination?

Mr. Mather.—Yes.

President.—In that case you ought to be able to collect your figures?

Mr. Mather.—Yes.

Mr. Wiles.—It would be somewhere in the neighbourhood of Rs. 10 to Rs. 12.

Mr. Mather.—I don't think that it will be as low as Rs. 10. But you may take Rs. 12 for the sake of argument.

Mr. Wiles.—Rs. 12 seems to me to be high. However let us take Rs. 12 for the sake of argument. I am going to suggest to you that in calculating your freight disadvantages you have omitted a very considerable item amounting to about half the factors which enter into the question. You start calculating your figure of disadvantages in the Indian ports instead of the Continental ports.

Mr. Mather.—That is all we are concerned with if the rest of the figures are based on c.i.f. prices.

Mr. Wiles.—I will come to that in a moment. Calling it purely freight disadvantage and pursuing that idea, I take it that the freight charges from the Continental ports delivered in the Indian ports would average about Rs. 15.

Mr. Mather.—A little under that. It averages about £1 a ton; that is from a Continental port to c.i.f. Indian port.

President.—Including landing charges, it would be about Rs. 15.

Mr. Mather.—Yes.

Mr. Wiles.—Considering this factor purely from the point of view of freight advantages and disadvantages you are in the position of having a permanent advantage over foreign competitors of about Rs. 3 per ton, which is the difference between Rs. 15 and 12.

Mr. Mather.—Yes, on that basis. I don't know that would be correct. It might be higher. In calculating Rs. 15 as the cost of freight, you are simply carrying it to the port.

Mr. Wiles.—You have to add the average cost of carrying it from the port.

Mr. Mather.—Yes.

Mr. Wiles.—From that point of view you must have a considerable advantage.

Mr. Mather.—On an average, but not to all destinations.

Mr. Wiles.—So that when we use the term "freight disadvantage" we are using a misleading phrase.

Mr. Mather.—I submit it is not.

Mr. Wiles.—I am talking of the average man in the street. When you are asking for freight disadvantage, he will argue you are entirely ignoring the fact that most of the steel is coming from outside the country. From that point of view he is correct that you have no freight disadvantage as compared with the original cost of steel.

Mr. Mather.—If our position is being compared with that of the manufacturer in Europe or some other country then on the average we don't have freight disadvantage.

President.—That is to say if you take an article like bars you suggest a duty of Rs. 47, that is the tariff protection that you claim. Now you have a natural advantage over the foreign manufacturer which is measured by the sea freight.

Mr. Mather.—Not merely that; you may regard it as a natural advantage to the extent of average cost of delivery from a foreign works to its ultimate destination.

President.—This Rs. 47 allows for that. For the internal market, what I am suggesting is but for the fact that there is a natural protection which you get because foreign goods have to bear the sea freight—if that element were absent—the tariff protection would have to be not Rs. 47 but Rs. 47 *plus* the sea freight.

Mr. Dalal.—Undoubtedly.

President.—So that the total protection that you get is the tariff protection *plus* sea freight protection.

Mr. Dalal.—Yes.

Mr. Wiles.—I am not building more on this than the conclusion I have already given that the phrase is really a misnomer. It would be better to use another phrase. When you are really asking for protection, it is not against freight disadvantage. It is due partly to the fact that your costs are higher than the costs of the foreign manufacturer; it also includes the fact that foreign firms—Continental firms in particular—are content to deliver their products at Indian ports at a price which does not recoup them to the full extent of their overhead charges. They are content with a smaller overhead.

Mr. Mather.—Yes.

Mr. Wiles.—It is really against that that you are asking for protection.

Mr. Mather.—Yes. I think you will find in that connection that although of course when we come to refer to this point for the sake of convenience we simply use the words "freight disadvantage", we do make it clear in our representation that we are concerned merely with the internal markets—see 1st paragraph on page 32.

Mr. Wiles.—I think that every one who has studied the question does realise what it means. I am only anxious that the public should not be misled.

Mr. Mather.—You are quite right.

President. I think in the earlier stages of the history of steel protection the Board used the phrase railway freight advantage and railway freight disadvantage.

Mr. Mather.—I think that that phrase has been used.

President.—I think it is clear that the sea freight has not been taken into account.

Mr. Wiles.—I now want to ask a few more questions about the point we discussed yesterday of small mills. You told us yesterday, Mr. Mather, that in your opinion there was no place in India for re-rolling mills.

Mr. Mather.—Not no place, but a limited place.

Mr. Wiles.—And you quoted from what had happened in England where in spite of protective duty in England re-rolling mills had not suffered; on the contrary they had gone ahead. You don't mean to imply that the duty which you are proposing in India will not hinder the re-rolling mills?

Mr. Mather.—I am not asking the Board to draw any particular implication from that except merely that in other countries where it has been found necessary to protect the Steel industry as such, protection has been granted also to semi-finished products and that is not simply the re-rolling industry.

Mr. Wiles.—Re-rolling mills in England have perhaps a dozen factories to whom they can apply for billets.

Mr. Mather.—They have.

Mr. Wiles.—We are in a different situation in India.

Mr. Mather.—Yes.

Mr. Wiles.—But you have gone further than that in your representation. You have asked for an excessive duty, as I understand it, for the express purpose of suppressing these re-rolling mills.

Mr. Mather.—No, not for express purpose of suppressing these mills but in order to ensure that if they are established they can utilise our billets at a price which will give us a fair selling price.

Mr. Wiles.—You don't want to suppress the re-rolling mills, but you want them to use Indian raw materials.

Mr. Mather. Yes. If they use our materials we have no intention of suppressing them.

Mr. Wiles.—The war which you have been waging against re-rolling mills is going to cease.

Mr. Mather.—There has been no war against re-rollers of semis except people to whom we have supplied. For the ordinary market there have been no re-rollers of semis until two months ago. Almost every re-roller has been a re-roller of scrap who is in an entirely different position. These re-rollers will not be substantially affected by the proposal we have made.

Mr. Wiles.—I find it a little difficult to differentiate. I take it that a re-roller would naturally start on whichever raw material he can get, but I should imagine the great majority of the re-rollers hope to get your billets some day.

Mr. Mather.—I don't think so.

Mr. Wiles.—The supply of raw materials in the form of scrap is very limited.

Mr. Mather.- It is limited.

Mr. Wiles.—I should not put it more than 25,000 tons a year. Is it too much?

Mr. Mather.—We have tried from time to time to form conflicting estimates at different times by different individuals connected with the Steel Company. I am afraid we have no source of information.

Mr. Wiles.—As far as we can judge (I have not had time to take out figures which have been supplied to us by railways, but I fancy that) it would be somewhere about 25,000 tons per annum. The total amount of scrap is let us say about 60,000 tons. But the proportion of it which is available for re-rolling is about one-fourth of that.

Mr. Mather.—I have no reason to doubt your figures.

Mr. Wiles.—You don't worry about them so long as they confine themselves to re-rolling from scrap.

Mr. Mather.—Quite.

Mr. Wiles.—I cannot get away from the feeling, not a very determined feeling yet but based on *primâ facie* evidence, that the course of future progress of the steel industry in India will rest very largely on small mills. We have not had any decided evidence of any large works likely to start. It seems to me not at all improbable that the course of the future may be through the progress of small mills. If that is so, your attitude towards these mills is essentially important. For instance, what is going to be the amount of surplus billets available for outsiders which will be produced in your works?

Mr. Mather.—We should be able to produce a larger quantity than we have included in the programme.

President.—Over and above your present requirements including the Tinplate Company and the Indian Steel Wire Products, you may produce 100,000 tons more.

Mr. Mather.—I should not set it as high as that. I don't think we can regularly produce 100,000 tons. On the basis of figures that we have been discussing earlier this week, we arrived at 90,000 tons over and above the others. You yourself saw the probability that the Indian Steel and Wire Products might require substantially more billets than what had been provided for in our programme. On the whole I think the surplus which is likely to be available for other concerns is not more than 60,000 to 70,000 tons.

Mr. Wiles.—We have got a very considerable balance of steel trade in India to be provided for—the balance between the total production and the total demand?

Mr. Mather. Yes.

Mr. Wiles.—If India is to become entirely self-supporting in steel -the ideal I understand which some people put forward—either billets will come in and be re-rolled or steel will come in in the form of finished products. The demand has to be supplied somehow.

Mr. Mather.—May I submit that your view appears to be that that demand is going to be supplied at any rate to a substantial extent by the re-rolling of billets rather than by the setting up of an additional steel works or some other substantial addition to the actual steel producing capacity of India.

Mr. Wiles.—I am not giving any views but I am suggesting that it seems likely on the evidence.

Mr. Mather.—May I submit that a policy which proceeds on that assumption is a policy which is not very likely to prove in the long run consistent with the conditions laid down by the Fiscal Commission that the industry protected should be such as having a reasonable prospect of being able ultimately to dispense with protection. I see very little prospect in future for these re-rolling mills except in so far as they are dealing with special products in relatively small quantities, and to that extent I say relatively re-rolling mills will never be able to dispense with protection.

Mr. Wiles.—Your point being that you are not able to supply the raw materials and unless some other large works starts?

Mr. Mather.—If we for instance can dispense with protection for our own manufactures at Jamshedpur after a few years, it is a presumption that we can either expand our own production or some other company might come in and start manufacture as we are doing; it can produce the balance of the requirements of bars. But I do not think that small mills scattered all over the country would be able to dispense with protection. They have no natural advantage for the conversion of Indian steel into finished product over the steel works itself; rather they have a disadvantage. They have to pay more for their coal and their labour, and for their conversion, and although working in a relatively restricted area I suggest that in the long run big steel works whether it is one big works or some other works starting up would beat them at the game with the exception of a small quantity of rather specialised product.

President.—The conditions of the Fiscal Commission are not relevant in this discussion because if re-rolling mills rolling products that you are making come into existence, they do so because of the benefits they derive incidentally from the duties which are prescribed for you. We do not prescribe special duties for them.

Mr. Mather.—I quite realise that. I am merely suggesting that if the scheme of protection is adjusted in such a way as to give special facilities for the re-rolling industry as against the steel producing industry, then to that extent it is not working in accordance with the conditions of the Fiscal Commission and ultimately will defeat its own object. The period of protection required would be longer and there would also be definitely the possibility that if another steel works crops up then, assuming that the major steel industry is capable of increasing its production to the desired extent, another steel works and ourselves will certainly be in a better position to supply. If the scheme of protection has to some extent been adjusted to facilitate the establishment of these re-rolling mills, then I say encouragement has been given to an industry which has no permanent prospect of success and the object will be defeated by the industry being scattered within India.

Mr. Wiles. I never contended that the whole of the balance of trade can be supplied by small re-rolling mills. I am suggesting that there is a recognised place for a number of re-rolling mills in the steel economy of India. You do not fear, I take it, that small re-rolling mills can convert at a cost lower than yours?

Mr. Mather. No.

Mr. Wiles.—That being so why do you insist on the necessity for a fixed price in the few instances in which you agree to give them billets?

Mr. Mather.—Because if a re-rolling mill established mainly to roll rather special kinds of material in smaller quantities, if such a mill in order to fill up the gap in its orders occasionally rolls our kinds of bars it might be in a position to put those on the market, I won't say regardless of price, but not having a permanent organisation for the sale of ordinary common bar, it might very well find it more convenient to sell these occasional products at a lower price in order to get rid of them and might thus very seriously interfere with our price.

Mr. Wiles.—It seems not very credible that any re-rolling mill will find it convenient to sell its product at a price lower than yours.

Mr. Mather.—I am not suggesting that they will sell at below their works costs.

Mr. Wiles. I am including the overheads also.

Mr. Mather.—This they can afford; it would pay them better. Suppose it is working for three months and then runs into a slack period and then finds that it can start again: it will pay them better in order to keep the mill going to sell their product as such a price as would cover their works costs rather than shut down altogether.

Mr. Wiles.—That seems to indicate that given certain circumstances there is a real place for a certain number of re-rolling mills. You just indicated one item yourself, *viz.*, the provision of small orders which it would not pay you to make at your own mills.

Mr. Mather.—Yes, special sections.

Mr. Wiles.—Not only small orders for stuff which you do not make but products which you do make but which would not pay you to supply on an uneconomical scale.

Mr. Mather.—We can supply small orders; we can and do accept orders for a single wagon load of every section that we make, orders for 2 tons, 3 tons and mix that with some other articles and make a wagon load.

Mr. Wiles.—Are there not small orders where a wagon load would be excessive, demands which may be more conveniently supplied by small mills at a moment's notice?

Mr. Mather.—Re-rolling mills can't distribute on an economical basis. In order to facilitate meeting of occasional small orders we have set up stockyards in various parts of the country.

Mr. Wiles.—Is it not a fact that many re-rolling mills in India can meet these small orders for special sections more economically than these big mills?

Mr. Mather.—Not to the extent to which they depend on billets. Re-rolling from scrap is on a different footing.

President.—Purely on the question of scrap, scrap is an indigenous material; when you start with scrap and not billets your total cost may be such as to enable you ultimately to dispense with protection.

Mr. Mather.—It might.

President.—From that point of view of re-rolling mills that use scrap may easily come within the scope of the conditions laid down by the Fiscal Commission?

Mr. Mather.—I realise that possibility.

Mr. Wiles.—While on the question of scrap I would like to ask one or two questions which have been put to us by mills of that type. They do compete fairly seriously with you in certain of your markets; to that extent you find it necessary to resort to tactics shall I say to push your goods within your markets.

Mr. Mather.—Our dealers are dependent on handling our steel and apart from this competition do a fairly regular business. They find it necessary from time to time to come along to us and say such and such re-rolling mill re-rolling from scrap for the time being has cut prices so much, give us reduced rates, some concession to keep our business alive.

Mr. Wiles.—There was one instance which was quoted yesterday, which I understand will not be repeated, in which you attempted to buy up all the available scrap?

Mr. Mather.—No.

Mr. Wiles.—One other point which has been made in the other representation is that your own scrap which might go into the Indian market has in some instances gone abroad.

Mr. Mather.—We sell a large quantity of scrap, but not of kinds which can go into the Indian market. We sell freely all our bloom butts abroad. None of the re-rolling mills can do anything with these even if we had given them free.

Mr. Wiles.—It is said that you have sent scrap to Japan which enables them to compete with articles made in India.

Mr. Mather.—It is practically all heavy melting scrap not fit for re-rolling. We get much better realisation for such scrap.

President.—What sort of scrap is exported by the railways?

Mr. Dalal.—Now-a-days a lot of it is being purchased in the country by the re-rolling mills.

President.—The sort of scrap used on a re-rolling mill comes from the railways?

Mr. Dalal.—A great deal is being bought up-country by these mills.

Mr. Wiles.—I understand you are prepared to give special terms to certain re-rolling mills provided they do not compete with your own products, that is to say they will roll products which you do not roll yourselves. Those terms will have no reference to any duty?

Mr. Dalal.—That would be our fair selling price exclusive of duty.

Mr. Wiles.—On the other hand you propose that to the extent to which the rolling mills are going to compete with you, you will charge them the full market price. What do you mean by full market price?

Mr. Dalal.—Import price *plus* duty, but the whole of this is conditional on there being a protective duty.

Mr. Wiles.—When you say duty what duty are you referring to?

Mr. Dalal.—Protective duty.

Mr. Wiles.—Is it probable that the sale of billets at such a price would help these re-rolling mills in any way? I understand they could not compete with foriegn products on those terms.

Mr. Mather.—We were discussing the matter yesterday on the assumption put forward by the President that it was at times inevitable that they should do that. I gather that it has been urged by the re-rollers that it is inevitable that from time to time they should roll ordinary products. It seems to us reasonable that they should in that case pay a price for their billets for these ordinary products which ensures to us adequate return on the steel we sell to them and we cannot be called upon to give them any concession on billets sold in that way.

Mr. Wiles.—Can they compete with you?

Mr. Mather.—It is possible they cannot compete.

Mr. Wiles.—If they can't compete with you they can't compete with anybody. Then why talk about special selling rates at all?

Mr. Mather.—Is it to be expected that we should supply billets at concession rates to enable them to sell against us? We are not particularly anxious to supply billets to them and if as they contend, it is inevitable and unavoidable that in the operations of manufacturing special sections they should from time to time make some of the others, then we say these are our terms on which we can supply them billets.

President.—The point that I had in mind is this. In regard to the special materials a re-rolling mill like Messrs. Henry Williams has got to compete with similar materials imported from abroad. On such figures as we have seen it would be impossible for them if they bought billets at import price *plus* the protective duty that you suggest, to produce them and place them on the market at a price which would enable them to compete. Therefore it is important in order to help them to compete that their billets should be supplied to them at as low a price as you can afford to sell them. As regards ordinary sections which they place occasionally on the market, you sell your billets at the full market price: if you sell your billets at the full market price it would be impossible for them to get a full market price for those sections that would cover their costs and would also give them a fair return on capital. Therefore in the case of such sections for the small quantities they have got to dispose of they will have to sell at a price which will simply cover their out-of-pocket expenses and therefore if they buy their billets at the full market price what would happen is not that they would not be able to sell them but they would sell them at a price which would cover their out-of-pocket expenses but would not cover anything else. But as regards the greater bulk of their production they will get their works cost, depreciation and also return on capital.

Mr. Mather.—That is satisfactory from their point of view and from our point of view. We should naturally want that part of the business to develop as rapidly as possible.

Mr. Wiles.—In that case there can be no question in your agreement on your sale of billets of an agreed price, as you said yesterday.

Mr. Mather.—I don't see any objection to our asking that in the case of ordinary bars they should not sell below the price at which we are selling because the fact that we are selling at that price shows that it is possible to get that price in the market. If we find that we can do it, it ought to be possible for them to get that price. It is to their interest that we should be helped to get the maximum price. We can probably arrange to make some joint selling arrangement so as to help them in putting them in the market.

Mr. Wiles.—*Ex hypothesi* they are selling below their economic price.

Mr. Mather.—Even if they are selling below their economic price it is sound for them to get the maximum price in the market.

Mr. Wiles.—In regard to mills which roll products which you do not compete with, you propose to attach a condition that if you ever want to roll the products yourselves, you should give them notice, so that they must, presumably, close down, the implication being that you will cease to supply billets?

Mr. Mather.—That is with reference to the Indian Steel and Wire Products. The question has not yet arisen.

Mr. Wiles.—I am referring to the future. You attach a condition that you should give a year's notice?

Mr. Mather.—We have suggested that condition only in one case.

Mr. Wiles. It is not meant to be of general application?

Mr. Mather.—We are not thinking of any general application.

Mr. Wiles.—Are not similar cases likely to come about? Assuming so, would you give similar terms?

Mr. Mather. I do not know, it is very doubtful.

Mr. Wiles. Assuming they do, would you be prepared to give similar terms? I only raise this, because it seems a little hard on any firm that they should be induced to put money into a plant to produce various products and suddenly be given notice that they should stop making them.

Mr. Mather. We are not inducing them to do it in that way. We are not trying to persuade these people to invest their capital in that way. It is because of that possibility of inducement that I would, if I may, like to stress again the importance of keeping an eye on the future possibilities of the Steel industry and of avoiding such a special adaptation of a scheme of protection as will afford some kind of inducement for the investment of capital in a way which admittedly would be justified in some particular cases- in some cases may be justified temporarily and in some for a long time—but if we never got free from protection, as we hope to do would be in a radically different position. If we come before the Board, the Legislature and the country and say: "thank you for the protection given us in the past; we do not need it in future and protective duties may be reduced considerably", then I submit that some of the people who may have been induced by special adaptation of the protective scheme to invest capital would find that their investment was not a good one.

Mr. Wiles.—This doesn't mean that when protection is withdrawn, the Tata Iron and Steel Company is going to cease its responsibility to these subsidiary companies?

Mr. Dalal.—Not in the slightest degree. But I do envisage at some time in the next few years, whether within this particular period of 7 years or comparatively shortly after that, if India does return to big demand, there would be another big steel works set up and if that steel works can and presumably will be able to operate as efficiently as we can and if we then reach the stage of being able to do without protection, then the actual steel makers, whether the Tata Iron and Steel Company alone or two or three others will be able to beat the re-rollers over the supply of the requirements of the whole of India. When we reach the stage of working efficiently, it will be sounder economic for the great bulk of these things to be done by the steel works themselves. I hope it is not assumed by you that we made a condition in the case of any future works rolling products which we don't make, that the moment we desire to roll them, we should give them notice. This is special to this particular works only.

Mr. Wiles.—I only want to bring to your notice that it was never contemplated in any protective scheme that Tatas should be given a monopoly. You realise that anything which would mislead the public into thinking that you wish to become monopolists must be avoided.

Mr. Dalal. I particularly stressed this point and even this particular issue between us and the Indian Steel and Wire Products, as I mentioned yesterday, is subject to any advice which the Tariff Board or the President is disposed to give us. We have our own reasons with regard to only two or three kinds of articles which they wish to manufacture for not wishing them to go ahead with them. Apart from that we don't mind.

Mr. Mather.—It is very largely because we don't wish to become monopolists. We don't contemplate that we shall be monopolists. We shall be much less monopolists than we are now. We suggest that schemes based on undertakings by the Tata Iron and Steel Company will not be permanently stable, because there may be somebody else coming in who are not parties to such undertakings.

Mr. Dalal.—So far as the re-rolling mills are concerned, might I make the position clear?

Mr. Natesan.—In view of the importance of this question of re-rolling mills, I wish to pursue it a little further. I take it that you are not very much concerned with those re-rolling mills which are using scrap only.

Mr. Dalal.—We are not concerned. If we are going to adopt such a dog in the manger policy, we are certain that the Tariff Board is not going to support such an attitude. We are not concerned in so far as they are rolling products from scrap except in this way that I notice—I may be mistaken, some tendency on the part of the Tariff Board that we have entered into a sort of unholy competition with these mills rolling out of scrap. Many of them have made representations in a somewhat exaggerated language. I think that there is likely to be some misunderstanding. They are quite free to roll products and compete with us, but then the position arises whether in view of the very large stake that not only we have but also the country has in our industry, we should do anything at all to meet the competition if it arises particularly in our most advantageous areas as it has actually done. Now, what we did in the case of the high carbon steel was, we sold material which is comparable with the material with which they were themselves dealing. They were also dealing with rail steel and we sold it at a price which yielded us a profit. We sold it in order to safeguard the interests of our dealers, who personally and by innumerable letters asked us to save the situation and we had to assist them. Now it is for the Tariff Board to say whether we should be prevented even from doing those things, losing our valuable markets, or whether the Tariff Board expects us to make the best possible use of the protection that they have given us in order that we may be able to dispense with it in as short a time as possible. We cannot have it both ways. We must either sell the largest output in the best possible area, in the most advantageous manner that we can or else we should allow these people to compete with as with material which is not strictly comparable with our material and lose our market. If we do that, then the question arises whether this would be one of the items which we should put in as requiring an additional measure of protection.

Mr. Natesan.—I shall put on one more question. On reading through the correspondence and the memoranda submitted by the various re-rollers, I find in the course of your business relations, you being the stronger party and they being the weaker party, you have had differences. Have I any reason to believe that these differences have reached a somewhat acute stage when the question of renewing protection is being considered.

Mr. Mather.—We don't say that the differences have been particularly acute and we are not conscious of any such thing at all.

Mr. Natesan.—I only want to know whether these differences have assumed a somewhat acute stage when the question of reconsideration of protection comes.

Mr. Mather.—That is of course natural.

Mr. Natesan.—For the first time you are asking a protective duty on billets. What has exactly happened in the interval to induce you to make this request?

Mr. Dalal.—These proposals of mills rolling sections from foreign billets or imported billets have been mooted for the first time in recent years.

Mr. Natesan.—Do I understand that you are not afraid of the importation of billets from England?

Mr. Mather.—There is not much likelihood.

Mr. Natesan.—Your chief fear is in regard to Continental billets.

Mr. Mather.—Yes.

Mr. Natesan.—You were talking of a raid yesterday and day before yesterday. Do you think that it would be more or less a raid of Continental billets in this country.

Mr. Mather.—That is not the position. Our position is that in so far as we are able to supply billets and in so far as we are able to meet the conditions laid down in the Fiscal Commission, there is no reason why this material should be made out of imported billets. Now we have agreed what appears to us to be a very reasonable solution of the matter that we shall supply these billets at only our fair selling price and nothing more. I may make it perfectly clear that in so far as there are any other firms arising to utilise materials for rolling things which we don't roll, we not only have nothing to compete with them, but we welcome such new developments as providing for one thing a larger outlet for our own semi-finished raw materials.

Mr. Natesan.—Besides the circumstances you have mentioned, do you fear that Continental firms who are interested in putting these billets in India may give any sort of help to people who use them here?

Mr. Dalal.—These are recent developments.

Mr. Natesan.—I find in the newspapers similar things being said in regard to other industries.

Mr. Dalal.—We have no definite knowledge of any such thing. But it is not unlikely that arrangements of such a nature with Continental manufacturers may be entered into.

Mr. Natesan.—You have repeated it in the same form in answer to a question put by Mr. Wiles that in any arrangement that you may come to with re-rolling mills, you will insist on a proviso that they should not re-roll sections which you roll. Why are you very keen about this particular provision?

Mr. Mather.—With regard to that provision we came to some understanding yesterday. If that particular mill regards it as absolutely necessary that it should roll a certain smaller percentage of material which comes into direct competition with us, then that percentage should be strictly defined. That would be a matter of arrangement between that particular mill and ourselves and they should then buy the billets that are required for the rolling of such materials at our fair price which would include the duty.

Mr. Natesan.—I find in statement 4 that at present you are supplying 82 per cent. of the consumption of bars produced by you.

Mr. Mather.—Yes.

Mr. Natesan.—Is it your contention that you yourself should be allowed to fill up the gap. If it was so, could you really do so in a reasonably short time.

Mr. Mather.—As far as possible. We will certainly make an endeavour to meet the whole demand of India.

Mr. Natesan.—There is a gap of 18 per cent.

Mr. Mather.—Yes.

Mr. Natesan.—You could?

Mr. Mather.—We might be able to produce a little more bar and at the same time the country's demand may go up beyond that.

Mr. Natesan.—You cannot possibly have any objection to re-rolling mills producing all other sections?

Mr. Dalal.—We have no particular objection to re-rolling mills using sections not rolled by us except to the extent referred to by Mr. Mather that is if there is any unusual development which is not of a healthy nature and which might stop either ourselves or some other firm from dealing with such materials on a larger scale. To that extent we may have to say something with regard to the matter.

Mr. Natesan.—The other day I brought to your notice that taking the import figures for 1930-31 which is a more favourable year that bars to the tune of Rs. 91 lakhs were imported. This, I presume, includes more or less all other sections not produced by you which may be roughly taken at about Rs. 70 lakhs. Do you think that this amount of Rs. 70 lakhs will give sufficient scope for the existing re-rolling mills and a few others that may be started?

Mr. Mather.—There is no scope for many re-rolling mills.

Mr. Natesan.—Therefore I am thinking that this balance of Rs. 70 lakhs is a sufficient amount for these people to come.

Mr. Dalal.—There is not very much scope for expansion in that way.

Mr. Natesan.—If the re-rolling mills confine themselves to sections not produced by you and cover gradually the amount of Rs. 70 lakhs and you simultaneously cover up the deficiency of 18 per cent. in your own sections, can the Tariff Board have the satisfaction that the country ere long will become self-supporting at least so far as importation of foreign bars are concerned.

Mr. Mather.—I think so to a very large extent if not 100 per cent.

Mr. Natesan.—I tried to go through the figures. Could it be that nearly Rs. 2 crores worth of bars come to India?

Mr. Mather.—Importation of bars last year was Rs. 57 lakhs.

Mr. Natesan.—Rs. 90 lakhs is the amount of imports and you are trying to fill a certain portion. Out of this Rs. 90 lakhs you cover some and the balance is the field left to the re-rolling mills if they are not interfered with. The Tariff Board will have the satisfaction that in having given you protection, at least, so far as one of the principal lines of imports is concerned, the country in a few years will become self-supporting.

Mr. Mather.—For bars, that is not at all an unlikely development.

Mr. Natesan.—I do not know what decision the Tariff Board will come to, but if they come to a decision, at least they must have the satisfaction that at least between you and other rolling mills, this entire import could be covered and the country will be self-sufficient in regard to this particular matter. You feel reasonably certain of that?

Mr. Dalal.—I think so.

President.—Taking the figures of 1930-31 the surplus consumption in India over and above that you have supplied consists to a relatively small extent of protected bars.

Mr. Mather.—I have the figures of 1930-31.

President.—Can you give us those figures?

Mr. Mather.—51,000 tons of protected bars and 36,000 tons of non-protected.

President.—Your future estimate, how does that compare with this figure?

Mr. Mather.—Our future estimate is 80,000 tons of bars as against an actual production of 77,000 tons in 1930-31.

President.—You don't propose to increase your output of bars to more than 80,000 tons.

Mr. Mather.—We don't expect to average more than that.

President.—That is to say it is about 10,000 tons less than your output on bars in 1932-33.

Mr. Mather.—6,000 tons less. We are making 86,000 tons.

President.—Therefore leaving out the unprotected class of bars, there would be room for somewhere about 40,000 tons of bars.

Mr. Mather.—That is on the 1930-31 basis.

President.—Let us take the latest figures.

Mr. Mather.—The latest figures for 1932-33 is 22,000 tons of protected bars.

President.—Therefore if the demand does not increase, that will practically be the imports.

Mr. Mather.—Yes.

President.—Because more or less your output is going to remain steady so that you can count on 22,000 tons unless there is a general improvement in the country's demand for steel.

Mr. Mather.—Yes.

President.—That would be the quantity of protected class of bars which might be supplied by other mills in the country. The rest would be unprotected class. If you take the unprotected class of bars, 36,000 tons, the much greater part of it might be supplied by the Indian Steel and Wire Products.

Mr. Mather.—I think so. Ultimately the Indian Steel and Wire Products could do a large share of that.

President.—If you are arguing on the basis of 1932-33 figures, there is room for 25,000 tons of bars to be supplied by other mills in the country than the Tata Iron and Steel Company.

Mr. Mather.—Yes.

Mr. Dalal.—You have made some allowance for some other firms supplying unprotected bars besides Indian Steel and Wire Products.

President.—If you are arguing on the basis of 1930-31, the unprotected bars come to 32,000 tons.

Mr. Mather.—47,000 tons for 1932-33.

President.—If you assume the capacity of the Indian Steel and Wire Products about 45,000 tons which is their maximum capacity and take 15,000 tons out of it as corresponding to wire rod, then you get a surplus of 30,000 tons. If you take 30,000 tons out of this on the 1932-33 figures, you have about 15,000 tons unprotected bars and say 20,000 tons protected bars. That will give you a figure of 30,000 tons altogether.

Mr. Mather.—Yes.

President.—You tell me, Mr. Mahindra, that according to your estimate of the total quantity of bars and sections now made by re-rolling mills using scrap in the Punjab and the United Provinces areas is approximately 20,000 tons.

Mr. Mahindra.—I think that it is their maximum capacity, but I do not think that they are rolling more than 10,000 to 12,000 tons.

President.—There is room for expansion to the extent of 20,000 tons.

Mr. Mahindra.—Yes.

Mr. Natesan.—Do I understand the position correctly—may I state it this way—that between you and the Indian Steel and Wire Products, if conditions go on favourably economically speaking, there is every prospect of the whole field of imports on this particular line being covered up?

Mr. Mather.—Practically, at the present level of demand.

Mr. Natesan.—Am I going too far when I say that in the best interests of the country yourself and the re-rolling mills should soon come to a working arrangement, along lines of rationalisation about which one hears so much in England and abroad?

Mr. Dalal.—You mean complementary arrangements for production and sale and things like that?

Mr. Natesan.—Yes.

Mr. Dalal.—We should welcome that.

Mr. Natesan.—I don't press the point any further because you will abide by the arrangement that the President or the Board may suggest.

Mr. Dalal. Yes.

Mr. Natesan.—This morning I think it was Mr. Mather who said in answer to the President with regard to differential duties that it did not matter much to you. Can you tell us how it will affect the interests of the Indian consumer? You ought to have studied this question. I hope I have noted it down correctly.

Mr. Mather. The difference to the Indian consumer will of course be essentially a price difference and the indirect effects of the price difference. Yet, if we take the duties as they are set out in Table X, that is including the adjustments on account of surplus of rails and so on (you will examine this position when you arrive at more definite figures), the position would be this. Tested sections would be available for India at Rs. 15 cheaper than they would otherwise be. If the differentiation were brought into force, the tested sections would be available at a cheaper price than they would otherwise be, but untested sections would cost Rs. 3 more. According to Table X of our representation, tested bars would be available to the consumer at Rs. 17 less under the scheme of differential duties than under uniform duties.

Mr. Natesan. You need not discuss item by item.

Mr. Mather.—The general position would be that tested steel for use by engineering firms and so on would be substantially cheaper and non-tested steel would be a little dearer under differential duties than they would be under a uniform rate of duty, but not to anything like the same extent as the extra cheapness of the tested steel.

Mr. Natesan.—As regards tensile steel, do I understand you to say that you are already making tensile steel and that you will be able to make tensile steel unless it be that somebody specifies a new composition as it were?

Mr. Dalal.—Unless somebody specifies something which is actually patented by some other firm.

Mr. Natesan.—In that way you will be knocked out?

Mr. Dalal. That might knock us out; otherwise we are in a position to make it.

Mr. Natesan.—I propose to put a few questions in respect of sales. Generally from my experience I find that Tata's products are popular, fairly popular, but I find from the statement that you have supplied that the system of sales that you have adopted is somewhat complicated and varies from place to place. I have been told that this is unavoidable. However I am trying to understand it. The first thing I should like to ask is: have you made all possible efforts to push your goods in different parts of India?

Mr. Mahindra.—We are interested in pushing the sales of these products as much as possible and we are doing the best we can.

Mr. Natesan.—Mr. Wiles brought to your notice the fact that naturally you would be tempted to sell your goods in what is called the protected area, and fight shy of the freight disadvantage areas. The steel industry is a key industry and it should be your endeavour in the interests of this country to sell your products in every nook and corner of India.

Mr. Mahindra.—Naturally, we supply all the steel in the areas where we obtain highest realisations.

Mr. Natesan.—Do I understand you to say that if from the protected, *i.e.*, freight advantage area you get very large orders, you will neglect other areas of the country?

Mr. Mahindra.—We are expected to get the highest realisations. So we have to supply those areas in which we get the best price.

Mr. Natesan.—You are talking from the purely commercial point of view. The steel industry is a key industry. Supposing you get enough orders from Bengal and United Provinces and there are also orders from other areas, like Madras, you won't supply them even though they are anxious to get your steel?

Mr. Mather.—If I may, I would point out that protection has always been calculated as though the Tata Iron and Steel Company would operate as far as it can as a commercial concern. We have never been given an extra rupee protection on the ground that we should be expected to sell in freight disadvantage areas, that is to say, in order to supply equally all over India.

Mr. Natesan.—What is the meaning of the term 'key industry' which you have used? Is it applicable only to the districts which are more favourable to you?

Mr. Mather.—We are expected by the public to keep the protection to a minimum and hold a happy balance if we can find it between our duties as a purely commercial concern and our duties as suppliers of India.

Mr. Natesan.—I am trying to elucidate the situation. I suppose you recognise that it is equally obligatory that the Indian steel should be sold in different parts of India and that facilities should be given to those who want to use your steel in different parts of the country.

Mr. Mather.—We do recognise that. We have provided for these facilities.

Mr. Dalal.—We are doing such a thing. We supply materials to certain subsidiary industries that depend upon our steel. Even if it is disadvantageous to supply to such industries which are at a distance as compared with the profit we make in our better situated areas, we still supply them with steel.

Mr. Natesan.—As producers of steel, you have had difficulties in the past in working the concern properly because you did not get enough orders from railways. Therefore I am asking you: is there any department of yours or any publicity department or propaganda department to push the sale of your products or are there any sub-agents who are constantly tackling Municipalities and District Boards who make constructions of new buildings?

Mr. Mahindra.—We have offices in almost all parts of the country. The managers of these offices are expected to keep in touch with the steel requirements of the people in those areas.

Mr. Natesan.—What I am aiming at is whether you are adopting all the means which a commercial concern about which you have spoken so much to introduce your goods in every part of the country. In stating your case you say that the railway orders were not as much as you expected. Therefore one would expect you to look to other directions such as Municipalities and Local Board who are constantly going in for building works. Are your eyes always upon those people?

Mr. Mahindra.—We are doing everything possible to get such orders for steel as it is possible for us to get from various places. For instance, when the demand for our rails is reduced, we try to push up the sale of steel.

Mr. Natesan.—Several District Boards have started light railways and I understand you have been particularly connected with this question. Are you making any efforts to tackle District Boards and Municipalities? These are difficult days. The whole success of the scheme of protection depends on your ability to sell your steel not only to railways but to other bodies. I am trying to find out whether other sources could not be tackled properly?

Mr. Mahindra.—As soon as I receive any information about the likelihood of our getting orders for steel from any public body we get into touch with them. If there are any proposals put forward by Municipalities or other public bodies we try and persuade them to buy the steel from us. We are watching those projects.

Mr. Natesan.—What I am asking is this. Do you make efforts, do you send out agents like other firms to canvas orders for your steel?

Mr. Mahindra.—As a matter of fact I go on tours myself and get into touch with all likely customers who are proposing to put up new schemes or who have in their proposals any use for steel. We have also pursued for some time to try and see if we can offer standard steel structures for houses, get designs and improve them so that people can get steel at a low rate.

Mr. Natesan.—You have agency houses, commission agents and in a few places your own branches?

Mr. Mahindra.—Yes.

Mr. Natesan.—Instead of concentrating purely on big orders, do you constantly urge these people to canvas for small orders?

Mr. Mahindra.—I have explained that our merchant houses in every part of the country employ brokers who are going from place to place hunting for orders.

Mr. Natesan.—Have you got anything like a trade map for yourself where you mark all the towns where Tata's goods are sold and where their sales are to be pushed? You constantly look at the map and arrange for such things?

Mr. Mahindra.—My sales organisation must work upon some such scheme. I know that almost every big town has our dealer.

Mr. Natesan.—This is what I found in other countries which I happened to visit. The moment you go to a town in Canada you get a literature which tells you "Ten years ago there was not such and such a thing and to-day they have it". As this is a key industry, as this is a protected industry, and as the consumer bears the burden of protection, he has the right to ask whether you are pursuing all these methods to bring to the notice of the people of India what all you have.

Mr. Mahindra.—We are preparing the literature that will give you all the information.

Mr. Natesan.—You have that in contemplation?

Mr. Mahindra.—Yes.

Mr. Natesan.—What is the total expenditure of your sales department?

Mr. Mather.—Rs. 4 lakhs on an average for the last three years.

Mr. Natesan.—There is one more question I wanted to ask you, Mr. Mahindra. Industrial exhibitions are constantly being held not only in the principal cities but in other parts also. Do you make it a part of your publicity or propaganda work to see that your goods are exhibited in all these? When we went to the Tatanagar works, you showed us a little place where some of these goods were exhibited. I am now asking you whether you exhibit your goods in these industrial exhibitions?

Mr. Mahindra.—We do, practically in all the exhibitions which are held in various parts of the country.

Mr. Natesan.—You do allot some funds for that purpose?

Mr. Mahindra.—Yes. If there are a large number of exhibitions held simultaneously, it is not possible for us to exhibit our goods in all the exhibitions. Recently there was a Swadeshi exhibition in Calcutta and we did exhibit our products.

Mr. Natesan.—Yesterday the President rightly drew your attention to the various complaints we have heard about the Tata Dealers Rebate and I wish to ask you: when did you begin this system?

Mr. Mahindra.—Tata Dealers' deferred rebate was begun on the 1st of January 1928.

Mr. Natesan.—It has nothing to do with the differences which you have had with the re-rolling mills?

Mr. Mahindra.—At the time when the Tata Dealers' rebate scheme was put into force, there was no re-rolling mill in the country.

Mr. Dalal.—In no area have we introduced the Tata Dealers' rebate system where there was a pre-existing re-rolling mill with the single exception of . . . . . .

Mr. Natesan.—Is it the common practice to give this rebate?

Mr. Mahindra.—My information is that even the Continental works do give rebates on the total orders booked during the year by any firm.

Mr. Natesan.—Do you know of any firm in India giving it? I may tell you that the Titaghur Paper Mills give it.

Mr. Mahindra.—In certain cases they give secret rebate; in other cases they give an open rebate.

Mr. Natesan.—I am only asking you whether other companies give rebate?

Mr. Mahindra.—Yes.

Mr. Natesan.—In your 1926 representation to the Tariff Board on page 37 you stated that "the influence of the Consulting Engineers and the Home Boards is such that we cannot counteract it, but we do urge that if the industry in this country is to succeed and if protection is to be of value to it, this tendency of the Indian railways to avoid the purchase of Indian material should be checked". Do you find any change for the better with regard to the Indian railways in matters of this kind?

Mr. Dalal.—We don't find that orders are deliberately sent past us so far as the Railway Board are concerned.

Mr. Natesan.—You are aware that a considerable quantity of structurals and various kinds of products are in use in the Public Works Department. I think the Indian Stores Department orders for these goods and also for the Army Department, the Indian States, the State railways, the company-managed railways and so on. Are you able to push your products in the works started under the auspices of the Public Works Department?

Mr. Mahindra.—These orders come to us through our agents.

Mr. Natesan.—Are you making efforts to get a fair share of it?

Mr. Mahindra.—Yes. We do make efforts to get that.

Mr. Natesan.—Do the Indian Stores Department pass orders on to you?

Mr. Mahindra.—Yes.

Mr. Natesan.—You are generally watching. Are you trying to get a good part of their orders?

Mr. Mahindra.—We always keep in touch with the Indian Stores Department and of the orders placed we manage to get the bulk of the orders.

Mr. Dalal.—I may mention that the Indian Stores Department under Sir James Pitkeathly has been dealing with us in the most generous and fair manner.

Mr. Natesan.—I am very glad to hear that because I had been in touch with the Indian Stores Department. What about the Army Department?

Mr. Dalal.—Just now my information is that the Army Department is buying its requirements through the Indian Stores Department and some of those orders have come to us.

President.—Does the Indian Stores Department buy raw steel? They buy generally fabricated steel.

Mr. Dalal.—I think the President is right; it is more fabricated steel but they also buy some rolled steel for repairs.

President.—Would State railway workshops buy through the Indian Stores Department?

Mr. Mahindra.—The annual orders were booked through the Indian Stores Department last year.

President.—What was their purchase of rolled steel last year?

Mr. Mahindra.—During the year 1932-33 the railways purchased 15,533 tons of material excluding rails and fishplates.

President.—I am asking about the Indian Stores Department purchases.

Mr. Mahindra.—The present position is this. I don't book orders direct from the Indian Stores Department except in the case of two or three railways. The other orders come to me through the local agents who book the orders from the railways and my information is that we get a very big share of these orders.

Mr. Natesan.—How do you fare in regard to the Indian States? Are you trying to push your productions there?

Mr. Mahindra.—Generally, it is very difficult to find out what their policy is in regard to placing of orders. Sometimes it is complicated owing to duties they have to pay. Certain States are exempt from duty and we have to supply the material *minus* the duty. Take for instance Kashmir; they will not be paying duty on any material entering into their territory.

Mr. Natesan.—What is the arrangement you have with regard to the State railways?

Mr. Mather.—The contract obligation on both sides is that the railways are to order from us 90 per cent. of their requirements up to a maximum of 200,000 tons and we are under obligation to deliver up to that limit. In actual practice during the last year, as the figures we have given in table IV show, the State-owned railway have passed on to us practically 100 per cent. of their orders. We have supplied 98·5 per cent. of the total consumption of railway rails in India. That includes such small lots as may have been required for the Native States and very special quality rails for points and crossings and I suppose a few tons occasionally for private purchasers.

Mr. Natesan.—How are you getting on with the company-managed railways with regard to the pushing of your rails?

Mr. Mahindra.—We investigate the possibility of supplying our steel at the best price obtainable and we try our best to book the orders. Sometimes we get the orders and sometimes we do not get them. But we have a feeling that we are at times placed in a position of disadvantage and do not get a fair deal.

Mr. Natesan.—Do you get any orders from the Indian State railways?

Mr. Mahindra.—Yes, we do.

President.—When you say you are under the impression that you do not get a fair deal, what exactly do you mean?

Mr. Mahindra.—The position is this; some of the company railways have their own consulting engineers in England and these consulting engineers have got a natural tendency to try and get as many orders as possible placed in England. For instance sometimes we have to submit our quotation in England for supply of material in India.

President.—That is to say they do not observe the rupee tender; is that true of all company railways?

Mr. Mahindra.—No. For the South Indian and the B., B. & C. I. Railways we had to submit our tenders in England.

President.—What about the Bengal Nagpur Railway?

Mr. Mahindra.—They purchase most of their requirements from us.

President.—The Madras and Southern Marhatta Railway?

Mr. Mahindra.—They purchase most of their material in London.

President.—The Burma Railways?

Mr. Mahindra.—They have also followed the same policy.

President.—Since they have become a State railway?

Mr. Mahindra.—We have taken the matter up with them and Sir James Pitkeathly is persuading them to buy their requirements locally, and it will bear fruit in time.

President.—The South Indian Railway are in a somewhat difficult position on account of the freight question.

Mr. Mahindra.—The quotations for the South Indian Railway are based on the Madras port prices.

Mr. Natesan.—I understand that in the case of many of these company-managed railways the plans are made in England and there they even specify the form of structurals. Is there any trouble in it?

Mr. Mather.—The engineering firms will be in a better position to advise you because they are equally interested. I think I found this sort of statement in the representation of one of the European engineering firms.

President.—I think Messrs. Jessop and Company has raised this point.

Mr. Mather.—They will be more competent to give you the information about questions of this nature, about designs and so on.

President.—So that in regard to this particular matter the interests of the Tata Iron and Steel Company and the interests of the European engineering firms are identical and both of you will put your efforts together to fight against this tendency.

Mr. Mather.—That is so.

Mr. Dalal.—I may say if there is a tendency, it is a gradually diminishing tendency and the Railway Board has given us the assurance that they would see that as many sections as possible are specified of the kind which we roll in this country.

President.—This Rs. 132, is that for structurals? What would that mean duty free?

Mr. Mahindra.—Rs. 132 per ton is the price for rounds delivered here to the Bengal Nagpur Railway.

President.—What is the corresponding duty free price? You take it on the basis of Rs. 132 delivered at Calcutta and work it back to the c.i.f. price.

Mr. Mather.—The present duty on British bars is Rs. 32-8-0.

President.—So that Rs. 132 works back to Rs. 100 c.i.f. *plus* landing charges.

Mr. Mather.—Yes, Rs. 97 c.i.f.

President.—The import price that you give for British bars without duty is Rs. 96-1.

Mr. Mather.—May I submit that if you would like to have particulars we will include the details of this transaction in one of the notes which we promised to give you yesterday arising out of your question for more detailed information regarding the price at which steel was imported and the nominal prices.

President.—What is the point of the complaint? Why is Rs. 132 an uneconomical price if on the c.i.f. basis it corresponds to the import price that you give for the same class of bars?

Mr. Mather.—May I submit that this price is not on the same footing because it has got to be kept in stock for one year, and has to bear expenses of re-handling.

President.—Whether it is kept for one year or for five years they will have to sell at current prices.

Mr. Mather.—It does not cover the expense of stocking.

President.—If they sold at the current c.i.f. price the matter ends. In what way could that be quite an unfair transaction? If I have got some material which I have got to keep in stock for certain years when I sell it I have to sell it at the current market price. If I sell it below the current market price then I place myself in the wrong.

Mr. Mather.—The position here is rather different. This is not steel which happens to be left in stock at the moment for which they are realising as best as they can. This is under contract as and when required during the year and they must deliberately and knowingly at the beginning incur this unusual expenditure of carrying it in stock. They cannot unload it direct from the steamer at the ordinary landing charge of Rs. 2-12-0 and deliver it straight over to the consumer; they have to take it in their own stockyard and deliver it to the buyer. They have got to get it in the stockyard under guarantee and have it available at any time when the railways require it during the year. It is to meet that kind of thing that we ourselves make partly a reduction in the price at which we sell.

President.—You take the interest of 5 per cent. on the sale of that bar. Practically if it is Rs. 132 you allow yourselves say Rs. 7. Rs. 139 would be the fair price.

Mr. Mather.—In addition to that there is the fact that it must go into their yard first. There is something more than the ordinary Rs. 2-12-0 for landing charges: there is the cartage from the jetty into their yard and then the redelivery from their yard into the B. N. Railway yard.

President.—There may be a small margin but it is not by any means the most interesting case of this kind.

Mr. Natesan.—There is one more question with regard to sales. You are trying your best to push your goods so far as it lies in your power but you seem to have a somewhat complicated system of selling your things in different parts of the country. I am just asking you whether you would agree to consider in the best interests of your company a scheme whereby you have your representative at each place and have a certain amount of stock. As it is necessary to keep samples to meet orders you may have a guarantee broker. Why don't you have that system? It will enable you to have a sort of centralised control.

Mr. Dalal.—It is a very risky thing for a company like ours dealing on the scale we do, to go in for direct retail sales ourselves. If it is possible to do so, we will certainly do so. We have recently made experiments in Madras which is not comparatively speaking a very important area for our purposes.

Mr. Natesan.—I will withdraw the suggestion with regard to selling retail.

Mr. Dalal.—It would be tantamount to selling retail ourselves instead of employing these agents. That is a risky experiment. We cannot afford to take it up at once. We are gradually trying the experiment and if it succeeds we may gradually extend it to other areas but I am not in a position to say anything definite about it.

Mr. Natesan.—What I mean to say is you have your own representative, a man on your own staff.

Mr. Dalal.—We have even now.

Mr. Natesan.—And then you have a guarantee broker?

Mr. Dalal.—But the guarantee broker will only take credit risks. The sales will have to be done by us. That will be a system of direct sales on which we are experimenting.

President.—The next chapter in your representation is Chapter X and that chapter deals with technical matters, improvement in works efficiency, and I propose to ask Mr. Atha at this stage to discuss the matters raised in that chapter.

Mr. Atha.—In paragraph 114 you say that in the early days of the Company all efforts were concentrated on production, but latterly more attention has been given to efficiency in reducing costs. In the next paragraph you say the Company was not content with the organisation as it existed in 1926 and that the Metallurgical Department was started in 1925 and rapidly extended and developed the works inspection branch which continuously scrutinised the output and accuracy of the products of the various mills. Could you tell us exactly what function do they perform?

Mr. Mather.—The Inspection Branch informs the Manager immediately the section of the product is not within the tolerances allowed as they examine the sections. If there are defective products coming out, they call the attention of the mill staff immediately. Then the mill staff can find out whether the defect arises in the guides or in the billets and if the latter is the case they refer it to the billet mill. The Metallurgical Department keeps a careful control over the steel making, the reheating of the steel, the cutting of lengths and undertakes experiments from time to time and also investigates complaints from the mills about the quantity of steel, etc.

Mr. Atha.—I take it the Metallurgical Department includes the ordinary chemical laboratory staff.

Mr. Mather.—As a matter of organisation the Chemical Laboratory is not directly under the Metallurgical Department at present.

Mr. Atha.—That is a separate department.

Mr. Mather.—Yes. All analyses required by the Metallurgical Department are done by the Chief Chemist's staff.

Mr. Atha.—You go on to say that a fuel economy department was established in 1928. That I understand has had a somewhat chequered career.

Mr. Mather.—That is so, but we consider that it is now on a firm and definite basis of organisation and it is producing increasingly good results.

Mr. Atha.—It is going to develop into something which will materially improve results?

Mr. Mather.—I think so.

President.—Is that a permanent department?

Mr. Mather.—We intend it to be a permanent department.

Mr. Atha.—You have Committees of Departmental Officers which meet frequently to discuss all serious problems or new proposals and to deal with general works matters.

Mr. Mather.—We have two or three groups of those. We have what is called the steel makers and shapers committee. Heads of departments meet together fortnightly and sometimes weekly at which they discuss not only the production programme having regard both to its volume and quality but also any complaints that may have arisen. The Chief Metallurgist always attends meetings and advises the General Superintendent in holding the balance between the two in case any dispute arises between the steel making plant and rollers. They put forward their points of view, discuss the development of efficiency and improvements in the final product and investigate the effect any change that has been made, particularly of course if there is any temporary variation, how far it is allocated to the mills and how far to the steel making and if so what has to be done to improve it.

Mr. Atha.—There is the Retrenchment Committee, what is its function?

Mr. Mather.—That is very largely for effecting economy in stores. No indent for stores will be passed by the General Superintendent unless it is approved by the Retrenchment Committee. That is for new purchases. The Head of a Department of course can indent on the storekeeper for the issue of stores. When the Storekeeper wants new stores, he cannot get them, until the position about the consumption of that particular class of stores has been investigated by the Retrenchment Committee. Perhaps a still more important part of the work of this Committee is to scrutinise what are called works orders. The orders from one of the operating departments on one of the service departments for the supply of a particular spare part or to get a repair work done or the supply of a particular kind of article which we normally make ourselves, those works orders cannot ultimately be accepted by the shops for execution until they have been examined by this Retrenchment Committee, except of course in case of actual breakdowns or of special emergency.

Mr. Atha.—The ordinary purchase of stores such as bolts and nuts, is that dealt with by this Committee?

Mr. Mather.—The actual purchasing is done by the Purchasing Department?

Mr. Atha.—Grease and lubricants?

Mr. Mather.—This committee purchases grease and lubricants. We do it on an annual contract. This committee reviews very carefully before the tender is called for, for the annual contract what has been happening about the consumption in the past 12 months, what is likely to happen in the future, whether proper consideration has been given to the nature of the specification and whether the particular kind ordered is particularly necessary, and whether an excess quantity has been ordered.

Mr. Atha.—Has the Storekeeper authority to order independently or does the Committee control all purchases?

Mr. Mather.—Yes, the Committee controls all purchases.

Mr. Atha.—So that there is a check on the storekeeper?

Mr. Mather.—There is a definite check on the storekeeper. The actual purchase requisitions cannot be issued without the scrutiny of this committee.

Mr. Atha.—It has already achieved useful results, do you expect further benefits?

Mr. Mather.—Yes. We are hardly in a position to say whether we expect them to achieve a further reduction, but we do feel this if this control is removed, the tendency is to be careless in the quantities ordered and so on.

Mr. Atha.—There is the Cost Committee of all departmental heads presided over by the General Manager and that reviews the monthly cost sheets, how does this function?

Mr. Mather.—Shortly after the monthly cost sheets are out, the General Manager and all the heads of the important departments usually on a Sunday morning meet together and discuss the results and also the future programme. If in a particular department the cost is high or the quantity of materials consumed is high, the head of the department concerned has to explain. If he gives an explanation that involves another department, then that departmental head has to explain.

Mr. Atha.—Paragraph 116 deals with the fuel consumption. In statement No. 26 you have given the consumption of fuel per ton of saleable steel for the year 1932-33 as 2·87 tons. That includes all coal, coke equivalent.

Mr. Mather.—Yes. Coke used in terms of coal on its thermal value.

Mr. Atha.—You go on to say that the consumption of coal has fallen from 3·6 tons to 2·8 tons in 1932-33.

Mr. Mather.—That is in the merchant mill.

President.—Does not that generally represent the average?

Mr. Mather.—It is fairly nearly the average.

Mr. Atha.—The present consumption is 2·87.

Mr. Mather.—In the merchant mill it is 2·77.

Mr. Atha.—The general average has fallen from 4·06 tons to 2·87 tons.

Mr. Mather.—I wanted to call attention to that specific case because, as we were mentioning the other day, the over all consumption of coal per ton of steel will change with the proportions of the various products. What I am trying to emphasise here is that if we eliminate that effect and stock to a single mill like the merchant mill, we have got practically the same economy.

Mr. Atha.—The bulk of the coal used must be used in the blast furnace.

Mr. Mather.—Yes. It has not changed very seriously within the actual limits of our products. Even last year our consumption of coal for the production of plates is 3½ tons and for semis 2¼ tons and obviously there is no big change.

Mr. Atha.—The figures of future costs have been discussed in Chapter X on the basis of 2,100 lbs. of coke which is equal to 1¼ tons of coal.

Mr. Mather.—That is per ton of pig iron.

Mr. Atha.—In addition to that ·6 ton of coal you estimate will be required.

Mr. Mather.—Yes.

Mr. Atha.—An addition of ·6 per ton of coal for all other purposes gives a total consumption of 1·85.

Mr. Mather.—We consume more than one ton of pig iron per ton of finished steel.

Mr. Atha.—That is all coke that will be required to make a ton of pig iron. It depends on how much scrap you use.

Mr. Mather.—We don't expect to change our practice appreciably during the next few years. We shall utilise all the scrap that we cannot sell.

Mr. Atha.—What does it come to per ton of steel. It is less in the open hearth ingot output and more in the duplex.

Mr. Mather.—In the ingot output that is true. Actually for the last five or six years the average consumption of pig iron per ton of finished steel produced has been between 1·35 and 1·4. If we take it as 1⅓ and multiply it by 1¼, we arrive at this figure of 1·66 of coking coal per ton of saleable steel, to which has to be added ·6 for other coal which gives 2·26, this is practically identical with the figure I gave you two days ago as the figure implied by the estimated average which we ourselves are aiming to get at the end of the period.

President.—You suggested about 2¼ and I said 2¼.

Mr. Mather.—Yes.

President.—May I understand this calculation. We are trying to compare 1932-33 with what will be attained at the end of the seven-year period. Now in 1932-33 you take so much of iron per ton of steel and is it assumed that the same proportion will prevail at the end of the seven-year period?

Mr. Mather.—In this calculation I take it at a little less—1⅓ ton per ton of steel, instead of 1·4 ton.

President.—At the end of the period what do you get?

Mr. Mather.—In this calculation I have taken 1·33.

President.—Per ton of steel?

Mr. Mather.—Yes, 1·33 tons of pig iron per ton of steel.

Mr. Atha.—That figure works out at 1¼ multiplied by 1⅓.

Mr. Mather.—That is exactly 1·66; *add* ·6 for the consumption after the pig iron stage and you get 2·26.

Mr. Atha.—As against 2·93?

Mr. Mather.—Yes. This is for a programme which is rather different. If you calculate for 1932-33 consumption in the same proportion for the various kinds of steel as we have in the future programme, the actual figure of 2·86 for 1932-33 becomes 2·93, so that we are really starting on the basis of 2·93 and working down to 2·26 ultimately. That gives an average of 2·6, which is what we have estimated.

Mr. Atha.—That is a reduction of over half a ton for a ton of saleable steel.

Mr. Mather.—It is a reduction of two-thirds of a ton.

Mr. Atha.—On the same distribution?

Mr. Mather. Yes.

Mr. Atha.—On the question of yield. Do you think that those improvements shown in paragraph 113 are very substantial? They don't seem to me generally to be substantial and I think they should be improved.

Mr. Mather. I don't contend that we have reached finality but at any rate it is satisfactory to find that there has been an improvement in that direction.

Mr. Atha.—I am not finding fault with the Metallurgical Department or any other department, but it does not seem to me that it is nobody's job to look to the yield.

Mr. Mather. It is the job of the Superintendent of each department to look after the yield. If he gets a low yield, his cost is higher.

Mr. Atha.—It depends on a good many factors. It cannot be done by one departmental man.

Mr. Mather.—The General Superintendent watches.

Mr. Atha.—I think that it can only be done by somebody who has authority and who can follow the thing through from the beginning to the end.

Mr. Mather.—Of course we have had this question of yield under actual discussion on several occasions during the last year or two much more than previously. The question that we have been giving much more attention to is, now that the metallurgical department is making for itself a place in the organisation, whether it can actually carry the authority which will be given to it to see that whatever is decided to affect the yield will be actually put into effect.

Mr. Atha. It seems to me that the question of yield has rather been overlooked because raw materials are cheap and it is apt to be so when outputs are moderate and the demand is not all that you expect. If on the other hand you get to the other position where you have a demand for all that you can turn out and you want to get the utmost output that you can get from the ingots which you make, then it becomes of tremendous importance.

Mr. Mather.—I think we have shown our realisations of the importance of the matter by using the illustration of the merchant-mill improvement, such as it is.

Mr. Atha.—The trouble is that you cannot get an organisation and you cannot train people up all at once. It takes time to build up and when the time comes, as probably it will, for you to sell your whole output, unless you see to it in this way, your loss will be tremendous.

Mr. Mather.—This question is being attended to in a very active way. I think I can safely say that in every one of the cost committee meetings for the last few months the question of yield has been specifically discussed and we have recently put a special officer to investigate this question. He has been spending practically all his time investigating the question of yield and controlling such experiments as may be found necessary for the use of special shaped ingots.

Mr. Atha. I suggest that a good man spending his whole time on that question can do a lot for the Company in the course of a few years.

Mr. Mather.—We have put a man on that job who has been with the Company for the last ten years and we do expect him to produce definite results. He is a metallurgist as well as a steel maker.

Mr. Atha.—From an analogy of what has been done at other works I should be very much surprised indeed if a year or two's concentrated efforts do not increase the yield by 2 to 5 per cent. on each of these products.

Mr. Mather.—We shall certainly use our maximum efforts and we shall only be delighted if we can produce as big a result as that. I am not questioning your statement as to what is a good standard practice in other countries but a change at that rate I suggest is setting the pace rather high. We will certainly try to get it if we can and the management at the works will keep the people awake to this sort of thing.

Mr. Atha.—It does not mean any heavy expenditure, but you will have to gradually renew your moulds. They don't last more than a year.

Mr. Mather. That does not present any difficulty. We might not be able to make our progress quite as rapid as elsewhere. Really what it amounts to is—this is very important—that we must ultimately establish a level of efficiency which is good compared with other countries and I think we have shown that we could at any rate make progress to such an extent that we could be expected ultimately to do that. We have made very good progress indeed, I think you gentlemen will admit that on these records—during the last few years, but I would ask you to allow for the fact that although we do not object to your demanding our ultimately reaching a good progress,—we ourselves will not be satisfied until we do that—it is genuinely very difficult to achieve improvement at the same rate at which it is practicable elsewhere. We can promise that we will keep actively working on this subject and we will go on making improvements. But whether we can do it quite as quickly as is done in European countries, is a different matter.

Mr. Atha.—In this matter I should certainly think that the rate can be very much accelerated. Paragraph 118 deals with the question of open hearth and Duplex plant. That points out that you realise the necessity of avoiding as much as possible the production of steel in the open hearth.

Mr. Mather.—Yes.

Mr. Atha.—There are two points. One is as your output increases presumably the percentage of output in the open hearth will increase. You are hoping to increase the output on the Duplex, I know, but as your output increases largely, the proportion of open hearth goes up.

Mr. Mather. The programme that we have laid before you would require according to our expectations about 45,000 tons per month on the Duplex and 15,000 tons on the Open Hearth. If we had to make another 6,500 tons of ingots, we would get certainly much the greater part of it from the Duplex. On the other hand, that additional production in itself would leave us with an additional quantity of scrap which must be utilised and that will put up our output on the open hearth. I don't think that in any ordinary increase of output this ratio between the two will increase appreciably.

Mr. Atha.—Paragraph 119 deals with the question of labour. The position is that the number employed is more but the wages paid per head are very much less and it is hard to make a practical comparison. As far as I am able to form an opinion, it looks as if you are at no material disadvantage by a comparison with similar works in U. K. or Germany.

Mr. Mather.—Yes.

Mr. Atha.—In Belgium the wages are lower and in France slightly higher than in Belgium.

Mr. Mather.—Yes. That is approximately the conclusion to which we have come. But we can not definitely say that our labour expenditure will be considerably less in a few years time than at the present moment.

Mr. Atha.—But the general position is that except possibly in the case of Belgian semi finished steel, you are not under any labour disadvantage at all. Have you made any estimates to put a figure on your advantage or disadvantage?

Mr. Mather.—Nothing I should like to commit myself to. I did at one time a few years ago, get a figure from Belgium which indicated to me that for turning out the average kinds of products they attained a labour cost of approximately Rs. 12 to Rs. 15 per ton. As you will see from Statement 15, our labour cost is now down to Rs. 27·2 in the first half of this year. They have been Rs. 32·6 in 1927-28. I think we have still a long way to go till our labour cost reaches as low a figure as that of Belgium.

Mr. Atha.—That would not be a fair comparison if you compare the Belgian works making basic Bessemer semifinished steel.

Mr. Mather.—I am now talking of the finished products. The comparison is very difficult. I don't place any very close reliance on it.

Mr. Atha.—Paragraph 121 deals with the purchase of materials, and 122 deals with the improvements.

Mr. Mather.—We felt that since in 1926 the Company laid before the Tariff Board their programme of capital expenditure, we should show in what form the capital expenditure had actually taken place.

Mr. Atha.—In paragraph 123 you mention that the old blooming mill and the old 28″ mill have been closed down as a result of these improvements and additions. I think it is intended that these mills should remain definitely closed.

Mr. Mather.—Yes, except in cases of emergency.

Mr. Atha.—Let me now come to paragraph 124 which deals with the other additions to the plant which you mention in the programme. You particularly mention the gas cleaning plant for the blast furnace. You give us the balance of the cost of that in Statement 19 as Rs. 9 lakhs. Could you tell us what the entire cost of the plant would come to?

Mr. Mather.—I think I am right in saying that the total cost as estimated is about Rs. 22½ lakhs. I shall confirm that later.

Mr. Atha.—The other items I think are included in the items of expenditure in statement 19.

Mr. Mather.—No. At the time this was first drafted we hoped to complete the work by the end of March. But there has been delay in connection with the tenders and we shall not be getting orders placed until the end of next month; not very much of the work will be completed before the end of March, so that some of the expenditure will fall in the next year.

Mr. Atha.—That expenditure does not appear in this statement?

Mr. Mather.—No, because we expected that to fall in the current year.

Mr. Atha.—That is about Rs. 8½ lakhs.

Mr. Mather.—Yes.

Mr. Atha.—In paragraph 125 you are dealing with the fear of strikes.

Mr. Mather.—It set us back considerably in the progress of our efficiency.

Mr. Atha.—Has that been entirely overcome or are you still suffering?

Mr. Mather.—One does not know; we can never lose sight of the possibility of a recurrence of some trouble of that kind but we think that the effect of the past strike has practically been overcome.

Mr. Atha.—In the last Chapter you deal with the general question. You are sending out people occasionally to travel abroad?

Mr. Mather.—We are trying to arrange that our most promising men should have an opportunity of going to Europe to study the practice in works of as many different countries as they can and we have sent many of our own Indian staff whom we look upon as our potential departmental managers in the next 10 or 15 years. We send them to Europe specifically with the idea that they will acquaint themselves with the operating conditions, etc., in those countries.

Mr. Atha.—They may get hold of misleading information by visiting the works. Do they visit the works or study in the works?

Mr. Mather.—In the case of our ordinary officers just going on leave it is in most cases purely a matter of going round the works, but the feature of this kind of arrangement to which we attach the utmost importance is that we have been able on a few occasions to arrange to send some of our Indian members to the United Kingdom and one to Germany to study there for a year. They spend that year in three or four different works and in that way get an insight into the working of the departments, conditions under which work is done in that country and so on

Mr. Atha.—Do you get in touch with the works?

Mr. Mather.—We have been able to do so with some firms in the United Kingdom. We have not succeeded with the American works. On the Continent we have succeeded in one case in Germany.

Mr. Atha.—What kind of status will they have?

Mr. Mather.—They just go round the shops with the manager, assistant manager or the foreman, talk to them as to what is going on. We usually send two men together, for example one a mill man and the other a steel-making man. The steel-making man will go round the mill and will acquaint himself with the general lay out and organisation and will devote his main time to the steel plant; and the mill man correspondingly will spend 80 or 90 per cent. of his time in the mill. I have once or twice had occasion to meet the managers of the works where our men have been and asked them what they thought of them, and in each case they said they had been very well impressed by the men we had sent, that they were good type of men; they made very good use of their time, they showed very active interest in everything that was going on, enquiring why a thing was done in a particular way, why it was not done in some other way, and in every case very friendly relations had been set up. In some cases our men on their return have kept up correspondence on technical matters with heads of departments in the works in the United Kingdom.

President.—What is the sort of assistance that you refer to here? Is there a system of study leave?

Mr. Mather.—The particular men for whom we arrange for a whole year's stay there at the various works receive while in Europe £200 a year and we pay their passages.

President.—If you have a man who is the head of a department and gets Rs. 1,200 a month? Roughly men of what standing are those whom you send abroad?

Mr. Mather.—We send men before they are heads of departments. These are generally men who have passed out of our Institute; they have been given posts in our works and been working in one of our departments as an ordinary employee for three or four years.

President.—£200 a year: they get more or less ordinary wages?

Mr. Mather.—Rather less in some cases. We pay their passage money and there is very keen competition; most of these men are in a position to make up a small difference. We don't feel that it is advisable to pay very large sums; we want them to feel that they are more or less in the same position as any foreman in the works to which they go.

Mr. Atha.—Are they not given positions because it is quite usual in England to take three or four students from technical colleges there, and give them definite positions during their holidays.

Mr. Mather.—We have never been able to arrange that; we have never been able to find anybody who would do that.

Mr. Atha.—They may spend a few months as temporary assistants.

Mr. Mather.—That has been arranged from time to time by the High Commissioner for Indian students but they have been reluctant to do that with our people. On the whole we do feel that they have been considerably benefited.

Mr. Natesan.—Do you give this concession to officers on your staff when they go home on leave?

Mr. Mather.—Most of our covenanted officers when they go on leave will spend part of their time in visiting works and we pay their expenses.

Mr. Natesan.—Do you stipulate with them?

Mr. Mather.—In some cases we do and in some cases we don't, but in a number of cases we do definitely ask him to enquire into a particular problem.

Mr. Natesan.—When they return from leave do you give them any special pay or bonus?

Mr. Mather.—No. We pay their travelling expenses and hotel expenses while they are on visits and then we call for reports.

Mr. Natesan.—In the case of covenanted officers who visited these works and also the young Indians you call for regular reports on their return to work?

Mr. Mather.—Yes.

Mr. Atha.—You have a permanent office in London?

Mr. Mather.—Yes, it is Tata Limited.

Mr. Atha.—Have you any arrangement with them that they should supply information?

Mr. Mather.—So far as they are in a position to obtain it. We have got a very good general engineer in charge there but they are not steel-makers.

(Continued on Friday, the 24th November, 1933.)

President.—With regard to Chapter XI, the main subject which you discuss in that Chapter is the question of railway freights, but before I go on to that question, just a few points of detail which I want to get out of the way. In the first paragraph of that Chapter, you draw our attention to statement 37 showing the number of employees on the Company's pay roll. The exact number as given in the statement is 23,821. The average daily attendance in January—June, 1933 was 17,517. Am I right in thinking the difference between these is absenteeism?

Mr. Mather.—Not completely. This includes the town employees and works employees.

President.—If you deduct that, there would still be a difference.

Mr. Mather.—Yes. The difference between 17,000 and the number of men on the works roll does represent absenteeism.

President.—Is that the proportion for absenteeism?

Mr. Mather.—It is not what we may call voluntary absenteeism, which is not now a high proportion. We have to realise that in 1932-33 and in the first half of this year the average figures were affected by the fact that a number of men were not in attendance because we could not give them work.

President.—Men whom you show on the pay roll, that does not include contractors' labour?

Mr. Mather.—No.

President.—They are really men who are on a monthly and weekly wage basis?

Mr. Mather.—Yes. They are men who are directly employed by the Company on the books of the company as company's employees; contractors' employees are dealt with separately.

President.—Among them on an average if you confine yourself to voluntary absenteeism, what would be the proportion?

Mr. Mather.—It varies from season to season. I think it is between 10 and 15 per cent.

President.—If a man is on your pay roll on a monthly basis, and if he does absent himself, how do you adjust his wages?

Mr. Mather.—If he is a daily rated man, when he absents himself, he doesn't get his pay, except to the extent that his absence is covered by the allowance of 16 days leave per year.

President.—What about the people whose wage are monthly rated and paid?

Mr. Mather.—They are only paid for the leave which is specifically laid down for them in the leave rules.

President.—For the rest of their period they lose their wages.

Mr. Mather.—That is right.

President.—With regard to statement 38 to which you draw attention, your net return on capital invested on houses is now very nearly 4 per cent. That is allowing for repairs and expenses of that kind?

Mr. Mather.—Not for depreciation.

President.—Depreciation on houses, does that amount to very much?

Mr. Mather.—The income-tax authorities allow $2\frac{1}{2}$ per cent.

President.—If you made allowance for depreciation on a $2\frac{1}{2}$ per cent. basis, how would that alter the figures?

Mr. Mather.—Our return for 1932-33 would be about 1·4 per cent.

President.—Then your net return would be 1·4 per cent.

Mr. Mather.—Yes.

President.—Why I raise this point was if after meeting depreciation and all other current charges, if you have got a net return of 3·9 per cent. on your house investment according to present rate of interest, it is not a bad return.

Mr. Dalal.—No, but it is not included.

President.—That makes a very considerable difference.

Mr. Dalal.—Yes.

President.—I should like to have a little more information than you have been able to give in your note regarding the Technical Institute. That is in para. 129. I want to get a clear idea of the systems of admission and training which has been in force in the Technical Institute since it was founded. I gather from your memorandum that till 1932 admission to the Technical Institute was mainly of undergraduates.

Mr. Mather.—That is so.

President.—The system of training was they had a three years intensive training. I presume you mean by intensive training, a training which is both theoretical and practical.

Mr. Mather.—That is right.

President.—You put them through an ordinary science course necessary for the understanding of steel manufacture and gave them opportunities for practical work at the conclusion of their training.

Mr. Mather.—Yes, with practical work from the beginning.

President.—In the first year?

Mr. Mather.—Even during the first year.

President.—It was a three years course. During that time the students receive a stipend of Rs. 60 a month.

Mr. Mather.—That is right.

President.—Then at the end of 3 years course, was employment guaranteed?

Mr. Mather.—It was not guaranteed, but in actual practice we did give employment to every man who passed through his course of training successfully.

President.—That is to say the present system dates from 1932.

Mr. Mather.—Yes.

President.—Under the present system you restrict the admission to Graduates in Science and Engineering.

Mr. Mather.—Yes.

President.—And you group them into two classes, A and B.

Mr. Mather.—Yes.

President.—A class men are Honours Graduates and B class men are ordinary Graduates, that is right?

Mr. Mather.—Yes.

President.—Are they all Graduates of Indian Universities?

Mr. Mather.—Among the A class Honours Graduates, we have several Graduates of foreign Universities.

President.—Who are admitted on the same terms as for A class men?

Mr. Mather.—Yes. If in addition to their foreign university training, they have also been able to obtain actual working experience abroad, then we give him better terms.

President.—If, for example, a man takes a degree, say in a British University in metallurgy and comes straight back, then on what footing will he be admitted into the Institute?

Mr. Dalal.—He would be put on the same footing as the ordinary Indian Honours Graduate.

President.—Supposing in addition to a degree, he has also done practical work?

Mr. Dalal.—If he has had at least six months working experience in any foreign works, then at our discretion, we give him better terms.

President.—A class man does not receive stipends in the first year?

Mr. Dalal.—No.

President.—In the second year he receives a stipend of Rs. 75 a year?

Mr. Dalal.—Yes.

President.—Then the B class man does not receive stipend in the first year?

Mr. Dalal.—No.

President.—And in the second year he receives a stipend of Rs. 50.

Mr. Dalal.—Yes.

President.—How many men do you admit on this basis?

Mr. Dalal.—Our standard laid down is 10 for the A class and about 20 for the B class, but in actual practice we have not been able to recruit as many men as that.

President.—The number of admissions that you make in any year will depend upon the requirements of the Company.

Mr. Mather.—Upon the prospective vacancies which we expect them to fill after they complete their course.

President.—The provision for training in the Institute would admit of course of much larger admissions than you make. What I mean is you can afford, for example, to give practical training and theoretical training to a larger number of people than you admit under the present system.

Mr. Mather.—Not very much larger. We might have to increase our staff and accommodation.

President.—For practical purposes you may say at present the men you can handle having regard to the equipment in the Institute is more or less the number that you would take on a basis of the Company's requirements.

Mr. Dalal.—Yes, more or less.

President.—These men receive on the whole practical rather than theoretical training.

Mr. Mather.—More of their time is spent in obtaining actual practical experience in different departments of the works than in obtaining theoretical training, because they come to us with more advanced general scientific training.

President.—For example their whole day would be spent at the works from the beginning.

Mr. Mather.—Not exclusively; they attend a certain number of lectures.

President.—That is entirely in the evening?

Mr. Mather.—Yes.

President.—The whole day is spent at the works?

Mr. Mather.—Yes.

President.—Are you able on these terms to attract sufficient number of men of the right quality?

Mr. Dalal.—Yes, we get more applications than we have room for.

President.—Applications from men of the right sort?

Mr. Dalal.—Yes.

President.—Can you give me approximately the qualifications of the men that you have at present in the ordinary A class?

Mr. Dalal.—We have got one...........

President.—How many A class men have you now?

Mr. Mather.—We had at the time this note was written, 17 students who had entered under the new scheme.

President.—Of these 17 men how many men were men of foreign educational qualifications?

Mr. Mather.—I am afraid we should have to call for statistics about that. One at least I know definitely was a man with training abroad in Sheffield.

Mr. Dalal.—There are about 4.

President.—Are they all in the ordinary A class?

Mr. Dalal.—Mr. Nanavati is in the class of men with foreign experience and he is getting better terms.

President.—He has had practical experience?

Mr. Dalal.—Yes. I am not sure whether there is anybody else. There may be one more.

President.—The point is this: taking the terms that you offer to ordinary A class men, is it quite certain that the very best class of men in the country who can be utilised in a works like yours could be obtained by the Company on these terms?

Mr. Dalal.—I have no doubt about that.

President.—You have not the slightest doubt?

Mr. Dalal.—No.

President.—If a man not merely has foreign theoretical qualifications, but also has actual experience in the works, what approximately is the difference in the sort of terms that you would offer?

Mr. Mather.—We give him Rs. 200 a month.

President.—He would be on a stipendary basis for two years and then you will consider the question of appointing him exactly on the same footing as far as that is concerned.

Mr. Mather.—That is right.

President.—Is there any difference in the sort of opportunities for employment that could be given to A class man and B class men at the end of their training?

Mr. Mather.—They are both regarded as equally open to expect any post. The appointments will be either made from A class or B class according to the individuals' merits.

President.—Judged by the merit during the period in works and in his attendance at lectures.

Mr. Mather.—The impression that he makes on the technical educational staff and also on the reports given by the Superintendents of the Works Departments in which he has worked.

President.—What is the sort of starting salary in the works that men who have completed successfully their training under the present system could expect?

Mr. Mather.—On the old system Rs. 200 was practically a standard starting salary. If we offered him an appointment, we would offer him Rs. 200 or something equivalent to that. It is not likely to be less than that at present. I can't give you figures, because we have not yet arrived at a stage when these men have completed their training.

President.—I suppose the old system would more or less continue.

Mr. Mather.—On the average.

President.—Is it under contemplation to make any change?

Mr. Mather.—It is not likely to be substantially higher, although it may be in the case of individual cases. In the case of A class men with works experience, if at the end of their period they are capable of holding posts practically immediately and accepting substantial responsibility, their pay may be somewhat more, but the rest of the men are not likely to be given more than Rs. 200 to start with.

President.—Taking the service record of the men who have passed through the Technical Institute, you admit that on the whole they have justified their training and their selection.

Mr. Mather.—They have done well. We do feel that.

President.—There is no doubt about that.

Mr. Mather.—None whatever.

President.—They have acquitted themselves quite well in the works.

Mr. Mather.—Yes. We are turning out a very good type of men in that way.

President.—If you are satisfied with the results that you have attained on the old system, what really was it that allowed you to change the system?

Mr. Mather.—Partly because we felt a little uncertain whether we could find suitable vacancies in the future for the larger number of men which we recruited under the old system and partly that the Board felt a higher standard of previous training would perhaps give us still a better type of men.

President.—Taking these men who have been trained in the Institute and employed in the Steel Works under the old system which will probably by continued hereafter, you start them on an initial salary of Rs. 200, that is on a daily wage basis which per month approximates to about Rs. 200.

Mr. Mather.—The majority of them are on a monthly rate of Rs. 200. If we put them on to posts which normally carried a daily wage, then it would be equal to that.

President.—What approximately is the kind of prospects open to a man of that sort provided he does approved service? If he starts on Rs. 200 a month, if he does approved work in the ordinary course of things, what would be his progress in the matter of remuneration?

Mr. Mather.—We have one man who started on that system. He is now the Superintendent of the Order Department drawing about Rs. 750.

President.—In how many years?

Mr. Mather.—I think he was one of the first set. He entered in November, 1921, completed his course in November, 1924 and was made Superintendent of the Order Department in 1932.

President.—That must be an exceptionally good case.

Mr. Mather.—Yes, he has made better progress than any other man.

President.—If you are striking a sort of average, what is the progress that a man of approved service makes in that respect?

Mr. Mather.—You want the average pay of those who completed their training in November, 1924. The average pay in September last year was about Rs. 350. For the men who completed their training in 1925, the average pay seven years later was nearly the same. One man is getting Rs. 530 and the lowest Rs. 220. The men who completed their training in 1926 would be getting six years later on an average about Rs. 250.

President.—Is there any medical examination of the students who are admitted to the Institute?

Mr. Mather.—There is.

President.—Fairly detailed examination?

Mr. Mather.—Yes.

President.—Is that before admission into the Institute or before employment?

Mr. Mather.—Before admission.

President.—On completion of the training he is automatically taken into service. There is no further examination of the man?

Mr. Mather.—No.

President.—Is it contemplated that as years go by practically all the responsible Indian staff in the works would consist of men who have passed through the Institute?

Mr. Mathers.—Or who have been trained elsewhere and who have had at least equally good training. We have a number of Indians holding important technical posts in the works now who had obtained their training abroad.

President.—These men were taken before the Technical Institute had time to make itself felt?

Mr. Mather.—Two of them were taken into service as recent as 1926 or 1927.

President.—Now that you are restricting admission to a rather superior class of men, am I right in thinking that the intention of the Company is that for all ordinary purposes the Indian staff would be recruited from among those who have been trained in the Institute?

Mr. Mather.—That is fundamentally our intention, without of course the Company debarring itself from the right to appoint any suitable candidate.

Mr. Dalal.—Occasionally we do recruit Indians who are qualified, direct.

Mr. Mather.—Sometimes we find an Indian working in the United States or some other country holding a post of substantial importance there, who wants to return to India and applies to the Company. We don't debar ourselves from the possibility of engaging such men.

President.—Is sufficient publicity given to the terms on which you give admission to the Technical Institute? What sort of publicity is given to them?

Mr. Mather.—We sent out notices every year. So far as foreign trained men are concerned we send notice to the High Commissioner in London who sends it round to all the Universities.

President.—You issue a sort of annual notice notifying the number of places that are likely to be vacant?

Mr. Mather.—In India we advertise in the newspapers that applications will be received up to such and such a date.

President.—Who does the selection?

Mr. Mather.—The Committee at the works presided over by the General Superintendent.

President.—They interview the candidates?

Mr. Mather.—They select in the first instance according to the written records, select three or four times as many candidates as there are vacancies and call them to Jamshedpur for interview.

President.—The selection is done entirely on the basis of a personal interview?

Mr. Mather.—Yes.

President.—You have the records of men.

Mr. Mather.—On the basis of records we weed out a number of men. I don't just remember what the number of applicants was in 1932 for the first batch under the new scheme. But under the old scheme we had as many as 2,000. It is quite impossible to bring such a large number of people to Jamshedpur for interview. Therefore there is necessarily a preliminary selection on the basis of the records. Approximately three or four times as many men as there are vacancies are called for interview.

President.—That is the first process in the selection?

Mr. Mather.—Yes.

President.—Then the final selection is made by the some Committee?

Mr. Mather.—Yes.

President.—First you weed out a number of people on the basis of records?

Mr. Mather.—Yes.

President.—The rest are recommended for interview by the Select Committee?

Mr. Mather.—Yes.

President.—Of which the General Superintendent is the Chairman?

Mr. Mather.—Yes.

President.—That Committee interviews these people and makes the general recommendation?

Mr. Mather.—Yes, subject to the approval of the Agents.

President.—The final approval is obtained from the Agents?

Mr. Mather.—Yes. At that time, I think I am right in saying that prior to appearing before the Committee they were medically examined by the medical staff, in order to ensure that the Committee's time was not wasted in considering the cases of men whose medical qualifications were not satisfactory.

President.—I suppose we may take it that on the whole selections made by this Committee would automatically be approved by the Agents or is there any really effective selection also?

Mr. Dalal.—Occasionally there may be doubt about one man in preference to another, in which case I select the candidate.

President.—When I am told that the selection has got to be approved by the Agents, you are the approving authority?

Mr. Dalal.—Yes, in practice.

President.—You arrive at your decision on the basis of the Selection Committee's report?

Mr. Dalal.—Yes, and occasionally I have personal interviews with the candidates.

President.—In doubtful cases?

Mr. Dalal.—Yes.

President.—Am I justified in thinking on an examination of Statements 35 (*a*) to 35 (M) that on the whole they indicate that in spite of the reduction of covenanted labour output per head of labour has not been affected. Probably in many cases, it has improved.

Mr. Mather.—On the whole the output has definitely improved.

President.—So that on the actual records of men trained at your Institute who has now replaced the covenanted labour, it is perfectly clear that the system has justified itself?

Mr. Mather.—Yes.

President.—And I can apply this test for arriving at that conclusion?

Mr. Mather.—You can.

President.—The output test is a good test?

Mr. Mather.—Yes, it is. It is not of course the only test, but it is a very good test.

President.—It is a very important test?

Mr. Mather.—Yes.

President.—Now I go on to the question of new freights. The first point I want to raise in this connection is, speaking for myself I am very ignorant of the history of this case and of the present position so that I should like first of all a little more information than you have given in your statement. First of all I should like to know in detail the nature of the railway freight concessions which are enjoyed by the Tata Iron and Steel Company and which have been enjoyed by the Tata Iron and Steel Company. Let us take the Bengal Nagpur Railway. The special rates which have been granted to the Steel Company by the Bengal Nagpur Railway have been given under a special agreement.

Mr. Mather.—On a 25 years' agreement.

President.—What is the date of the agreement?

Mr. Mather.—I think 1908—after construction has commenced and before production.

President.—That was 5 years before production.

Mr. Mather.—The production of pig iron began at the end of 1911 and steel at the end of 1912.

President.—This is the agreement that expired on the 30th of June 1933?

Mr. Dalal.—Yes.

President.—The rates in that agreement had been in force throughout this period?

Mr. Dalal.—Yes.

President.—Have there been no changes?

Mr. Dalal.—There was a supplementary agreement sometime after, when we extended our ore mines. Some lines were constructed for the purpose of carrying ore from our mines to Tatanagar. Substantially the rates have remained the same. There have been some changes in terminal charges and siding charges.

President.—Was there any provision in the agreement by which rates could be altered from time to time?

Mr. Dalal.—Those were definite rates for 25 years.

President.—Whenever a change was made, it was made as a result of special agreement modifying the original.

Mr. Dalal.—There were not many such. There was only one.

President.—I noticed on glancing through your freight rates there was change with regard to sulphate of ammonia in 1928. Was not there a variation?

Mr. Mather.—That is an outgoing product. I think what happened was that in 1928—I speak subject to correction—as a result, I believe, of the report of the Agricultural Commission, the railways lowered the rates for the transport of artificial fertilisers throughout India.

President.—It was a case of lowering rates.

Mr. Mather.—I think so.

President.—Will you make certain of that?

Mr. Mather.—I shall make certain of that and inform you.

President.—Can't you get it straightaway?

Mr. Mather.—I cannot confirm it from the materials I have now before me.

President.—The point I am interested in is whether there has been any variation in the rates during the period in an upward direction. If so, I should like to know on what grounds the increase was made and the sort of conditions under which the increase in rates was agreed to by the Company in spite of the agreement?

Mr. Dalal.—I shall try and find out whether there have been any such cases.

President.—It is perfectly clear that the agreement contemplated the continuance of the rates right through the agreement?

Mr. Dalal.—Yes, subject only to one proviso that if we did not give 30 million ton miles in traffic in the course of a year, we would not be entitled to the concessions.

President.—You were able to give that much traffic?

Mr. Mather.—Very much more than that.

President.—On what basis were these concessional rates estimated? As far as I understand I don't pretend to know very much about rates goods are classified for rating purposes by Indian Railways under ten classes and each class has a maximum rate.

Mr. Dalal.—Yes, and a minimum rate.

President.—The minimum rates are applicable to a whole group of classes? Each class has its own separate maximum rate but there are only two minimum rates, one applicable to grouped classes and another to all the other classes.

Mr. Mather.—I believe there are two minimum rates.

President.—Yes, 1/10th and 1/6th pie per maund per mile. For all classes above the 2nd, it is 1/10th pie and for the rest it is 1/6th pie. Ordinarily under what class would steel be carried? Is there any classification about it?

Mr. Mather.—It would fall into the low rate class.

President.—Which particular class?

Mr. Mather.—I am afraid I do not know.

President.—If for example steel was imported into the country and steel of that kind was conveyed by railways, that is to say steel products which do not enjoy concessional rates, ordinarily what class of rates would they bear?

Mr. Mather.—2nd class.

President.—That has a maximum of ·42 and a minimum of ·10.

Mr. Mather.—Yes.

President.—Assuming that as the standard rates applicable to steel what relation did your concessional rates bear to these rates?

Mr. Mather.—You are speaking now of our outgoing products, that is to say steel leaving Tatanagar.

President.—Steel does not come to Tatanagar. Steel goes out of Tatanagar. Let us deal with steel.

Mr. Mather.—Finished products despatched by rail otherwise than for shipment to Calcutta are charged the minimum rate in force on the railway on the first of January 1905 for each particular class of article or any lower rate that might be introduced in future. In practice it is 1/10th pie per maund per mile.

President.—That is in respect of articles except those sent to Calcutta for shipment?

Mr. Mather.—Yes. The exception would cover despatches to Rangoon or Karachi.

President.—What kind of rate does that bear?

Mr. Mather.—Those bear the rate of 1/15th of a pie per maund per mile. That is exclusive of ferry charges and shipment charges.

President.—On that you enjoy a rate below the minimum rate?

Mr. Mather.—That is right.

President.—That is as regards steel. These rates are applicable throughout the Bengal Nagpur Railway?

Mr. Mather.—Yes, on that railway only. This was a specific contract between the Tata Iron and Steel Company and the Bengal Nagpur Railway.

President.—Supposing you shipped steel from Tatanagar to Nagpur which is also on the Bengal Nagpur Railway, would you get the same rate?

Mr. Mather.—Yes, from Tatanagar to all other stations. I might explain that the clause about the rate for despatches of steel from Tatanagar not for shipment from Calcutta has been interpreted (and, as far as I know, correctly) as meaning the minimum rate actually enforced at that time by the Bengal Nagpur Railway and not the minimum rate which they might have been entitled to enforce. The consequence is that for beams for going distances below 300 miles the actual rate we paid was not 1/10th of a pie but ⅛th of a pie, which is substantially higher.

President.—In respect of beams a higher rate of freight was charged?

Mr. Mather.—Yes, because the Bengal Nagpur Railway at the beginning of 1905 did charge for public traffic a higher rate on beams than on other products.

President.—On the ground that beams took more space?

Mr. Mather.—It is difficult to know what the conditions were in 1905. I presume in those days the normal demand was for long lengths and therefore they charged a higher rate because special wagons were required.

President.—As far as your materials are concerned, for traffic going towards Tatanagar what relation did the railway rates bear to the ordinary freight rates on similar class of material?

Mr. Mather.—The rate that we paid for raw material coming into Tatanagar was a uniform rate of 1/15th of a pie per maund per mile exclusive of ferry, shipment, siding and terminal charges; whereas the minimum which the railways were entitled to charge for public traffic was 1/10th of a pie.

President.—That would all fall within either first class or second class. Does that apply to coal?

Mr. Mather.—Yes.

President.—And you were allowed a rate which was really below the minimum rate?

Mr. Mather.—That is so.

President.—A rate which is below the minimum rate cannot be charged by a railway except with the permission of the Government of India and it was done with the special permission?

Mr. Mather.—Yes.

President.—The new rates which have been introduced, do they take you to above the minimum rates charged for the respective products in the ordinary classification?

Mr. Mather.—Yes they do. They go above the minimum for iron ore. The new rates for iron ore are ·12 of a pie whereas the minimum they are entitled to charge is ·10.

President.—Are you sure that iron ore would ordinarily fall under Class I or under Class II otherwise the minimum would be ·16?

Mr. Dalal.—The railways themselves told us definitely that in the case of iron ore they were charging so much above the minimum.

President.—There is a complete classification of all these articles for rating purposes, isn't there?

Mr. Mather.—There must be.

President.—Isn't there a complete statement of classification of goods for rating purposes as compiled by the Indian Railway Conference Association? You are quite certain that iron ore is either Class I or Class II?

Mr. Dalal.—I am certain that the minimum applicable to iron ore is 10.

President.—In that case it is higher than the minimum.

Mr. Dalal.—In manganese ore they propose to charge us only the minimum, but there again you will notice that in each of these cases there are substantial siding and terminal charges.

President.—I suppose these siding and terminal charges are levied also on all classes of goods irrespective of minimum charges. That is the ordinary conception.

Mr. Dalal.—Not invariably.

President.—But ordinarily that is so.

Mr. Dalal.—They are supposed to be for services rendered in the case of these terminal charges the railways have pointed out to us they have levied them because of the short distance lead; they levy it in cases in which the lead does not exceed 70 miles.

President.—As far as the general rate is concerned on manganese ore it is the minimum rate?

Mr. Mather.—That is right.

President.—On dolomite and limestone it is quite certain that they would fall within the first or the second class.

Mr. Dalal.—I can't say very definitely with regard to limestone and dolomite, but that is my impression.

President.—What about coal and coke?

Mr. Dalal.—Coal does not fall under these classes at all.

President.—Coal is a special class?

Mr. Dalal.—Yes.

President.—It is a telescopic rate? Is it not the general public rate?

Mr. Dalal.—It is in very many cases, probably it is in all cases.

President.—It was since the telescopic rate was introduced that there was an increase of 15 per cent. about a couple of years ago. Taking that as the ordinary public rate for the distance over which your coal is transported and taking the current public rates would this be in excess of the minimum?

Mr. Mather.—It is a little difficult to say. Since we submitted this statement we have been definitely informed by the railways that the 15 per cent. surcharge would be added to these rates.

President.—This is the ordinary public rate on coal now over your distances, this 1·65?

Mr. Mather.—Yes.

President.—With regard to coal there is no question of maximum? It is a special rate?

Mr. Dalal.—That is so. We are being charged the public rate and we are being levied a surcharge.

President.—I have not the slightest desire to express any opinion on the reasonableness of the rates, but the point that I am trying to get at is whether in raising your rates on the expiry of the old agreement the railway company has done more that raise them somewhere to about the minimum rates which are ordinarily applicable under the Railway Conference Association classification, or would it be right to say that they charge you rates under the present system which are considerably in excess of the minimum rates?

Mr. Mather.—So far as iron ore is concerned that is clearly the position; I think that applies also to limestone and dolomite.

President.—If you take the proportion of increase on the various goods, what is the maximum proportion of increase?

Mr. Mather.—I think it is on coal.

President.—That is about 120 per cent.?

Mr. Mather.—117 per cent. not taking into account the effect of the surcharge.

Mr. Dalal.—We have been informed very recently that the surcharge will be added.

President.—Which is the next big increase?

Mr. Mather.—Iron ore from Gurumahisani, that will go up from 7½ annas per ton to 22¾ annas; that is an increase of 200 per cent.

President.—As far as your materials are concerned, the commodities on which the increase would hit you most are iron ore and coal?

Mr. Mather.—Yes.

President.—On iron ore and coal the increases are considerably more than 100 per cent., I mean on iron ore from Gurumahisani. How much of your supply does that represent?

Mr. Mather.—In the 12 months from 1st January 340,000 tons out of a total of 1,200,000 tons, or approximately a third.

President.—About a third of your iron ore has to bear an increase in the rate which represents about 200 per cent. of the old rate?

Mr. Mather.—That is right. The rates for iron ore from other stations also have been considerably increased but not to the extent of 100 per cent. The rate from Noamundi which is the biggest single station from which we take iron ore has been increased by a fraction over 50 per cent. and the other mines a fraction under 50 per cent.

President.—What is the position about pig iron? Is there any ordinary classification of pig iron?

Mr. Mather.—There must be. Normally it falls under Class II.

President.—The rate that you charge here is ·12 *plus* terminal and ferry charges. That is slightly higher than the minimum rate.

Mr. Mather.—Yes. That is pig iron to Kidderpore docks for shipment.

President.—Where does the other class of pig iron go?

Mr. Mather.—Under item B (*a*) in our supplementary statement regarding finished products; the figure is ·166 there.

President.—Taking approximately your figures of last year's shipment of surplus pig iron for export would it represent practically the whole of your output?

Mr. Mather.—No, about 90 per cent. of our actual despatches of pig iron were exports.

President.—On that you have to pay a rate of ·12 and on the rest ·166, so that on much the greater part of your pig iron you pay ·12. The proposed rate still stands in the case of pig iron.

Mr. Dalal.—Except with regard to ferry charges. The railway company have informed us that if we could make out a case that this increase in ferry charges is going to hit us very largely with regard to our sale of pig iron, then they would consider the remission of the ferry charges.

President.—How does your proposed rate correspond with rates charged on pig iron shipped by other pig iron producing companies?

Mr. Mather.—The other pig iron companies have actual formal contracts with the Bengal Nagpur Railway to carry their pig iron and also their raw materials on the same rates as we have enjoyed prior to this year. In addition to that the East Indian Railway which is the shortest route from the other pig iron works to Calcutta lays down a rate of 1/15th of a pie per maund per mile for the despatch of pig iron from these works to Calcutta. That is ·066 which we enjoyed prior to the expiry of our agreement.

President.—They are going to have these concession rates for how long?

Mr. Mather.—These concession rates which the other companies enjoy on the Bengal Nagpur Railway are the subject of contracts with a fixed date of termination which in the case of Indian Iron and Steel Company is 1939, but on the East Indian Railway the same rate per maund per mile is not the subject of a specific contract; it is simply a public rate announced by the East Indian Railway.

President.—Am I right in thinking that on the pig iron that you ship to Calcutta for export you would now have to pay a higher freight rate than the pig iron shipped to Calcutta for export by the other pig iron companies?

Mr. Mather.—Yes. Our rate per maund mile under these new orders will be nearly double that paid by the other concerns whether they send by the Bengal Nagpur Railway or whether they send over the East Indian Railway.

President.—On your outward traffic, as far as steel products are concerned, the increase amounts to about 60 per cent., is that right?

Mr. Mather.—Yes, other than beams and channels in which there is no increase.

President.—On steel generally it is 60 per cent.; on iron ore about $\frac{2}{3}$rds of your supplies, it is 200 per cent. and on your coke and coal, it is about 120 per cent., is that right?

Mr. Mather.—It would be about 150 per cent. We know now definitely that the surcharge is going to be added.

President.—With the surcharge it would be 150 per cent.?

Mr. Mather.—Yes.

President.—On your steel excluding beams and channels, it is roughly 60 per cent.

Mr. Mather.—Yes.

President.—These are the most important classes of products in which the increase ranges from 60 per cent. to 200 per cent.

Mr. Mather.—Yes.

Mr. Atha.—Am I right in understanding that you would be not only at a disadvantage in the cost of delivering pig iron as compared with the company, but also in the cost of carriage of your raw materials to make the pig iron?

Mr. Mather.—That is a much more serious aspect of the matter than the increase in the freights on our products.

President.—You mean the increase in the iron ore and coal?

Mr. Mather.—Yes.

Mr. Wiles.—These contracts which the other big Companies have still in existence relate to inward traffic as well as to outward traffic?

Mr. Mather.—Yes.

President.—I would like to know what the present position is. These new rates came into function when?

Mr. Mather.—On the 1st of July.

President.—Since the old agreement expired?

Mr. Mather.—Yes.

President.—Have you been putting these new rates since the 1st of July?

Mr. Dalal.—We had a moratorium given to us by the Government of India for three months which expired at the end of September.

President.—What was the point of granting moratorium?

Mr. Dalal.—So as to enable us to enter into negotiation with the Bengal Nagpur Railway for the reduction of freights.

President.—You undertook negotiations with the Company during the period moratorium?

Mr. Dalal.—Yes.

President.—What was the result?

Mr. Dalal.—We have not succeeded in arriving at an agreement. The claim has been made by the Bengal Nagpur Railway on us to pay the revised rates, with effect from the 1st July.

President.—You are at present paying at the new rates?

Mr. Dalal.—We have not actually paid the arrears from the 1st of July. That is a matter which is still the subject of negotiation.

President.—All current traffic is being paid for at the revised rates?

Mr. Dalal.—The present traffic is being paid for at the revised rates.

President.—As far as negotiations with the Company are concerned, they have been concluded?

Mr. Dalal.—We have very recently arrived at some arrangement which is agreeable to both parties, but that is subject to the approval of the Board of the Bengal Nagpur Railway and the Government of India.

President.—I don't want to press you to give any information which may be of a confidential nature, but I would like to know, if there is no objection, what the position is.

Mr. Dalal.—The present position is this that the Bengal Nagpur Railway and ourselves have agreed, subject to the approval of the Board of the Railway and the Government of India, to submit the whole matter in dispute to a Commission constituted more or less in the same manner as contemplated by the Railway Act, but the decision of the Commission would be binding on both sides with regard to all matters in dispute including the question of preferential treatment as well as reasonableness of the rates.

President.—That is to say if this arbitration Committee which you have asked for, gives an award with regard to these rates, the award would be accepted by both parties?

Mr. Dalal.—Yes.

President.—That proposal has been made by you and has been accepted by the Bengal Nagpur Railway?

Mr. Dalal.—Yes by the Agent of the Bengal Nagpur Railway.

President.—That is under consideration of the Home Board of the Railway.

Mr. Dalal.—Yes and we have not yet heard what the decision of the Home Board is. If the decision of the Home Board is favourable, we will apply to the Government of India for the appointment of a Commission on these lines.

President.—How does the Government of India come in if you who are parties agree to it? I don't understand the position. This is a matter between the two private Companies—between the Tata Iron and Steel Company and a Company Railway—and you agree to settle this matter of rates by arbitration. If the machinery suggested for arbitration is acceptable to the two Companies, how does the Government of India come in?

Mr. Dalal.—One of the conditions of the agreement made by the Bengal Nagpur Railway is, that the machinery suggested should be acceptable to the Government of India also and as the Commission to be appointed is on the lines of the Commission laid down under the Railway Act, the Government of India will have to take the initiative in appointing the Chairman of the Commission.

President.—A Commission contemplated under the Railway Act is a different kind of tribunal from the Railway Rates Advisory Committee.

Mr. Dalal.—It is different in the sense that on all questions which are now adjudicable by the Commission under the Act the decisions are binding, whereas the decisions of the Advisory Committee are merely advisory.

President.—I suppose their position would be more or less like ours. We advise the Government of India in the Commerce Department; they advise the Government of India in the Railway Department. That is the position.

Mr. Dalal.—Yes.

President.—The point that would be settled by the Arbitration Committee is primarily the question of the reasonableness of the rates?

Mr. Dalal.—Yes as well as the question of preferential treatment between ourselves and the other two Companies.

President.—That applies only to pig iron.

Mr. Dalal.—That applies to all the raw materials. It is a very important question.

President.—Supposing the decision was that there was no undue preference, then the question has got to be settled on the basis of what is a reasonable rate.

Mr. Dalal.—That is where the body which we have now suggested is somewhat different in its functions from the body as contemplated under the Railway Act; because curiously enough the Railway Act contemplated the appointment of a Commission which could consider the question of preferential treatment, it could also consider the question of the reasonableness of terminals, but it has no authority to consider the question of the reasonableness of the rates themselves, whereas we want a body to consider that question also and we want the decision of that body to be binding on both sides. That is where the Commission that we want would be somewhat different from the Commission as laid down in the Railway Act.

President.—Where does Ottawa come in, in this matter? In the first place, may I know, Mr. Dalal, assuming this machinery that you have suggested is acceptable to both the Home Board of the Bengal Nagpur Railway and to the Government of India as a matter of ordinary probability, when do you expect this Commission to give an award? It is impossible to tell.

Mr. Dalal.—Yes.

President.—It may be long after we have reported.

Mr. Dalal.—I don't think it should be so long as that. If the Commission begins to function early next next year, I don't think it will take a very long time to come to a conclusion.

President.—We proceed on the basis that the new rates are in force.

Mr. Dalal.—That is the present position.

President.—The new rates are in force subject to protest on your part?

Mr. Dalal.—We are paying under protest.

President.—So that if the Commission gave an award which modified the proposed rates, then of course that is a factor which might have a very important bearing on our recommendations.

Mr. Dalal.—It would.

President.—That is rather an awkward position. There are three possibilities. There are the old freight rates, there are the proposed freight rates and there are the rates which may be proposed by the Arbitration Committee and we know of course what the precise effect of the old rates are; we know more or less the precise effect of the new rates, but we are not in a position to tell what the effects of the rates proposed by the Arbitration Committee might be.

Mr. Dalal.—Quite.

President.—It is open to us in making proposals to Government to frame them on a conditional basis, that is to say, we would tell the Government of India, if the old rates continued, this would be the measure of protection required by the Tata Iron and Steel Company; if it is the new freights, these are the duties required, but we are not in a position to tell how the proposed rates of duty would be affected by any new rates which may be suggested by this Arbitration Committee.

Mr. Dalal.—Unless rates are settled before you send your report.

President.—So that on that matter we cannot give any definite suggestions. The thing will have to be worked out by some authority other than the Tariff Board.

Mr. Dalal.—Yes.

President.—That is to say if the rates proposed by the Arbitration Committee are different from both the old rates and the proposed rates of the Bengal Nagpur Railway, then the effect of that on the measure of protection required by the Company would have to be worked by some other authority, as the Report would be off our hands by then.

Mr. Dalal.—If they came in time for you to consider, then I presume they would be considered.

President.—In that case it is possible for us to consider, otherwise we must leave the settlement of that matter to the Government of India. When did you receive notice of the new freight rates?

Mr. Dalal.—In April of this year.

President.—That is three months before the expiry of the agreement?

Mr. Dalal.—Yes.

President.—Did you start negotiations straightaway?

Mr. Dalal.—We did. Some negotiation had already taken place before the final notice was received.

President.—There is one point that I would like to make quite clear in regard to this matter, the extent to which an alteration in the freight rates chargeable to your outward and inward traffic may affect the measure of protection required by the industry. This is the only question with which we are concerned. It is not open to us to consider whether the rates charged by a Railway Company on the traffic of a protected industry are charged are reasonable or not. There are two points for consideration: (1) what precisely are the rates and (2) what is the extent to which the increase in the rates are going to raise the measure of protection required by the industry?

Mr. Dalal.—The rates which the Railway now propose to charge us are supposed to be based on the principle of charging what the traffic can bear. That raises an important issue whether such a principle is applicable to a Company in receipt of protection from Government.

President.—Why should it not be applicable to an industry receiving protection?

Mr. Dalal.—Assuming for the moment that those rates are very excessive that would, *ipso facto*, increase the measure of protection and in that way what would follow would be that larger the measure of protection the greater the ability of the Company to bear the traffic.

President.—Is your point this that the principle of determining railway rates on the basis of what the traffic can bear is a principle which cannot be applied to the rates chargeable to a protected industry?

Mr. Dalal.—Unless this agreement between us and the Bengal Nagpur Railway is going to be effective, unless there is some remedy provided, unless there is some independent body to consider the fairness of the rates, it might lead to a very serious and a very difficult position not only in so far as we are concerned, but in so far as other industries are also concerned.

President.—That is a different point, Mr. Dalal. What I don't understand is why you should necessarily suggest that in the case of a protected industry, traffic rates should not be governed by the principle of what the traffic can bear. In the case of protected industries, all that matters is whatever increase is decided on in rates, that increase in rates must suitably be adjusted in the measure of protection.

Mr. Mather.—Does it not follow that the Railway authorities dealing with the present rates knowing that whatever additional charge they might put on, would be made good by additional protection have no limit to what they may consider the ability of the industry to bear the charge.

President.—What alternative method can you suggest in the case of an industry like the Railway?

Mr. Dalal.—If the measure of protection had already been fixed and then the question of considering what the traffic could bear was being discussed, it would be a different thing, but the measure of protection still remains to be fixed.

President.—What I am trying to elucidate is whether there is any necessary connection between the application of the principde of what the traffic can bear and the protection granted to an industry. That is what I am trying to elucidate. My understanding of this question is of a very elementary character, but as far as I can understand in the case of an industry like the railway which, as a monopolist, produces a number of disimilar services, various kinds of cargo and various kinds of passenger traffic. The only way in which they can determine the rate applicable to each class of service is on the principle of what the traffic can bear; there is no other principle on which it can be done. So whether the industry is protected or not to which the traffic rates are applicable, the principle holds. You cannot get away from that.

Mr. Dalal.—I am not sure whether there is no other principle on which this matter can be decided. It seems to us that it would not be difficult for the railway to keep their cost accounts in a more detailed and more scientific manner. Apart from that issue there is this position that in that case there would be no limit to the applicability of the principle of what the traffic can bear, because whatever the traffic cannot bear can be made good by the additional measure of protection.

Mr. Mather.—May I draw your attention to the fact that the Fiscal Commission discussed these questions at some length in paras. 126 to 128 and ultimately came to the conclusion that there should be a Rates Tribunal which is intended to aim at giving a fair judgment between the trade and the railways, eliminating this principle of what the traffic can bear.

President.—I do not know what kind of authority you can attach to the opinion expressed by the *Fiscal Commission* on questions of railway rates. I do not want to express any opinion on them. They are really outside our purview. Government have definitely laid down that it is outside the scope of the Tariff Board to make suggestions regarding railway rating?

Mr. Dalal.—Yes.

President.—So that it is quite definitely outside our scope to express an opinion on the reasonableness of the rates.

Mr. Dalal.—I quite admit that.

President.—In the light of the discussion that we have had, may I put it in this form? There are two questions in regard to this matter in which we as a Tariff Board are concerned. The first is this. If in the case of a protected industry a Company like the Bengal Nagpur Railway Company, a public utility company, enjoying a position of monopoly—I am not questioning that- quite rightly enjoying the position of a monopoly decides on commercial considerations to increase the rates applicable to protected industry like yours. In the case of a railway it is impossible to consider precisely whether the increase in the rates is an increase which can be justified by the increase in the cost of haulage or other considerations. To a very large extent in the matter of railway rating the **individual** discrimination of the railway authority comes in and plays a very big part. Where the expenses which you have to incur on that account undergo a very substantial increase, it is a matter of considerable importance from the tariff point of view that the reasonableness of such increases should be adjudicated by an independent and competent authority.

Mr. Dalal.—Exactly.

President.—The railway may be perfectly justified in increasing these rates but in the case of a protected industry, in the case of an industry whose maintenance involves a public charge, whether the public charge can be increased as a result of action taken by a Company in the position of a monopolistic public utility company, is a matter which will depend for its decision on the reasonableness of the rates and that question of reasonableness must be decided by an independent and impartial authority. We are not competent to consider the question. We have not got the equipment. We have not got the experience. According to the Government of India, we are technically incompetent to consider the matter. But it is essential that when the cost of protection of an industry involving a very heavy public charge is increased by a railway increasing the rates, the reasonableness of the rates must be a subject of adjudication by a competent authority. That is as far as we can go on that question. Now suppose as a result of investigation by an independent and competent authority it is decided that the increases proposed in the rates are reasonable increases; if that is the position, then the second point arises whether it is not necessary that some machinery should be provided in the scheme of protection by which the measure of protection could be suitably adjusted. Have I made the position quite clear?

Mr. Dalal.—Quite.

President.—I am speaking for the moment provisionally and for myself. We as a Board have not considered the question. We want to make it quite clear, because this is a subject of very great importance, there are two issues with which we as a Tariff Board are concerned. Whether the increases in the rates by which the public charge in respect of protection is going to be increased are reasonable increases as determined by an independent and competent authority; if the increases are reasonable whether there must be machinery in the scheme of protection by which suitable adjustments in the measure of protection can be made.

Mr. Dalal.—The machinery, may I submit, would be all the more necessary in order to provide against any future changes that might be made not only by the Bengal Nagpur Railway but by any other railway.

President.—It is a question, I may say, which has a very important bearing not merely on this particular enquiry but on all future enquiries into protection, because it seems to me—I am not in the least blaming the Railway Company for the action that they are taking or they have taken—the question with which we are concerned is that it is within the power of the railway company to vary their rates of freight in such a way as to reduce or even nullify the protection which may be recommended by the Tariff Board and sanctioned by the Legislature for an industry.

Mr. Dalal.—Exactly.

President.—All that we can do is to express whatever opinions we may ultimately arrive at with regard to these two aspects of the present freight question.

Mr. Dalal.—We are content with that.

President.—We cannot on the facts you have supplied to us base our measure of protection on any particular scheme of rates, that is to say, the old freight rates have lapsed but you are asking for the restoration of the old freight rates.

Mr. Dalal.—Or something approximating to them.

President.—New rates have come into force but they are paid under protest.

Mr. Dalal.—That is so.

President.—So that in making our proposals, would you agree that the most convenient course for us to adopt is to frame our proposals in the form of alternatives?

Mr. Dalal.—The new freight rates are the actual rates that are being paid.

President.—Since the matter has not been finally concluded yet, since negotiations are still going on, we should not be justified in making our proposals on the new freight rates exclusively.

Mr. Dalal.—Not as final rates.

President.—We make it on the old and we make it on the new rates. There is of course always the risk that the freight rates that would actually be enforced would actually be different from either. In that case, the matter is completely outside our hands unless it is referred to us again. I think I have made the position of the Board quite clear.

Mr. Dalal.—Quite.

Mr. Mather.—Might I add one word before you leave this subject. I should like to call attention to one aspect of this matter, particularly if you are thinking of framing your proposals alternatively on the old rates and on the rates of which we have given particulars. The figures in Tables XI to XV are based on the assumption that the surcharge on coal would not be payable.

President.—What is the Table you are referring to?

Mr. Mather.—Table XI, and the succeeding Tables. At the time these Tables were prepared, and until in fact about a week ago, we were under the impression that the surcharge of 15 per cent. on the coal trade would not be payable. Therefore we shall have to revise these figures for you.

President.—That question is definitely settled.

Mr. Mather.—Yes, we are told so.

President.—Then you would have to revise the rates and send us fresh statements?

Mr. Mather.—Yes. There is also another modification in the position which we think it proper to inform you of, although I don't think that it would affect these figures directly: that is, in the course of these negotiations the Agent of the Bengal Nagpur Railway has expressed his willingness to consider, I think, favourably the proposal—he has proposed it as a matter of settlement—that the rates of freight chargeable on materials used for the manufacture of pig iron and steel which we actually export and for pig iron which we sell in this country in competition with other local pig iron producers shall be levied at the old rates.

Mr. Natesan.—Will you please restate it?

Mr. Mather.—In the course of negotiations in which we were attempting to arrive at an agreed settlement, the Agent of the Bengal Nagpur Railway proposed, as a method which he thought might be satisfactory of avoiding this question of discrimination in charges between ourselves and the other iron companies in India, that the rates of freight on the materials required for the manufacture of pig iron for sale and also with regard to semi-finished steel for export should be levied on the old basis, that basis being identical with the charges still applicable to the other companies. I don't think this will actually affect the figures excepting that at one stage we thought that it would affect our export business.

President.—It would make the export of pig iron almost impossible.

Mr. Mather.—Yes.

President.—Under the present circumstances that proposition has got to be revised?

Mr. Mather.—Yes.

Mr Dalal.—May I explain the position a little more in detail. This is a solution offered by the Bengal Nagpur Railway on the question of undue preference which in their opinion is a satisfactory solution. We have not accepted that position. But they have offered that with regard to such raw materials as are used for the purpose of manufacturing pig iron either for sale or for export, they will give us the same rates as the rates which they give to the other iron companies. We have not committed ourselves in any way to this position at all and the whole matter we propose should be adjudicated upon by this independent tribunal which we have suggested.

President.—The only point there is that as regards the freight rates on steel the new freight rates are being paid.

Mr. Dalal.—Yes.

President.—As regards surplus pig iron for export, the old rates are being paid. Is that right?

Mr. Dalal.—No. These are two different matters. What we are now talking of is the more important matter, *viz.*, the freight on raw materials. What the Bengal Nagpur Railway has offered to us is that on such of our raw materials as we utilise for the manufacture of pig iron for sale or export in competition with the other companies, they will give us the same rates. We have not accepted that position. So far as the manufactured pig iron is concerned they have also offered that if we can make out a case, which we have not yet made out, that it would be impossible for us or it would be seriously detrimental to our interests to pay the same rates as they now propose, they would merely consider the reduction of ferry charges and nothing more. With regard to the freight on raw materials the concession that is proposed to be given, is in the form of a rebate.

President.—That is to say, the proposed rates will be charged and you get a rebate which would make your nett payment correspond to the old rates.

Mr. Dalal.—So far as the pig iron manufactured for sale or export is concerned, that is their proposal and we have not accepted it. For the present the situation is very unsatisfactory. We are merely paying under protest the full rates which they have charged. The question of rebate remains to be considered.

President.—Then practically the only revision required in these statements is revision on account of the surcharge on coal. That I think is the only revision required in these statements.

Mr. Mather.—Yes.

Mr. Dalal.—There is this offer made by the Railway which has got to be considered.

President.—If that offer is made, the new rates following that would have to be considered in exactly the same way as the new rates proposed by the Arbitration Committee and the bearing of that on the scheme would have to be worked out.

Mr. Mather.—That would be very small.

President.—That is as far as I can carry this question. Before I finish I should like to know what is the sort of freight concession that you get on other railways. There has been a good deal of reference to the freight concessions enjoyed by the Tata Iron and Steel Company on other lines besides the Bengal Nagpur Railway.

Mr. Mather.—The position is that on most of the railways we have been able to arrange for specific station to station rates where we have been able to convince the railway administrations that it would be to their advantage to give us their low station to station rates.

President.—They are all station to station rates?

Mr. Mather.—Yes.

President. On what railways are these given?

Mr. Mather. East Indian, Great Indian Peninsula and Bombay, Baroda and Central India Railways.

President.—These station to station rates, what proportion do these bear to the ordinary maximum rates?

Mr. Mather.—It is rather difficult to strike an average about that.

President.—The complaint has been made that the rates you generally pay are about 40 per cent. of what your competitors pay?

Mr. Mahindra.—That would not work out like that in every case, but on the average it might work out like that.

Mr. Mather.—It is extraordinarily difficult to make an arithmetical comparison. On the East Indian Railway from Gomoh we have a fixed payment to 3 or 4 stations situated at a distance of about 100 miles from one another.

President. That is the highest per maund mile on the station to station basis on the East Indian Railway?

Mr. Mahindra. Rates to Allahabad, Delhi and Cawnpur are exactly the same. It is Rs. 17 to each one of these stations. The distances are however very different.

President.—Take the shortest distance. What would be the per maund mile rate? Take these station to station rates and work out the maund mile rate and tell us what proportion it bears to the maximum rate prescribed for Class II, assuming that class II is the rate for steel products of that kind. Could you work out something on these lines?

Mr. Mather.—Yes.

President.—You get it on the East Indian Railway. On what other railways do you get it? Do you get it on the Great Indian Peninsula Railway?

Mr. Mather.—We do not get it invariably. The Great Indian Peninsula Railway for instance give us a rate of 1/10th of a pie per maund per mile from Nagpur originating at Tatanagar to all steel going into Bombay itself but they will not give us the same rate or any special rate for certain of the intermediate stations. It is interesting to note that this is lower than the rate which the Bengal Nagpur Railway propose to charge us.

President.—Are the special rates based on any condition that you should always pay on a certain maximum quantity?

Mr. Mather.—Not on the rates we are speaking of now.

President. I suppose technically they would call these special agreements on the Bengal Nagpur Railway scheduled rates. You have these ordinary rates in the classification. You can vary these ordinary rates in two classes; either you vary them between one specified station to another specified station or you can vary them without specifying the station of shipment and station of destination, without specifying both of them. In that case technically it would be called a scheduled rate.

Mr. Mather.—That I could not say.

Mr. Wiles. These station to station rates refer really to yourselves; they are not available to the other companies without such negotiation?

Mr. Mather.—No.

Mr. Dalal. There are others who have got similar rates.

Mr. Wiles.—Between other stations?

Mr. Dalal.—The Kumardhubi Rolling Mills have similar concessions. I don't know whether they are identical in that respect.

Mr. Wiles.—That would depend upon the nature of the traffic?

Mr. Dalal.—Yes.

Mr. Mahindra.—There are several other companies who also enjoy special rates. As a matter of fact it depends upon the case you put up to the railways, how much traffic you can give them and so on.

President.—I have always gathered, without knowing very much about it, that the real grouse that people have is not so much against station to station rates as against scheduled rates which are arranged on a very extensive basis and I should have thought that that the nature of rates that you got from the Bengal Nagpur Railway, that in the nature of things would be called scheduled rates because these are not confined to two particular stations.

Mr. Mather.—It is confined to a single station of origin.

President.—To a single station in the sense that the particular party is interested in that station as a station of shipment, but he has got a very wide field starting from that.

Mr. Mather.—Yes.

Mr. Wiles.—One can take it in general I suppose that these special concessions are based by the railways on their own commercial practice.

Mr. Mather.—Yes.

Mr. Wiles.—There has been no instance where you have been given concessions as "Tatas"?

Mr. Mather.—We have obtained these by negotiations on the basis of ordinary commercial considerations that it would pay the railways in the long run to do so.

Mr. Wiles.—There are special rates I understand with regard to raw materials as compared with fabricated material, just ordinary rolled beams as compared with fabricated material?

Mr. Mather.—I believe that is so. I believe that is largely wrapped up with the question that it is difficult to get the same weight of fabricated material in one wagon.

Mr. Wiles.—That again will be based on the railways own point of view?

Mr. Mather.—Yes.

President.—The sea freight on fabricated steel is higher than on the railways?

Mr. Mather.—Yes.

Mr. Wiles.—Will you turn over to the beginning of Chapter XI, para. 128? At present you house 65 per cent. of your employees?

Mr. Dalal.—This figure is worked out on the assumption that there is one house to an employee but there is nothing to prevent two or three employees living in one.

Mr. Wiles.—At present the whole population lives in the accommodation which you provide?

Mr. Dalal.—There may be a few huts.

Mr. Wiles.—But taking it as a whole, the whole population lives in the accommodation that you provide although it is overcrowded?

Mr. Dalal.—Yes.

Mr. Wiles.—From the purely economic point of view you are getting I think you said 1·4 per cent. of your outlay on houses?

Mr. Dalal.—Yes, after deducting depreciation

Mr. Wiles.—Do you intend to rest on that?

Mr. Dalal.—We intend to pursue the housing programme.

Mr. Wiles.—Will you always have this difficulty?

Mr. Dalal.—It is very difficult to say. If we increase our rents that decreases the total emoluments received by our employees; we have to make it up to them afterwards by increasing the wages.

Mr. Wiles.—I want to get an idea whether it is your policy to give part of your wages in the form of a lesser house rent than the full economic rent?

Mr. Dalal.—We do gradually increase our rents. In fact during the last two years we have increased our rents to a certain extent, and when one employee moves from his quarters and it is taken up by another employee if the economic conditions justify it we do make a small increase in the rent, but it is not our policy to attempt to recover what would be considered a full economic rent on quarters at least in the near future.

Mr. Wiles.—There is one small point. I notice in para. 138 that you anticipate sending billets to distant destinations. What exactly had you in mind there?

Mr. Mather.—The same question that we were discussing recently in regard to the re-rolling mills, that we anticipate that the demand for billets for re-rolling mills will mainly arise in distant parts of the country.

Mr. Wiles.—You do anticipate supplying billets to re-rolling mills in distant parts?

Mr. Mather.—That is why we are asking for protection, to be able to supply them billets when they are set up.

Mr. Natesan.—There is one small point. With reference to this dispute between yourselves and the Bengal Nagpur Railway do I take it that it is your contention that the railways have virtually attempted to nullify the effect of protection which the Government of India gave by these new rates?

Mr. Mather.—We have no reason to assume that they would be so very unreasonable as to deprive us of the full benefits of protection, but as far as we can see there is nothing to prevent them from doing so theoretically.

Mr. Natesan.—I never dispute that: rather you urge that the railway company has by suddenly increasing the rates virtually nullified the protection which the Government of India gave to the industry. You argue on that line?

Mr. Dalal.—Yes. If after protection has been given to us after all these considerations, there is a large increase in the rates, the effect of the protection would be nullified.

Mr. Natesan.—I understood you, Mr. Dalal, to say on the first day in answer to a question put by the President that you represent the Directors and the Agents?

Mr. Dalal.—I represent the Agents firm.

Mr. Natesan.—And to some extent the Directors?

Mr. Dalal.—I am not a director of the Tata Iron and Steel Company; I am a director of Messrs. Tata Sons, Limited.

Mr. Natesan.—So may I address you on question of policy?

Mr. Dalal.—Certainly.

Mr. Natesan.—I will take up the question of Indianisation to which you have referred more than once. You say you have been effecting Indianisation as rapidly as possible. I take it that in no case has efficiency been sacrificed that is to say, where an Indian has been substituted in the place of a covenanted officer efficiency has not suffered.

Mr. Dalal.—No.

Mr. Natesan.—Then we have had the additional information this morning given by Mr. Mather that in the cases where you have put an Indian in place of a covenanted officer the output has not been impaired, on the other hand there has been an improvement?

Mr. Mather.—That is so.

Mr. Natesan.—Can I take it that in all your efforts at Indianisation you have the approval of the General Manager of your works?

Mr. Mather.—Certainly.

Mr. Natesan. There has been no instance where there has been any differene between you and the General Manager in regard to Indianisation?

Mr. Mather.—No.

Mr. Natesan.—Can you say that in all cases of Indianisation not only efficiency has been obtained but real economy has been attained also?

Mr. Mather.—It naturally follows because the Indian officer is not on the same scale of pay as an American or European.

Mr. Natesan.—On looking through the list of classified officers drawing Rs. 250 and above I see there are cases where you give heavy bonuses to several officers. I will only take an instance where you give a pay of Rs. 1,350 and a bonus of Rs. 1,250, that is item 101. Is this irrespective of production? In this case it must be that.

Mr. Mather.—In the case of some of the Superintendents of our mills there is a fixed bonus.

Mr. Natesan.—To a novice like myself it does seem somewhat strange that you give a monthly pay of Rs. 1,350 and you give a bonus of Rs. 1,250 and that irrespective of production! Isn't it a very unusual thing?

Mr. Mather.—The practice of giving bonuses to employees in steel works is uniform throughout the world. In some cases practically all their earnings are obtained in the shape of what we call bonus or what one may call payment by production. In other cases it is distributed as in our case between bonus and salary, but in almost all cases bonus is a very marked feature of the system of payment to steel-works employees.

Mr. Natesan.—You say it is the practice everywhere; is it the practice in England?

Mr. Mather.—Yes. In England the practice is that the steel melters and rollers are paid so much per ton of steel made or rolled and nothing else.

Mr. Natesan.—Is it the practice in England to give a regular pay and also a bonus and that irrespective of production? There are three points involved.

Mr. Dalal.—If you say a fixed bonus irrespective of production then that is a different thing.

Mr. Natesan.—That is why I say it is somewhat unusual.

Mr. Dalal.—There are not many of our employees who are paid this fixed bonus. I think there is a history behind it which perhaps Mr. Mather may be in a better position to explain.

Mr. Mather.—Up to a few years ago it was the practice to give the Superintendent in addition to his fixed pay a bonus on production on exactly the basis which is applied to the men working in other countries. The consideration however arose that, as many of the men also were paid on a production basis, there was an acute incentive to raise the production to the overshadowing of other factors.

Mr. Atha.—To moulders, rollers and so on?

Mr. Natesan.—Let us confine ourselves to officers only.

Mr. Mather.—The two are linked together. As many of the men were put on a system of bonus according to production, it gave them incentive to get the maximum production and it was considered a sounder policy that the superintendents should no longer be paid on the system of salary *plus* production bonus, in order to leave them free to concentrate on keeping down costs, an adequate incentive to high production being given by the bonus on production given to the men. Since the system of bonus payment was previously in existence for these posts, we could not completely cut it away. In the financial interests of the Company we don't want to leave the officers, one or two top men in each department, on a system of production bonus. We had only two alternatives. One was to raise the total pay as a fixed pay or to give them a fixed bonus in addition to their existing pay which would give them about the same total emoluments as they would otherwise have got. We decided in favour of the fixed bonus rather than bringing the total up to that, because the Steel Company made certain small saving by treating this part of the pay as bonus, because it doesn't count for leave pay; it doesn't count for pay during the passage out and so on. We came to the conclusion that we should save a little in these ways. In the case you mention, the total of the two is Rs. 2,600. The holder of that particular post to which you have referred does not cost the Steel Company quite as much on this system as if he were on a fixed pay of Rs. 2,600.

Mr. Natesan.—After hearing this explanation, may I infer you are trying to change this method?

Mr. Mather.—We have, in a number of cases in making new appointments, put them on a straight salary basis.

Mr. Dalal.—We are also considering a system of efficiency bonus to these men—payment on some other basis than merely fixed bonus.

Mr. Natesan.—May I take it that when bonuses are given, they are given irrespective of the production?

Mr. Dalal.—Only in a few cases.

Mr. Natesan.—Is any bonus given to Indian Officers and if so on what scale?

Mr. Dalal.—Bonuses are given. If you will notice in this very list, No. 103, an Indian has now taken the place of this particular officer about whom we were talking and he is now being paid a fixed salary *plus* a bonus which is very much less—both the salary and the bonus are less than those of that particular officer.

Mr. Natesan.—That is a case which is based on production unless my information is wrong.

Mr. Dalal.—Yes.

Mr. Natesan.—In some cases you pay irrespective of production and in this particular case which you yourself have cited, it is based on production.

Mr. Dalal.—Yes.

Mr. Natesan.—When you appoint an Indian in the place of a covenanted officer, do you effect any reduction in pay and bonus?

Mr. Dalal.—We do.

Mr. Natesan.—I am asking this question, because it has been urged more than once and I am quoting from one of the papers given to us—as a consequence of the high salaries paid to the covenanted employees, the scale of wages payable to Indians holding higher appointments and even minor posts has also been pitched on a level higher than would otherwise have been the case.

Mr. Dalal.—I don't admit that the pay is fixed on a level higher than what is necessary.

Mr. Natesan.—Has your Board made any attempt within recent years to revise the scales of salaries payable to the covenanted employees and to the Indian employees as well?

Mr. Dalal.—We have reduced the scale of covenanted employees and generally the principle is when their contracts come up for revision, if we renew their contracts, we make a reduction of about 15 per cent. in their salaries in the case of covenanted employees.

Mr. Natesan.—You have anticipated my next question and it is this: When you renew the appointment of a covenanted officer, do you make attempts to offer a lower scale of pay and bonus than before?

Mr. Dalal.—That is so. Apart from that I may mention that a very large number of covenanted employees have accepted a voluntary cut of 10 per cent. in their contract salaries during the period of depression.

Mr. Natesan.—Have you made any attempt to compare the salaries which the Superintendents or the chiefs of the various people in the works department now get, with the salaries of similar holders of office in England or America?

Mr. Mather.—It is very difficult to get the exact information, but we have made a few attempts. Naturally these covenanted officers are paid higher scale of salaries than they get in their own countries, but obviously they come here and are employed in foreign works only for relatively short periods of time.

Mr. Natesan.—I admit that they should get a natural scale, but whether that amount is more than reasonably high is the point I have in view. I hope I have made myself clear.

Mr. Dalal.—We certainly will not pay anything higher than we consider to be necessary in order to obtain the services of such men.

Mr. Natesan.—I have no definite knowledge, but I have had a talk with more than one who knows something more about this and from figures given to me, I find that the pay of the covenanted officers is higher. I am bound to say in one or two cases it is lower, but in quite a number of cases it is higher—I will leave it at that—so that when next time you consider this question, you may bear that in mind.

Mr. Dalal.—We have always attempted to reduce salaries as far as it is possible to do so.

Mr. Natesan.—Has your Board arrived at any definite policy in regard to this matter of Indianisation?

Mr. Dalal.—It has been our policy to introduce Indianisation as far as it is consistent with efficiency.

Mr. Natesan.—I find in a document supplied by you which I got as a Member of the Central Legislature in September last and which I presume is available to all, that this is how you have summed up your policy in regard to Indianisation: Does that state correctly your position now? May I read it? It says: The emphasis laid on these figures in the above remarks is merely intended to answer critics of the Company who claim that nothing is being done to reduce commitments in the shape of expensive foreign personnel. No reflection is intended on the European and American officers of the Company whose skill and devotion have laid the foundations of the industry and belied the gloomy prognostications of those who declared that the manufacture of steel in India was impossible for a variety of reasons. Nor must it be imagined that a progressive institution like the Steel Company can wage a racial vendetta against foreign skill. Whenever the needs of the industry demand it, experts from foreign lands will have to be imported, not only in the interests of the shareholders, but in the larger interest of the country itself to develop the Company's business. Here it is only necessary to reiterate the Company's determination to apply the pruning knife wherever possible, in the interest of economy and lower over-head charges. But such efforts cannot reasonably be made at a speed not commensurate with the maintenance of technical efficiency." That was in September, 1932.

Mr. Dalal.—Yes, that is our attitude.

Mr. Natesan.—Could one presume that it would be your endeavour to get the best experts irrespective of their nationality, when you feel the necessity for some experts?

Mr. Dalal.—Yes.

Mr. Natesan.—When you appoint covenanted men, do you stipulate with them that they should do their utmost to train up Indians to perform their duties which they themselves discharge? It has been brought to my notice that you have a clause with regard to covenanted men and that is they agree to do their utmost to teach Indians to perform any duties of which they are capable. Can you give any specific instances to show that you have specially charged certain covenanted officers with the duty of training up Indians if called upon to do so?

Mr. Dalal.—This is a clause which appears on all the agreements of the covenanted officers and it is one of their duties to train up Indians. As regards any special charge laid down as such on any particular covenanted officer, there is one officer in the open hearth department who has been specially charged to perform this duty. When recently we Indianised the open hearth department, we specially charged this officer with the duty of supervising the work of all the Indian Officers and training them up particularly for the open hearth department. He is an old hand and quite an expert.

Mr. Natesan.—You were talking of Indianisation this morning. In addition to making efforts to Indianise do you offer facilities to engineering and science students of the Indian Universities to supplement their knowledge by practical training in your works?

Mr. Dalal.—To a limited extent, we do.

Mr. Natesan.—I take it that you afford such students every possible facility available?

Mr. Dalal.—Yes, as far as it is within our resources. As far as we can manage, we do it but we have our own students to look after—C class students and night school students.

Mr. Natesan.—I find that you have a small laboratory attached to your works and that you have provided in your capital expenditure programme a sum of Rs. 5 lakhs for improving the same. Will you please give me some more details in regard to the proposals you have in view for enlarging this laboratory besides what you have given in the note?

Mr. Dalal.—It is in connection with the extension of various branches of our present work that this Rs. 5 lakhs has been provided.

Mr. Natesan.—I take it that your existing laboratory is used for testing the steel manufactured by you just to see when it breaks, etc.

Mr. Mather.—It is more than that. Taking the chemical and physical laboratories as a whole, we use them to a considerable extent for testing the material which we produce—for example the ordinary routine testing of our products—and also for the examination of any materials about which complaints may have been made. We also examine materials supplied by other people in order to see whether there is any difference in quality between their material and that which we are supplying.

Mr. Natesan.—I may tell you at once what I am trying to ascertain. I want to know whether you provide facilities for any young man qualified to do so to pursue higher research in metallurgy. What I have in view is the equipment of a laboratory where one can pursue advanced researches in metallurgy. I understand that certain British works in Sheffield carry out such researches.

Mr. Dalal.—If you mean general or abstract problems pertaining to steel making, we have no such arrangement at the present moment. But of course problems requiring a kind of research do arise in connection with our ordinary work. For instance, at the present moment, we are very much concerned with improving the quality of our galvanized sheets and in that connection we have got a special officer from the Metallurgical Department looking to the problem. Such problems we always have to tackle.

Mr. Natesan.—I have something higher in view.

Mr. Dalal.—At the present moment, we have no such arrangement.

Mr. Natesan.—To your knowledge are there men in your staff who in addition to their duties could be deputed to take up research in metallurgy on the lines indicated by me? I don't want the names of any single individual but I am only asking whether you have thought over the question in that light?

Mr. Dalal.—There are one or two comparatively young officers who might with more experience be qualified for carrying on that kind of research in the future but at the present stage of our development I don't think that I can lay my finger on any particular individual and depute him to do research of the character that you are contemplating.

Mr. Natesan.—Will you consider the question?

Mr. Dalal.—Yes.

Mr. Natesan.—Will you provide the necessary funds to enable any young man either in your staff or some one whom you might take as being qualified for that purpose to pursue advanced research? I consider that it would be one of the proper adjuncts.

Mr. Dalal.—You mean researches of an abstract character.

Mr. Natesan.—I refer to research that will bring in some good results.

Mr. Dalal.—So far as any practical problems arise in our daily work, we do carry on research even now.

Mr. Natesan.—On a small scale?

Mr. Dalal.—Yes, so far as our problem requires it, but if you mean higher research which is not of any practical and immediate benefit and which does not arise out of any particular problems that we are tackling then I can not say whether in the next few years we shall be in a position to carry on work of that kind.

Mr. Natesan.—What I have in view is that such research, if pursued properly by a suitable person, might produce good results.

Mr. Dalal.—If it is likely to be of any practical benefit, we will certainly do so; otherwise this kind of research may well be done in collaboration with the Tata Research Institute in Bangalore or the Metallurgical Department of the Benares Hindu University or some such thing. We might evolve some scheme of that kind. I cannot say that we have devoted much attention to it.

Mr. Natesan.—There is the Tata Research Institute but there are no facilities at present to enable young men to pursue research of the kind I have in view. I thought I should bring that to your notice.

Mr. Dalal.—I shall place this matter before the Board.

Mr. Natesan.—Young men are being sent to foreign countries. In training up these young men I wonder what exactly is the object you have in view?

Mr. Dalal.—To qualify them for holding more responsible positions in the future by gaining experience in foreign works.

Mr. Natesan.—If you thought there were one or two individuals in your works now who were capable of pursuing researches in the direction I have indicated, you would not mind sending them if necessary to some foreign country for some time and afterwards asking them to continue the work in your own Steel Works?

Mr. Dalal.—We should willingly do so, but the men—I mean those I have in mind—are very young. They must acquire more experience of the ordinary day-to-day work before they will be qualified to make researches.

Mr. Natesan.—That would meet my purpose, if you think that there are men of that description who sooner or later could be deputed to pursue research in the manner indicated?

Mr. Dalal.—We will certainly do so.

Mr. Natesan.—I find in Mr. Brady's report a suggestion has been made that "every superior technical officer of the Tata Iron and Steel Company should be encouraged to join the institution of Engineers in India in whatever class he is qualified for and whether he becomes a member or not, to offer occasionally to the Institution a paper on a subject connected with his work". Are any of your men members of the Institution? Do you consider the desirability of encouraging your men to join the Institution of Engineers?

Mr. Dalal.—Mr. Mahindra belongs to the Institution of Engineers and there may be many others. I cannot tell off hand. It is certainly a desirable thing to do—to encourage men to join the Institution of Engineers.

President.—Have you read any papers?

Mr. Mahindra.—No, I haven't recently.

Mr. Natesan.—I understand that in the process of manufacturing steel products such as rails there is always a certain amount of wastage. Am I right? I presume in a factory like the Tata's works, where the annual output of finished products of steel is so large, the wastage just mentioned will be very appreciable. May I know whether, apart from increased supervision and perhaps better skilled labour, any attempts have been made so far to improve the existing methods of manufacture with a view to minimise this wastage? If so, can you give me a statement showing such improvements and the savings effected thereby if it does not involve much labour?

Mr. Dalal.—That is just the problem which Mr. Atha was discussing with Mr. Mather yesterday in connection with the yield, the percentage of scrap and so on. We are trying our best to do what we can and I think Mr. Mather gave an assurance to Mr. Atha yesterday that we would make every effort to improve our yield so as to reduce the percentage of scrap or percentage of wastage.

Mr. Natesan.—Am I right in saying that in foreign countries steel manufacturers devote much attention to improve existing methods of making steel and that whenever such attempts are successful they often take patents in order to protect those methods?

Mr. Dalal.—Yes.

Mr. Natesan.—May I know whether any invention relating to steel manufacture which in the opinion of your firm was considered worth patenting has so far been made in your works and if so what savings, if any, have been made by the utilisation of such an invention?

Mr. Dalal.—Barring a very minor matter on which we have recently taken out a patent I cannot say that we have patented any very great improvements in the methods of steel manufacture so far.

Mr. Natesan.—I wonder if it has occurred to you that it will ultimately be in your interests specially to depute one or two of your staff to pay special attention to the question of patents and inventions?

Mr. Dalal.—That is closely connected with the question of research to which I have already given a reply.

Mr. Natesan.—Is there any special officer charged with the duty of selling scrap?

Mr. Dalal.—Yes, scrap is in charge of a sub-section of the Sales Office. Of course, it is under the general supervision of the Sales Manager.

Mr. Natesan.—Is the sale effected by tender?

Mr. Dalal.—Yes.

Mr. Natesan.—Have you any definite policy in regard to the use and sale of scrap?

Mr. Mahindra.—We have. We try to sell scrap to our best advantage as regards nett realisations as well as assistance to the industries which have been built up on the use of scrap.

Mr. Natesan.—I take it that you use a considerable quantity of scrap yourself in your open hearth furnaces and sell only the balance?

Mr. Mahindra.—It is only the scrap which is not saleable that is used in the open hearth furnaces.

Mr. Mather.—We utilise two-thirds of the scrap produced and sell about one-third.

Mr. Natesan.—I take it that the scrap which you are selling in India is suitable for re-rolling. Are you endeavouring to use it for re-rolling?

Mr. Mather.—There is very little of our scrap which is fit for re-rolling.

Mr. Natesan.—May I ask whether the scrap which you are exporting is fit for re-rolling?

Mr. Mather.—No. It is fit for re-melting and not for re-rolling.

Mr. Natesan.—It comes back in another form—I am referring to the corrugated sheets.

Mr. Mather.—As I said, that is fit for re-melting and not for re-rolling.

Mr. Natesan.—I now turn to the question of stores. Have you anything like a regular organisation for the purchase and distribution of stores?

Mr. Dalal.—Yes.

Mr. Natesan.—What measures do you adopt to see that excess of stores is not ordered by any department?

Mr. Dalal.—We have devoted considerable attention to this topic during the last few years and as Mr. Mather described yesterday we have got a Retrenchment Committee. All requisitions for purchases of stores have to be scrutinised by that Committee before they go on to the General Superintendent and then we have laid down certain rules under which the purchasing officer works with regard to the purchases of stores. All purchases which are above a certain fixed sum of money have to be reported to the Agents before they are effected. All stores are purchased by open tenders which are sealed tenders and a certain procedure is laid down with regard to the examination of these tenders. Whenever the lowest tender is not accepted, then also the matter has got to be brought to the notice of the Agents.

Mr. Natesan.—Can you give me an idea of the average cost of stores purchased for a year?

Mr. Dalal.—I think in connection with some other problem dealt with by the President we have taken an average of about Rs. 75 lakhs excluding spelter. That perhaps would be a bit on the excessive side considering the present requirements.

Mr. Natesan.—Can you let me know also the quantity purchased in India and the quantity purchased from outside. I wrote for this and you have been good enough to say that you will send it later.

Mr. Dalal.—We don't like to give you any figure which is not quite accurate. We have called for figures from Jamshedpur.

Mr. Natesan.—What kind of stores do you generally purchase in India?

Mr. Dalal.—Whatever is available in India we purchased in India. Spelter is always purchased out of India.

Mr. Natesan.—I find in Statement 19 of yours relating to capital expenditure during the next seven years, you have put down an item of Rs. 15 lakhs for brick making. Will this capital expenditure be sufficient to produce the quantity of bricks that you require?

Mr. Dalal.—We expect so.

Mr. Mather.—On silica bricks at any rate.

Mr. Natesan.—What will be the value of bricks turned out in a year?

Mr. Mather.—We consume about Rs. 10 to 12 lakhs worth of bricks including fireclay bricks.

Mr. Natesan.—What is the amount you have been spending annually? Am I right in saying that according to the figures you have given in 1931-32 you have spent Rs. 16 lakhs and in the next year nearly Rs. 13 lakhs. If, as you say, with a capital expenditure of Rs. 15 lakhs you will be able to produce more or less the quantity of bricks that you want, how is it hitherto you have paid no attention to that?

Mr. Dalal.—Because our attention has been devoted to more urgent problems so long. We cannot enter into all kinds of capital expenditure at once. We take it up in the order of urgency.

Mr. Natesan.—I find you are referring to three kinds of bricks, fireclay, silica and magnesite. I take it that you can manufacture these three kinds in India. You yourself say that if you manufacture them yourself in view of your large requirements these should lead to substantial savings in your note.

Mr. Dalal.—Quite

Mr. Natesan.—With regard to the purchase of bricks are you in any way tied down by any of the existing contracts?

Mr. Dalal. We have no long-term existing contracts.

Mr. Natesan. If your works are to be started, you will be able to go on without any difficulty?

Mr. Dalal.—Yes.

Mr. Natesan.—I propose now to address a few questions in regard to Jamshedpur town and your various activities. If I may Mr. President, at least speaking on my behalf, I should like to say that I was very happy to see the town of Jamshedpur for the first time. It seems more or less to approximate to a model industrial town. Having been connected with a city corporation for several years, I examined with great interest your system of water supply and disposal of sewage and various other installations which struck me as up-to-date and, if I may say so, efficient. I should also say that I was very much struck with the excellent arrangements made for street lighting, the beautiful way in which your gardens are kept, your hospital to which I find you have given an X-Ray apparatus, your schools and the large play-grounds some of them enclosed with brick walls which I did not find in other industrial centres, your shops and markets. You have been good enough to give me detailed statements about these activities and on my making out a list you have given us statements covering as many as 11 subjects, relating to—

(1) administration of the town,

(2) education,

(3) housing,

(4) public health and sanitation,

(5) sewage disposal,

(6) water supply,

(7) hospitals, medical relief,

(8) Tisco farms,

(9) roads,

(10) welfare activities, and

(11) technical education.

These statements I must say give a full account and you have as desired by me given an account of each of these institutions from the time they were brought into existence, the difficulties you had to meet and the way in which you have overcome them. I will therefore not take you into the details of many of these but content myself with putting a few general questions upon some particular topics. I will take education first. You justly claim that the Jamshedpur Technical Institute is the only one of its kind in India and I find that you take students from the Indian Universities and also the sons of your workmen.

Mr. Dalal.—Yes.

Mr. Natesan.—You have now 42 schools and you have over 5,000 pupils and you have over 200 teachers and your capital expenditure has been over Rs. 3,00,000 and I find you have spent in 1933-34 as much as Rs. 1,34,000 and I find the number of pupils have grown, taking the figures from 1927 onwards from about 2,000 to nearly 5,000 at the present day.

Mr. Dalal.—Yes.

Mr. Natesan.—I also note with interest that you are laying special stress on giving education in science to the pupils in all these institutions. I suppose you are taking a number of apprentices, particularly what you call C class apprentices, that is sons of workmen and you are trying, if I may say so, to follow the recommendations of the Royal Commission on Labour in regard to these.

Mr. Dalal.—Yes, we attach a great deal of importance to the C class apprentices. Our original idea was that we should take up 50 such apprentices every year but now we are inclined to think that we should take up 100 such apprentices every year.

Mr. Natesan.—I will now come to the housing problem. You said this morning that you are not able to get 5 per cent. upon the capital invested for houses for these workmen. I hope you are not looking at it purely from a commercial point of view. You take a very human view of this and not looking at it from the ordinary point of view of landlord who tries to increase his income from year to year. I hope you and your Board will not be obsessed by this problem of not getting fair interest.

Mr. Dalal.—We do not propose to go in for rack renting at all.

Mr. Natesan.—You have now 5,400 houses and besides I find you have 7,833 houses owned by employees. What do you propose to do for the rest?

Mr. Dalal.—We are still contemplating an increase in our housing programme and we propose to spend about a lakh of rupees in the current year on additional quarters for our employees. We have a project for spending over three lakhs of rupees during the next year on a similar purpose and we propose to spend thirty lakhs of rupees as mentioned in statement 19.

Mr. Natesan.—You have a regular scheme in regard to housing?

Mr. Dalal.—Yes.

Mr. Natesan.—I see you have said more than once that you have no difficulty with regard to obtaining labour.

Mr. Dalal.—No.

Mr. Natesan.—How do your wages compare with those of people employed elsewhere in similar works?

Mr. Dalal.—As far as we can make out, in the matter of wages and in the amenities we supply to our labour, we compare favourably with any large employer in India.

Mr. Natesan.—You claim that you are giving special privileges to labour. Will you give some illustration to justify this statement?

Mr. Dalal.—We have mentioned a number of privileges which we give. There is the "Safety First", Free Ice and soda, Women's Rest Houses, Maternity Benefit Scheme, Men's Wash houses, Picnics, Supply of Boots, Hostels, Co-operative Credit Societies, Liberal measure of compensation for injury.

Mr. Natesan.—In one place you say it is more liberal than that allowed by Government under the Workmen's Compensation Act. Will you give an illustration or two?

Mr. Dalal.—If you see paragraph 10 of this note, for temporary disablements incapacitating employees only for ten days and under, nothing is payable under the Act. "Where disablements extend for more than 10 days the Act requires only half-monthly payments of Rs. 15 or of a sum equal to one-quarter of the employees' monthly wages whichever is less. The Steel Company pays in cases of temporary disablements of whatever duration at the full rate of the employees' salary from the date of injury until he is declared fit to go back to work again or until he is declared to have suffered some permanent loss of earning capacity, in which case disablement compensation according to the Act is paid to him: larger amounts are paid in certain cases."

Mr. Natesan.—This is irrespective of the pay of the man? Suppose a workman got Rs. 100 or more?

Mr. Dalal.—We still pay him full compensation.

Mr. Natesan.—You have a system of provident fund in operation?

Mr. Dalal.—Yes.

Mr. Natesan.—Are the terms better than the terms given elsewhere?

Mr. Dalal.—I think so.

Mr. Natesan.—You say you give leave with pay. I take it it is not done in other industrial works?

Mr. Dalal.—I am not in a position to say that it is not done.

Mr. Natesan.—When you lay a special claim I thought that it is not done in other places.

Mr. Dalal.—It is not done in all places; it may be done in some places.

Mr. Natesan.—You have got play-grounds; I take it that it is open to all irrespective of the position he holds, that is to say whether he is an ordinary worker or a foreman?

Mr. Dalal.—Yes.

Mr. Natesan.—I find you have got arrangements for children's play-ground?

Mr. Dalal.—Yes. We equip them with swings and so on.

Mr. Natesan.—What is this special maternity scheme which you have originated; is it of recent origin?

Mr. Dalal.—From January 1st, 1929.

Mr. Natesan.—I see you have won a compliment from the Royal Commission on Labour. They say "In Jamshedpur the workers come from all parts of India while comparatively a few have settled down; as a consequence already variations are to be seen in their physic. The tendency of those settled are said to be improved standards due to regular work, better wages, better housing and open air conditions of living" and it will be to your interest to induce people as far as possible to live in Tatanagar, provide for them more house accommodation, more facilities and more amenities.

Mr. Dalal.—We are attempting to do that.

Mr. Mather.—I might add to that as a matter of interest that although the statement as made by the Commission was correct, since the Labour Commission examined the position the men have become still more settled. We have a very small turnover of labour now as compared with what we had six or seven years ago. Whereas previously men were leaving our service in considerable numbers, they do not leave our service now.

President.—You are speaking of the men who are on the pay roll?

Mr. Mather.—That is right.

Mr. Natesan.—I believe a good number of the labour is drawn from the aboriginal tribes?

Mr. Mather.—Yes.

Mr. Natesan.—Some of them are settled in that place now?

Mr. Mather.—Yes.

Mr. Natesan.—My colleague, Mr. Wiles, referred to the fact that there are some outsiders in Jamshedpur. Among these outsiders could you say that some are people who were original inhabitants of this place and on your acquiring this area they were virtually dispossessed of their property?

Mr. Dalal.—We are gathering information regarding this question.

Mr. Natesan.—I will now draw your attention to a memorandum submitted to us by an Association called the Jamshedpur Labour Association in which they refer to the fact that there has been an increase in the number of accidents. Is this a fact?

Mr. Dalal.—It seems that they quote figures up to 1930; I am glad to say that since then the number has substantially come down. In 1930 the figure was 1405, in 1931 it was 1225 and in 1932, 1013.

Mr. Natesan.—If you take the figure two years later then there is no increase.

Mr. Dalal.—That is so.

Mr. Natesan.—Could this increase in the number of accidents be due to the fact that inexperienced men were taken in the works?

Mr. Dalal.—It must have been so because the increase has taken place since the strike.

Mr. Natesan.—Are these accidents of a very grave nature?

Mr. Dalal.—Some of them, but the majority of them will be comparatively minor.

President.—There is one small point to which Messrs. Jessop and Company have drawn attention in their representation. I do not know what you have to say on that point. The point they make is this, that manufacturers of fabricated steel are compelled to accept clauses imposing a penalty for late delivery in contracts with Government or *quasi*-Government bodies, but the Tata Iron and Steel Company on their part refuse to bear the impact of these penalties in respect of late deliveries of raw material. The first point that we have to clear up is, have there been serious cases of late deliveries?

Mr. Mahindra.—I have not been faced with a claim for more than Rs. 200 during the whole year of 1932-33 for late deliveries but whenever there is any complaint with regard to paying a penalty because we gave delivery of the material late, they always refer the matter to our sales Department and we always have consultation with them; if there is any serious complaint we always look into it.

President.—Has not this question been actually referred to you by Messrs. Jessop and Company recently?

Mr. Mahindra.—Not beyond a mention of what would happen if they are late.

President.—There has never been a case in which on their part there was a definite penalty incurred and the question was raised whether the penalty would be shared by you?

Mr. Mahindra.—Not during the time I have been in charge.

Mr. Dalal.—I may state that sometime ago the Managing Director of Messrs. Jessop and Company made a complaint to me with regard to this matter in general terms but he did not mention any specific cases and said that there was an order in which they lost so much money and he did not make any actual claim to us.

President.—If a manufacturer in this way incurs a penalty because he is unable to fulfill his contract in time and the responsibility for this failure to fulfill his contract is by reason of late delivery on your part, what precisely is the legal position: are you in a position to tell us about it?

Mr. Dalal.—We are protected.

President.—Actually in your own contract with the manufacturer of fabricated steel there is no provision enforcing penalty on you in case of late delivery? What is the legal position? Has the manufacturer a right in the absence of that kind of provision to claim damages from you?

Mr. Mather.—I think he may be if we have undertaken to give delivery by a specific date and failed to give delivery by that date not otherwise.

President.—In the case of contracts that you make with engineering firms is there a specified date?

Mr. Dalal.—Yes, in practically every case.

Mr. Mather.—It seems to me that this question hardly arises. When we are making a sale we make every sale practically for delivery by a certain stated date.

Mr. Dalal.—May I draw your attention to Clause 15 of the agreement (handed in).

Mr. Mather.—I may say that although this particular clause in our terms of business commences by saying that the date of delivery as stated in all orders or contracts shall not be the essence of the contract, we do go on to add that "where the customers have entered into or propose to enter into a contract with a third party for the performance of which the materials to be supplied by the Company are essential, and if such contract with the third party provides for the payment of a penalty or damages in the event of failure to deliver or late delivery by the customers, then and in such case and subject always to clause 1 above and subject as hereinafter mentioned the Company will indemnify the customers in the manner and to the extent hereinafter mentioned . . . ".

President.—This is fairly specific.

Mr. Mather.—Yes.

President.—You are perfectly certain that this clause occurs. The way in which Messrs. Jessop and Company stated their position, they could not possibly have made this provision.

Mr. Mather.—May I just point out that our undertaking to indemnify them is subject to the condition that the purchasers when entering into the contract should give details of their liability to a third party.

President.—Messrs. Jessop and Company have got to tell you in advance: "We have got to supply fabricated steel by such and such a date. We have agreed to do so and you are hereby informed of it".

Mr. Mather.—Yes and the extent of penalty if they are late.

President.—You bind yourself to indemnify them?

Mr. Dalal.—Yes. I am trying to get a copy of the works order. These are done merely by correspondence. I remember seeing this.

President.—This works order is subject to the Company's terms of business in force at the date of this works. Terms of business are these?

Mr. Dalal.—Yes.

President.—Except in so far as the terms of business are said to vary from the works order.

Mr. Dalal.—Yes.

Mr. Natesan.—Do I take it that you get the order in that particular form?

Mr. Dalal.—Yes.

Mr. Natesan.—When they give you an order, do they write in their note paper or you give them free a form like this?

Mr. Mahindra.—When they send us the order, we make out the works order and a copy of that works order is sent to the firm and we ask them to confirm that.

Mr. Natesan.—They do so.

Mr. Mather.—Yes. That is our acceptance of their order.

President.—In that case I am quite unable to understand the point of their claim. They put it very strongly: "The justice of our claim is clear. If we are compelled to buy only from one works and are liable to penalties on account of late deliveries from that works, we should prefer free trade without duties".

Mr. Mather.—There is a limit to the penalty in this clause—limited to Rs. 5 a ton.

President.—That is probably the snag.

Mr. Dalal.—I don't think they have claimed even Rs. 5.

President.—Could you leave a copy of your terms of business with us?

Mr. Mahindra.—Yes.

Mr. Natesan.—Whether this book (shown) is given to every customer before he fills in an order. You may say: "This is the terms of business" and yet he may not know what it is.

Mr. Mahindra.—This book has been in force for a number of years.

Mr. Natesan.—When a customer goes to you and you ask him to sign the order subject to the terms of business, I want to know whether he knows the terms of business.

Mr. Mahindra.—Messrs. Jessops are one of our oldest and largest of our customers.

Mr. Natesan.—They are likely to have them.

Mr. Mahindra.—Yes. We also have a small booklet in which the terms of business are printed.

President.—Supposing that penalty which Messrs. Jessop and Company incur on account of the failure of their contract amounts to Rs. 10 a ton and your terms of business limit your penalty to Rs. 5, you are not in a position to tell us whether the legal claim against you is necessarily bound by the provision in the terms of business.

Mr. Dalal.—If these are the actual terms mentioned in the terms of business and if it is undertaken on these terms, I suppose it would be binding.

President.—Mr. Atha, have you had experience of this kind of thing in the British works?

Mr. Atha.—The Steel Company in such a case didn't have any such condition attached to their order. In one case I remember the firm executed an order by a certain date and they failed to make delivery by that date. It transpired that the customer was bound under penalty to deliver his goods and owing to the steel company being late, he failed and he incurred a heavy penalty and the steel company resisted. So the case was taken to law and the steel company lost. They had to pay the full penalty, although they had no knowledge that there was any penalty attached to the job.

President.—The Steel Company paid the whole amount of the penalty paid by the party.

Mr. Atha.—There was a slight remission because of the railway wheels and axles in question which this man was making. According to the dates of the two contracts, the steel company should have delivered all the axles by a certain date and he should have delivered all the completed wheels and axles at a later date. As a matter of fact there was a delay of two months on the part of the Steel Company to supply axles and he said that the Steel Company was responsible; otherwise he had to pay the whole penalty of £1,000.

President.—If the principle of law that applies here is the same, the real point of difference between this case and that is existence of these terms of business.

Mr. Atha.—I think they are bound to take this into consideration. In the case I mentioned, the Steel Company made a contract for certain date of delivery which they have failed to keep.

President.—There is only one other point which arises out of one of Mr. Natesan's questions. We have been told in previous enquiries in the case of large industries like yours that the arrangements for bringing about personal contacts between labour and management are very often inadequate and unrest among labour is very often the result of that lack of personal contact. This question of personal contact is very largely a matter of the personality of the individual officers, but to a very large extent the question can also be met by the provision of suitable machinery.

Mr. Dalal.—Yes.

President.—In your case I should like to know first what sort of machinery there is for bringing about this sort of personal contact between responsible management and labour and secondly another point on which I should like you to throw some light is this: in the case of a place like Jamshedpur where labour is recruited from all parts of India, the difficulties which arise from lack of personal contact may be intensified by the fact that the management may not understand the language of labour. I should like you to tell me with reference to these two matters how the position stands at Jamshedpur. In the first place please let me have some information about the sort of machinery that you have. It touches various points. There is first question of recruitment.

Mr. Dalal.—We have recognised unions in Jamshedpur which unfortunately are not functioning very satisfactorily, but their officers have direct access to the General Manager.

President.—Recognised Unions, what precisely do you mean—Registered Union?

Mr. Dalal.—Yes, they have been recognised by us.

President.—Covering practically the whole of your labour?

Mr. Dalal.—Perhaps at one time when they were flourishing, they might have covered a majority of the labour, but at the present moment they are not in a proper condition. Their officers have direct access to the General Manager to represent any grievances.

President.—Are these officials employed in the works?

Mr. Dalal.—No.

President.—Whoever they are, whether they are employees in the works or not, they have the right of direct access.

Mr. Dalal.—Yes. The duty of our Welfare Officer is to look after the welfare of men and represent any grievance that they may have to the authorities concerned. Apart from that, the General Manager is personally accessible to any man who may want to represent his grievances directly to him.

President.—In the case of works which employs 15,000 to 20,000 people......

Mr. Dalal.—They first go to their Superintendent.

President.—There are really physical limits to the extent to which the General Manager can do.

Mr. Mather.—The General Manager goes round the works quite frequently and in practically every department he is known by sight by practically all the men and they have opportunities to represent their grievances.

President.—Is there any kind of Standing Committee which purports to deal with matters of this kind such as Works Committee?

Mr. Dalal.—I think that experiment was tried and found a failure.

President.—At present the only way in which personal contact can be established between labour and the management is by officials of recognised Unions bringing matters affecting labour to the notice of the General Manager or the officer-in charge of the welfare works.

Mr. Dalal.—To the General Manager or any other officer who may be directly concerned and the welfare officer also has this as part of his duty.

President.—The Union official has got to take the initiative in bringing the matter to the notice of the management. There is no sort of machinery which provides for an automatic indication. If you have, for example, regular meetings of the Standing Committee charged with the definite object of bringing labour into contact with management, fortnightly meetings or monthly meetings, even if the Union officials do not take the initiative, the management will have the automatic means of ascertaining what is going on in the ranks of labour. There is no arrangement of that kind?

Mr. Dalal.—No.

President.—With regard to this question of personal contact, the way in which labour has been recruited is of very great importance. I have known in other industries, for example, the way in which labour is recruited has a very direct reaction. What precisely is the arrangement at Jamshedpur for recruitment of labour?

Mr. Dalal.—The problem is not of very great importance at present, because we are carrying on with more or less a steady labour force, but no jobbers or persons like that exist in Jamshedpur as far as I know.

President.—What about this question of language? Does that present any difficulty?

Mr. Dalal.—In practice I have not noticed that it presents any difficulty.

Mr. Mather.—Practically every language which is represented amongst the workmen is also represented amongst the senior officials of the company and in the few cases where a man who is speaking an unusual language wants to make any representation about something, he has no difficulty in finding one or the other of the senior officials of the Company speaking his own language who will be able to help him.

President.—In the works, for example, the person in authority gives his orders in what language generally?

Mr. Mather.—The foreman usually does it in Hindi.

President.—The head of the department speaks to the foreman class, I suppose, in English?

Mr. Mather.—Yes.

President.—And the foreman speaks in Hindi to the rank and file.

Mr. Dalal.—Or if he is a Bengali—majority of them are Bengalis, he may address them in Bengali or Oriya.

President.—It is not as the result of any observation on my part that this point occurred to me, but I happened to hear this point mentioned by a person who is almost an authority on questions of labour who happened to travel with an important Commission round India and he thought and some of his colleagues formed this impression at Jamshedpur.

Mr. Dalal.—About the variety of languages?

President.—Yes, that the difficulty of language was one of the factors peculiar to Jamshedpur which made personal contact rather more difficult than otherwise.

Mr. Dalal.—To a certain extent it might have been true in the past and may be perhaps true even now. One of the terms of our contract with the covenanted employees is that they should make themselves acquainted with the Hindi language. But I do not know whether that has been very rigidly observed in the past. To that extent there may be a certain amount of difficulty with regard to men who have not been in the country for a very long time, but as these remain longer in the country, and as the progress of Indianisation proceeds, that difficulty would be eliminated.

President.—It is not a problem that the management has ever considered. Their attention has not been drawn as the result of actual experience. Have you ever had to consider this problem of language? Has that ever presented itself to you?

Mr. Mather.—It never presented itself to my knowledge as an actual definite difficulty. When the management wanted to communicate with the workmen 5 or 6 years ago, when the labour questions were very important and were occupying almost the whole time of the General Manager, the General Manager would say "there are men unsettled in such and such a department, pick out a few and bring them". There was never any difficulty as far as we could ascertain in finding a man who had the confidence of the workmen who could speak their language and represent their grievances to the General Manager. They were brought to the General Manager's room along with the foreman or some other man, Bengali or Oriya or a South Indian, who knows the language. There has never been any difficulty in getting an adequate interpreter who has the confidence of the men.

Mr. Wiles.—Are there any recognised Unions to-day? Unions in the past have ceased to be recognised.

Mr. Dalal.—There are two Unions, the Labour Association and the Labour Federation and a third has recently made an application for registration, the Metal Workers Union.

Mr. Wiles.—They are actually registered?

Mr. Dalal.—The Metal Workers Union has not yet been registered, but it has applied for registration. As for the Labour Federation, I think its registration has been cancelled, but we still have not cancelled our recognition of that. The Labour Association is recognised.

President.—That means their officials have the right to meet your General Manager?

Mr. Dalal.—Yes.

Mr. Wiles.—We understood from their representation that they were not functioning for the last three years and that no officials were appointed.

Mr. Dalal.—You have received a representation from the Labour Association? It still has one of our buildings as its office and it has got a Secretary.

Mr. Wiles.—What about the Federation?

Mr. Dalal.—It is a different body. Their affairs are in a state of great confusion. Since the arrest of Mr. Homi, there are several persons claiming to represent it. Who actually made a representation to the Board, I do not know.

President.—We had a representation from the Labour Federation and on receiving their representation we asked the Federation to send a representative to explain the points in their representation orally to us. After that, we have got one or two representations from other parties claiming equally to represent the Federation. I believe we have asked all these parties to come.

Mr. Dalal.—If it is the Association it is a different matter. As regards the Federation, there are two men Mangal Singh and Patnaik fighting amongst themselves and claiming to represent the Union.

President.—We are very gratefull to the Company for the very thorough and careful way in which they have presented their evidence in this enquiry. It is possible we may want to re-examine the Company on points which may be raised before us by other witnesses. If it becomes necessary to re-examine the Company, I don't think the examination is likely to be held before January. I think we will be occupied with the examination of other witnesses till then but the Company must be prepared, if occasion arises, to appear again for examination.

Mr. Dalal.—Yes.

THE TATA IRON AND STEEL COMPANY, LIMITED.

Evidence of Messrs. A. R. DALAL, R. MATHER and J. C. MAHINDRA, recorded at Calcutta on Thursday, the 11th January, 1934.

President.—Mr. Dalal, on many of the points which arose during the first oral examination of the Company which required further consideration, you have supplied us with supplementary information and I don't think it is really necessary now to go over many of those points, because I think we have got now from you all the information we want for coming to the conclusion on these points. There are just a few matters on which we should like a little more information than we have received so far. The first point on which I should like some information is whether any developments have taken place regarding the question of the freight rates to be charged by the Bengal Nagpur Railway. Has any development happened since we examined you last?

Mr. Dalal.—Yes. There was a meeting between our Board in Bombay and Sir T. Wynne representing the Bengal Nagpur Railway at which an arrangement was arrived at under which the Steel Company has agreed to pay a lump sum of Rs. 20 lakhs more than the existing freight rates subject to certain conditions and for the period of the future protection.

President.—The existing freight rates would be charged and, in addition, at the end of a stated period you make a sort of lump sum contribution to what you pay as freight?

Mr. Dalal.—Yes.

President.—That has been fixed at Rs. 20 lakhs a year.

Mr. Dalal.—Yes.

President.—That is the arrangement which has been reached between your Company and the Bengal Nagpur Railway?

Mr. Dalal.—Yes.

President.—Is that final?

Mr. Dalal.—We are awaiting the views of the Government of India in the Railway Department.

President.—This has got to be sanctioned by the Government of India? Is that the procedure?

Mr. Dalal.—I could not say exactly what the procedure is. So far as the Bengal Nagpur Railway and ourselves are concerned, we have arrived at this arrangement, but we have not heard anything from the Railway Board.

President.—How does the Railway Board come into this? What I mean to ask is supposing an arrangement is arrived at between a Company-managed Railway and a body like yourselves, then is the procedure this that the matter should be considered also by the Railway Board and the Government of India before the arrangement is put into force?

Mr. Dalal.—Not exactly, but unfortunately in this case the arrangement as it is worded is that the existing rates stand and over and above that a contribution of Rs. 20 lakhs has got to be paid. Now as some of the existing rates are below the minima rates laid down by the Railway Board they may have to say something in this matter in which case we have to readjust the whole thing so as to come up to the minima and still pay Rs. 20 lakhs.

President.—Have you any idea as to when you are likely to receive definite information regarding the rates?

Mr. Dalal.—I could not say, but it should not be very long.

President.—You expect that you would be able to give us definite information before the end of February?

Mr. Dalal.—I think so.

President. As soon as a definite settlement is arrived at, I should like you to intimate the fact to us and I should like you also to give us in that case a revised statement of the increased charges which are likely to result from the final rates as compared with the existing rates.

Mr. Dalal.—Certainly.

President.—That is to say revise the tables that you have given in your representation in accordance with the final rates as soon as you are in a position to do so.

Mr. Dalal.—Yes.

President.—Another point I want to raise is with regard to the Tinplate Company. The Tinplate Company sent us a supplementary representation, I mean after the original representation in which they make the suggestion that differential duties should be introduced on imported tinplate. Now on the figures which they have given us, if a differential system were adopted, the duty on Welsh tinplate would be somewhat lower than the present rate of duty, namely Rs. 48, while the duties on tinplate imported from countries other than United Kingdom would be considerably higher than the present rate of duty. So when we saw that was the position under a scheme of differential duties, we asked the representative of the Tinplate Company what the effect of that would be on the agreement regarding tinbar between you and the Tinplate Company, because as you know, the existing rate of Rs. 83 is to continue under the agreement until the end of December, 1936, or the withdrawal or reduction of duty whichever comes early. If you have a compound duty, one of which is lower and the other is higher than the existing duty, would that amount to a reduction of duty?

Mr. Dalal.—This is, I presume, a hypothetical question—in case any such differential duty is agreed upon by the Tariff Board.

President.—It is something more than that. Before we make up our minds whether a differential duty should be imposed or not, we should be in a position to know whether a differential duty would help the Tinplate Company at all, that is to say whether the additional protection they might get from a differential duty, *i.e.*, a higher duty on non-United Kingdom plates, might not be more than off set by the higher price they would have to pay for tinbar under the agreement. That is the position.

Mr. Dalal.—It is an extremely difficult point on which we at present have not been able to come to any decision at all, but the matter will probably have to be referred to our Board and I think the first thing that they would do in that case would be to obtain expert legal opinion as to exactly how the arrangement is to be interpreted in the light of these altered circumstances.

President. Have you been approached by the Tinplate Company of India?

Mr. Dalal.—No.

Mr. Mather.—We have been told that they are going to approach us, but we have not yet been approached.

President.—Supposing they approach you in a week from now, you have to refer the question to your lawyers. What sort of time all this might take?

Mr. Dalal.—It could be settled in about a month's time.

Mr. Mather.—You will realise that on matters of this kind, lawyers might differ.

President.—There is nothing more you can say about it, because the question is essentially a legal question.

Mr. Dalal.—Yes.

President.—The third question that I want to raise this morning is the question of the price at which pig iron is sold. We have had a great deal of discussion since we examined you last regarding the question of pig iron prices and I should like to put to you the position of pig iron as far as we are able to understand at this stage. The complaint we have received regarding the prices of pig iron comes largely from small foundries. Their complaint amounts to this that the price charged for pig iron to them in the country is considerably higher than the price at which pig iron is being sold to certain large purchasers in the country and we have taken some trouble regarding the facts underlying this complaint. I will tell you how the situation presents itself to my mind. As far as you are concerned the pig iron sold is almost entirely basic iron and I examined your prices both internal prices and export prices over a period of six years and I find on the basis of prices f.o.r. works the difference between the export price and the internal price is somewhere about Rs. 10 to Rs. 12. That is as far as basic iron is concerned.

Mr. Mather.—That is as far as all our iron is concerned. It is mainly basic.

President.—Almost entirely basic?

Mr. Mather.—Yes.

President.—With regard to foundry iron under the arrangement which now exists between you and the Indian Iron and Steel Company, they are responsible for the sale of foundry iron very largely, aren't they?

Mr. Mather.—To the engineering firms. We sell to the bazaar.

President.—What you sell in the bazaar is really basic iron.

Mr. Mather.—To a very large extent basic iron, but not exclusively.

President.—Where do you precisely draw the line between the basic iron and the foundry iron?

Mr. Mather.—At 1·25 per cent. silicon.

President.—Have you been selling iron with a silicon content above 1·25?

Mr. Mather.—In small quantities. I can give you the figures. In 1932-33 for the Calcutta market for the bazaar—I am not speaking now of the large engineering firms—we sold 8,000 tons of basic iron and just under 700 tons of foundry iron.

President.—Approximately what class of foundry iron is it? Is it No. 4?

Mr. Mather.—Approximately, but the purchasers of this foundry iron in the bazaar take in quite small units; sometimes No. 4, sometimes No. 2 and sometimes No. 3.

President.—Mainly under 2 per cent. silicon?

Mr. Mather.—Yes.

President.—At what sort of price did you sell?

Mr. Mather.—We sold the basic iron at an average price delivered at Calcutta at Rs. 26·8.

President.—That is the basic iron delivered f.o.r. Calcutta?

Mr. Mather.—Yes.

President.—And your foundry iron?

Mr. Mather.—At an average price of Rs. 57.

President. That is the point I want to raise. I have examined the relation between the prices of foundry iron and basic iron in other countries. I cannot find any country where there is a difference of this magnitude between foundry iron and basic iron. To my mind it is an unreasonable position. That is what I want to put to you.

Mr. Mather.—I submit that equally you will find no other country in the world in which anybody can buy basic iron in small quantities at Rs. 26·2 per ton delivered at his station.

President.—You raise Rs. 26·2, as far as small purchasers are concerned, to Rs. 35. You still have got a very big difference to account for—a difference which is out of all proportion to the costs of basic and foundry iron.

Mr. Dalal.—It is only to a very small extent that we are interested in the sale of foundry iron. Most of our sales are basic iron and that basic iron is being utilised in large quantities by the smaller foundries.

President.—That is a different question. I don't like the position that the supplier should be in a position to determine what the purchaser should buy. I don't think that it is a reasonable position, especially when the supplier is in a fairly strong position in which you are here.

Mr. Dalal.—We are mainly concerned with the manufacture of basic iron for our own purpose. It is to a very small extent that we can supply them with foundry iron and we find that basic iron is suitable for the use of small foundries. We are prepared to supply it at an extraordinarily low price.

President.—Practically every person who appeared before us on behalf of small foundries definitely stated that basic iron would not be suitable for their purpose.

Mr. Dalal.—With that I don't agree.

President.—Remember every manufacturer has told us so.

Mr. Mather.—We have letters from a large number of small foundries, each of them saying that it used our basic iron and that it found it suitable. The volume of sales is sufficient to show that. A technical examination of the matter, having in mind the kind of products made from this iron, will show that this basic iron of ours is suitable for the purpose. The actual buyers of this 8,000 tons of iron last year are raising no complaints about its unsuitability. We have had no complaint from them. It is not from the buyers of our iron that any complaint comes about the unsuitability of basic iron for the manufacture of those articles. One of them says that he makes use of basic iron for the manufacture of rice bowls, rain water pipes and fittings and railings. The next one uses basic iron for the manufacture of rice bowls and cast iron weights. The next one covers the same ground. Another one is doing very much the same kind of thing.

Mr. Wiles.—The Tatanagar Foundry told us that they were able to use your basic iron by mixing it with silicon. Is that a common practice with these other people?

Mr. Mather.—I don't think it is. You can take it that it is quite certain that they do not.

President.—Take an article like rain water pipes. Is it possible to use basic iron for the manufacture of rain water pipes without treating it further?

Mr. Mather.—Yes.

Mr. Atha.—Possibly they use a good proportion of scrap.

Mr. Mather.—They always use scrap. It is because there is such a large volume of good suitable scrap always available on the market in India that we are not able to sell larger quantities of iron to small people.

President.—Supposing a manufacturer took the line that he did not want basic iron for his purpose and that he would rather have foundry iron, is it reasonable to tell him "Look here, we are not going to let you have foundry iron although it is the kind of iron you want"?

Mr. Mather.—Might I approach the question from a rather different angle? The price at which iron can be imported into India, without the benefit of a protective duty and even without taking into account the existing revenue duty, is a high one. We are selling basic iron at a very much lower price than that. As far as the Tata Iron and Steel Company is concerned, we are not in a position to undertake to supply large quantities of foundry iron, but we are in a position to undertake to supply large quantities of basic iron.

President.—The position is we are talking about the price of pig iron in a country where the production of pig iron is the cheapest in the world.

Mr. Mather.—Yes.

President.—Even if you consider it reasonable that pig iron should be sold in this country at a price corresponding to the f.o.b. price in a high cost country like England *plus* the revenue duty, then I simply have to say that it is an unreasonable position.

Mr. Mather.—That is not our position. I submit that the price at which even the foundry iron has been sold is substantially lower than the import price.

President.—I discussed it with the Indian Iron and Steel Company. If you take No. 3 Cleveland foundry, the kind of price at which No. 3 is sold in Calcutta is the f.o.b. price in United Kingdom *plus* the revenue duty without the freight.

Mr. Mather.—Yes.

President.—If you are going to justify this high scale of price on the ground that you are not taking into account the freight which otherwise you would be entitled to do, to my mind it is not reasonable because by this arrangement you and the Indian Iron and Steel Company constitute yourselves a monopoly in this country.

Mr. Mather.—I submit that in spite of that the average small foundry in India is buying its iron materials, pig iron and scrap, at an average price lower than they can be bought at in any other country in the world.

President.—It might be lower still considering the costs in this country. Look at it this way. This argument was put before us in the 1930 enquiry. There we were concerned only with the question whether the revenue duty should be continued or not. Here we are concerned with a bigger question, that is to say, whether an essential raw material like pig iron should not be made available to the small manufacturer in this country at a price which bears a closer relation to the costs and the other necessary charges of the manufacturer. That is how I am going to look at it. Now what is the average price at which you have been selling foundry iron?

Mr. Mather.—Rs. 57 delivered in Calcutta in 1932-33.

President.—What was the price f.o.b. for export in the same period?

Mr. Mather.—I don't think we sold any foundry iron for export.

President.—What is your basic iron price?

Mr. Mather.—Our average export price gave us a nett realisation of Rs. 19·7. The f.o.b. price would be Rs. 24·7 in 1932-33.

President.—The usual difference between basic and foundry iron I take it is somewhere about 3 shillings—not more than that.

Mr. Mather.—Approximately that.

President.—Take it at Rs. 2.

Mr. Mather.—Yes.

President.—The corresponding f.o.b. price for foundry would be Rs. 26.

Mr. Mather.—Yes, Rs. 26·7.

President.—Do you think it is wise that in regard to an essential raw material the internal price should be 200 per cent. more than the export price? Is that a reasonable arrangement?

Mr. Mather.—I don't regard the foundry iron simply and solely by itself as the essential raw material. To my mind it is the mixture of foundry iron, basic iron and scrap in the proportions in which the customer buys them which are essential raw materials.

President.—It is one of the essential raw materials.

Mr. Mather.—Yes.

President.—I am speaking of an essential raw material which is sold abroad at a price which is 100 per cent. below the price at which it is sold to the manufacturer in the country. Do you consider that a reasonable arrangement? Can you find a precedent for this kind of thing?

Mr. Mather.—I think I could.

President.—For an essential raw material?

Mr. Mather.—Yes, for steel. In Germany the ratio between the export price and the internal price varies from time to time and I think there would be no difficulty in finding cases in which that ratio has existed.

President.—What is the import duty on steel in Germany?

Mr. Mather.—Like our import duties it varies according to the product.

President.—There is no protective duty on cast iron in this country. Therefore the internal market is not a sheltered market. The internal market for steel in Germany is a sheltered market and that justifies the difference. This cannot be defended whichever way you look at it and I think the point has got to be reconsidered. Look at it this way. What is your basic iron price?

Mr. Mather.—The average price for export is Rs. 24·7.

President.—Take it at Rs. 25. It is shipped from Calcutta. If you take the freight—I don't know what the freight is to Japan, you take it at Rs. 30.

Mr. Mather.—The freight is higher.

President.—You add conversion at Rs. 25.

Mr. Mather.—Then there is the import duty into Japan, which this iron has got to bear.

President.—Are you sure that the import duty is not given in the way of drawback in the case of an exported article?

Mr. Mather. I do not know.

President. I suggest they get a drawback.

Mr. Mather.—I can only surmise that it is not given in the way of drawback because the import duty was raised in order to protect the Japanese iron manufacturer.

President.—I know of two or three industries in Japan where their high import duty on the raw material is given back in the shape of drawback when the manufactured article is exported. I do not know the facts, but suppose that was the position, the prices at which the raw material is supplied to manufacturers in this country and shipped abroad would make it impossible for the local manufacturers to stand competition from their rivals.

Mr. Dalal.—So far as the position of our Company is concerned, it is only a few hundred tons of foundry iron that we sell in the course of the year. We are not particularly interested in the manufacture of foundry iron. What we sell is surplus to our own requirements of foundry iron. It does not pay us to go in specially for the manufacture of foundry iron. What we are interested in is the manufacture of basic iron only and we submit that basic iron is suitable for the purposes of small foundries and that it is being used by them. That is our position. So far as foundry iron is concerned it is to a very, very minute extent that we are interested in the matter at all.

President.—You are however a party to an arrangement which makes this price possible.

Mr. Dalal.—That arrangement is justified on the ground that otherwise it will not be possible for the other Company to keep going at all. If that is the position, I don't see how the situation of the foundry iron user in this country is going to improve.

President.—That is a point on which we have to be satisfied. The total quantity supplied to small foundries as compared with the total output is to my mind so small that a reduction of the internal price to a more reasonable level as compared with the export price would have such a serious effect on the local industry as to make it necessary for that industry to close down?

Mr. Dalal.—That certainly is a point for the other firm. If the other Company is prepared to consider the question of reduction of this price, then we on our side would be quite prepared to fall in. I may say that very often we have pressed upon them the advisability of such a course. We are very little interested in it.

President.—I find in face of the complaints that we have received of the very wide differences which are now observed between the prices charged for pig, I am seriously disturbed at the fact that these prices which to my mind are somewhat indefensible have been rendered possible by an arrangement to which the protected industry is a party. What our conclusion ultimately will be I do not know, but I want to state my personal reactions to this.

Mr. Dalal.—I quite see the point. Supposing we were not a party, then as I said we would not be able to supply all the demands of the foundry makers because we are not going to set up a special furnace to make foundry iron. It will not pay us to do it. We will merely confine ourselves to the manufacture of basic iron and the quantity of foundry iron that we will be able to supply will be very small.

President.—Yes. Personally I am considering whether, in view of the facts I have placed before you, we should not recommend the removal of the revenue duty on pig iron which partly makes it possible for this difference in price.

Mr. Dalal.—If such a course were adopted, I would of course leave the Tariff Board to consider seriously the advisability of adopting such a course—I don't think that it would affect us. As you know we are selling our iron at a very reasonable price.

President.—I am free to admit that if the difference between the export price and the internal price does not exceed the sort of difference that has prevailed in your case, it would be a reasonable arrangement. But a difference which makes the internal price more than double the export price in the present conditions of competition is to my mind a matter that calls for serious consideration. I realise that you are not directly concerned with this question, but you have an indirect connection with this question and in any arrangement which may be brought about hereafter between you and other pig iron producers it is I think important that this aspect of the matter should be considered.

Mr. Dalal.—We will certainly bear this in mind and we will again consult the other pig iron producers to see if a more reasonable arrangement could be arrived at.

President.—What is the period of arrangement between you?

Mr. Dalal.—No definite period is specifically laid down.

President.—Is it renewed?

Mr. Mather.—It is simply subject to four months notice.

President.—No particular period?

Mr. Mather.- No. I may point out that if the prices of foundry iron were very substantially lowered not only would the other pig iron producer in British India be affected but also possibly the Mysore Iron Works. We should presumably then have to give up the arrangement under which we refrain from competing in South India.

President.—That is a position which I have considered. The interests of the Mysore Iron Works have to be taken into account in exactly the same way as the interests of other producers. But the position is that much the greater part of output of pig iron both foundry and basic is shipped abroad and the sales inside the country are comparatively little. The greater part of the production is sold at prices which are considerably below this price of Rs. 57 which you have given us.

Mr. Mather.- Yes.

President.—Therefore if a different arrangement were brought about regarding the prices at which foundry iron would be sold to small manufacturers, the proportion of the total output which the new arrangement might affect is in my opinion relatively small.

Mr. Mather.—As far as the Tata Iron and Steel Company is concerned, they would have no appreciable effect on our position.

President.—Do you think that it is obligatory on your part before you enter into an arrangement of this to see that wider interests are not affected?

Mr. Dalal.- Certainly, we have to see to that.

Mr. Mather. -Undoubtedly, but I am not clear from the representations that have been put before the Board -the Board may have additional information—in what way the interests of these small foundries, which we certainly regard as legitimate interests for attention and consideration, are seriously affected. We are unable to find in the Trade Returns any evidence that iron castings of the type in which they are interested are being imported.

President.—Substitutes are being imported. I feel in practically every major enquiry that we have done in connection with the Tariff Board while protection is a thing which is generally in the interest of the country the parties which suffers are generally the small people, people who are not able to take care of themselves, and it is for the Tariff Board to see that these industries do not suffer while the major interests of the industry are safeguarded.

Mr. Dalal.—Is it made out that the interests of the small foundries are seriously affected, because if, as we say, it is correct that basic iron is being used by small foundries, then I do not quite see how the interest of the small foundries would be particularly affected.

President. -Suppose the Tariff Board came to the conclusion that the interests of the small industries were likely to be affected?

Mr. Dalal.—Then we would be quite prepared to undertake to consult the other pig iron manufacturers and modify the agreement.

President.—I think for the present I would leave it at that. I want to refer to a statement that you make in your memorandum No. 17 regarding the sale of pig iron. In that memorandum you say "This iron is sold at a much lower price than the other grades, but the Company is prepared to supply to the smaller foundries (at the same price as basic) suitable iron for specific purposes, if a genuine demand arises and it is clear that basic iron cannot satisfactorily be used". The prices of foundry iron that you have given us are very considerably above the basic prices?

Mr. Dalal.—That is so.

President.—Have you ever quoted a lower price for foundry iron under this provision?

Mr. Dalal.—We are quoting lower prices now for foundry iron.

Mr. Mahindra.—The position is this: there is the danger of supplying foundry iron at a lower price and the other people re-selling in competition with us. That is the reason why we put this clause more or less on these lines.

President.- That can easily be set right. If a genuine producer asked you for a supply, and not a dealer, in reasonable quantities, that danger is completely met.

Mr. Mahindra.—That is true. But if he comes forward and says that he requires foundry iron or basic iron or a mixture of both for the purposes of producing certain kinds of castings then I give instructions to the works to mix the foundry iron and the basic iron and supply him with that.

President.—Have you done it in any case.

Mr. Mahindra.- I have offered to do that in the very recent case of Messrs. Sikdar Iron Works when their representative approached me in this connection.

President.- What precisely was your offer?

Mr. Mahindra.—That I would supply them a mixture of basic and pig iron for the purpose for which they required it, *i.e.*, for the manufacture of special castings.

President.—At what price?

Mr. Mahindra.—At the same price as for the basic pig iron.

President.—What reply did they give you?

Mr. Mahindra.—They have done nothing further.

President.—How long ago was this?

Mr. Mahindra.—About a month ago.

President.—The provision as you word it here, is "if a genuine demand arises and if it is clear that basic iron cannot be used". Clear to whom? To you?

Mr. Mather.—Yes.

President.- You think that the Tata Iron and Steel Company should be satisfied that the purchaser cannot use some other material which he thinks it more convenient to use?

Mr. Mather.—Our foundry experience is greater than that of most of these small foundries and we may be able to suggest to them a mixture which is more satisfactory for their purpose and which will cost them less money. After all we have a very substantial experience in this connection.

President.- You have not got experience of rice bowls and rainwater pipes because you have not cast things for the market.

Mr. Mather.- Not in recent years.

Mr. Mahindra. I may add that I offer technical help to any foundry which comes forward to use our raw material.

President.—If they don't care to take your technical services you cannot blame them for that.

Mr. Dalal.—This is all done because we are offering to sell our material at a substantially low price.

President.—I think I have stated my own position fairly clearly.

Mr. Dalal.—Yes.

President.- The point was brought to our notice by the Railway Board that in regard to billets of C and D class they have found it difficult to get suitable supplies from the Tata Iron and Steel Company. Is that a correct statement?

Mr. Dalal.—There have been grounds for complaints, I admit, with regard to the supply of C and D class billets in the past but we are trying to make good that deficiency as hard as possible and we believe that during the next two or three months we shall be in a position to manufacture this class of steel in such a manner as would not give them any cause for complaint.

President.—When was this enquiry made? Was it an enquiry or a definite order?

Mr. Dalal.—A definite order.

President.—How long ago was that?

Mr. Dalal.—About a year ago.

Mr. Mahindra.—I discussed this matter with the Railway Board.

President.—What precisely was the difficulty with regard to the quality?

Mr. Mahindra.—Sometimes the C and D class steel which was supplied to the Railway workshops was not found homogeneous; there was one case in which they found pipe but otherwise we have found that all the steel of C and D class which has been supplied for wagon building has been found suitable.

President.—What was the quantity involved in this particular order?

Mr. Mahindra.—It was not one case, but small orders placed from time to time. Sometimes steel supplied and passed by the Metallurgical Inspector at Jamshedpur when actually worked in the workshop was found defective.

President.—What was the quantity involved?

Mr. Mahindra.—500 or 600 tons of this class of steel.

President.—In your opinion the evidence does not justify the conclusion that Tatas would not be in a position to supply billets of these special classes, either that you are not in a position or you may not think it worth while because of the small quantity involved?

Mr. Dalal.—We have been considering this question and we have been in consultation with the metallurgical department and the metallurgical department has assured us that they are now thinking of certain means of avoiding these defects by which they would be able to supply C and D class steel in the future in a very satisfactory manner.

President.—I will tell you the practical aspect of this question. If we decided to accept your proposal that the duty should be levied on billets, the question would arise whether the duty would not be unnecessary in the case of billets of special classes, and if it is clear that either you are not in a position or you may not think it worth while to roll billets of this class, then the question would have to be considered in that light.

Mr. Mather.—I quite see the point. Our attitude is that the complaints which you mention were brought to our notice and as Mr. Dalal has told you, we had the matter investigated very carefully and we are definitely in a position to assure you that when we roll against the next order we shall be able to avoid the defects which arose last time. I personally believe that we will be able to supply satisfactory billets and that being so we shall certainly want to book the orders even though the quantities are small.

President.—Can you tell me approximately what proportion of the quantity of the special class of billets that you supplied to the railways has been subject to complaint. Is it possible to give us some indication?

Mr. Mahindra.—For the last eight months the railways have not placed orders for C and D class billets. As far as I understand the position is this. We supply basic steel. The C and D class steel is generally produced in an acid furnace. The latest developments at Jamshedpur lead us to believe that we will be able to produce satisfactory steel for C and D class specifications.

Mr. Mather.—I may point out that we have also supplied substantial quantities of bars of C and D class on which we have practically no complaint.

President.—Mainly to wagon builders?

Mr. Mather.—Yes.

President.—What quantity did you supply of these special bars?

Mr. Mather.—500 to 700 tons per year.

President.—There has been no complaint at all?

Mr. Mather.—Practically no complaints.

President.—We may take that as a definite statement?

Mr. Mahindra.—There has been a complaint about surface defects in one consignment. The position is this: these billets when they are supplied from England are generally chipped and from our works we used to supply without chipping them. At present we have adopted the practice of chipping and in future we shall get rid of this defect.

President.—There is another question with regard to the railways and that is a much more important question that I want to raise this morning. That is the question of the form of protection to be adopted regarding rails. You remember, Mr. Dalal, we discussed this point in the first oral examination. As I look at the question at present the suggestion is this: there are two ways in which we can grant you protection for rails. We can do it in the form an agreement more or less on the present lines or we can have simultaneous tenders. These are the only two alternatives.

Mr. Dalal.—Agreement more or less on the present lines!

President.—Either it is an agreement or it is a case of simultaneous tenders.

Mr. Dalal.—Agreement between us and the Railway Board.

President.—If it is an agreement, the agreement has got to be based necessarily on some price. The present agreement is based on the fair selling price estimated by the Tariff Board.

Mr. Dalal.—Yes.

President.—It can be based also on a price corresponding to the import price. These are the two alternatives regarding prices on which the agreement may be based. In that connection you make a statement in paragraph 105 of your representation "The Company understands that it is the policy of Government to purchase the whole of its requirements of rails and fish-plates in India at the prices at which it could import these articles". The present method of purchase of rails by the Railway Board does not confirm this statement because they are being bought not at the price at which the Railway Board could import these articles but at the price which would give the Tata Iron and Steel Company a fair return.

Mr. Mather.—Rails are being bought under a seven year contract which has been extended for a year. The price in that contract was agreed between the Company and the Railway Board at the end of 1926 in special circumstances on a communication made confidentially by the Railway Board to the Company in order to enable this agreement to be arrived at in adequate time for us to take account of the protective duty which was recommended by the Tariff Board as a result of the enquiry in 1926. That protective duty as you will remember was Rs. 13 which appeared to be necessary in order to enable the Company to get a fair selling price. Therefore, although it is correct that the price provided in the present contract is the fair selling price, the contract price was brought up to that by means of the protective duty.

President.—That is not the correct statement of the position Rs. 110 was precisely the fair selling price we arrived at for rails. We proposed in the 1926 report that much the best arrangement would be for the Railway Board to buy rails from the Tata Iron and Steel Company at this price but we had no means at that time of ascertaining whether our proposals would be accepted or not. We therefore decided to recommend a protective duty in case some other arrangement was adopted, but this Rs. 110 was definitely the fair selling price.

Mr. Mather.—That is so, but it also corresponds with such price as the Tariff Board was able to obtain in 1926, for imported rails. If my recollection is right, the rate was Rs. 105 at that time. Rs. 13 duty brought that up to Rs. 118; an allowance of Rs. 8 for the freight disadvantage on the distribution of rails from Jamshedpur left Rs. 110.

President.—Are you quite sure it was Rs. 105? My own recollection is that the import price with the protective duty would have given a considerably higher price than the fair selling price even after allowing for freight disadvantage.

Mr. Mather.—Table XVIII of the 1926 Report shows that the c.i.f. price landed without duty for British rails was Rs. 105. A duty of Rs. 13 was levied and that brought the price at the ports to Rs. 118 corresponding to the fair selling price of Rs. 110 taking into account the freight disadvantage.

President.—It is a curious situation.

Mr. Mather.—You followed the normal procedure in ascertaining and recommending the duty. The Board ascertained the Steel Company's fair selling price at Rs. 110 and the freight as assumed by the Board was Rs. 8. If the Steel Company were to get a fair selling price, the import price should be brought to the level of Rs. 118 at the port. The import price was Rs. 105 and the duty required was Rs. 13 which was recommended by the Board and accepted by the Legislature.

President.—Suppose we followed this method in this enquiry. Suppose we decided that the agreement should be based on the import price *plus* duty. Now in the present case no protective duty is called for.

Mr. Mather.—That is clear.

President.—The revenue duty may be there.

Mr. Mather.—Quite so.

President.—So we take a price of Rs. 94 ex-works. That converted into a fair selling price at port would be Rs. 94 *plus* Rs. 8 or Rs. 102. What you would like is a price corresponding to the import price *plus* the revenue duty if there is no protective duty.

Mr. Mather.—Quite.

President.—Supposing I take your figure of the import price of rails without duty at Rs. 112·5, then taking the normal revenue duty at 10 per cent. and adding Rs. 11·2 to that, you get Rs. 123·7; then deduct Rs. 8 from that which gives you Rs. 115·7 ex-works.

Mr. Mather.—That is right.

President.—If we decided to base the agreement on a price not necessarily based on the fair selling price, but on an import price including revenue duty, convert it to f.o.r. Tatanagar, it would be a price of somewhere about Rs. 108.

Mr. Mather.—If it is your opinion that the revenue duty should be taken at 10 per cent., we should accept your judgment without question.

President.—I have no particular judgment about it, but I think on railway materials 10 per cent. may be taken as normal from the experience of the past 10 or 12 years.

Mr. Mather.—Yes.

President.—If we accepted this figure, then the Railway Board would have to pay Rs. 5 more than they are paying now in spite of the reduction in your costs. That does not sound very reasonable.

Mr. Dalal.—It is the commercial basis. As far as I know the Railway Board would like to purchase their rails on the commercial basis and this is the way we arrived at this figure.

President.—Don't base anything on that Mr. Dalal, because I have no evidence if that is the view of the Railway Board. You may think so, but

I have no evidence for thinking that it is the policy of the Railway Board. I do not know what their policy is. But when the present price is Rs. 110 for ordinary rails and that price has prevailed for the past 7 years while the industry has been able substantially to reduce its costs and may reduce them still further hereafter, would you consider it a satisfactory arrangement that the price of rails should be raised by Rs. 5?

Mr. Dalal.—We don't stand to benefit by that, because that will go towards a reduction of duties on other materials; but if that is the fair price at which the Railway Board can purchase rails, we don't see that there is anything unfair in their paying that price.

President.—I still do not understand what from your point of view is the difficulty in case the agreement is based on a fair selling price, because if you get a surplus, you surrender the surplus.

Mr. Dalal.—I think we would surrender the surplus in favour of materials where the duty still stands on a fairly high level.

President.—There is one practical difficulty. This price of Rs. 115 which we take as the ex-works price corresponding to import price is based on a price of £7-7-6 I think as the lowest price from the United Kingdom. I should like to know in a little more detail what precisely is this quotation.

Mr. Mather.—That price as stated here is the lowest price so far as we know at which the United Kingdom sold rails during the year 1932. That was for an order to the best of my knowledge of about 15,000 tons for South Africa. I may add that since the last occasion on which we were giving evidence, I have made further enquiries and I believe that the lowest price at which the United Kingdom has sold rails for the whole period from the time when England went off the Gold Standard up to the present is £7-2-6 which is 5 shillings lower than this figure.

President.—£7-2-6 is the lowest price quoted by the United Kingdom since when?

Mr. Mather.—Since England went off the Gold Standard. I can also add that the price at which British railways buy rails is £8 f.o.r. makers' works.

President.—You mean the internal price?

Mr. Mather.—Yes.

President.—That is no use for our purpose. The lowest price is £7-2-6 since England went off the Gold Standard. What sort of order was it?

Mr. Mather.—I have no specific details. There again I believe it was for an order of 10,000 to 15,000 tons. That is of course for sale within the reserved area for British rail makers.

President.—Then the IRMA'S minimum would apply.

Mr. Mather.—Yes.

President.—£8 sterling which in India I think might make a difference between the lowest United Kingdom price that you quoted of about Rs. 12.

Mr. Mather.—Approximately that.

President.—Supposing I take the line that if the Railway Board were in a position to call for tenders from British manufacturers for an order approximating 60,000 or 70,000 tons, they might get much better quotations than £7-2-6 sterling.

Mr. Mather.—We have a certain amount of difficulty in discussing this in detail, because there is no available record of all the transactions of the IRMA. But I do not believe that I am in error in saying that IRMA would not reduce the price simply because the order is big. The IRMA has reduced the price in the case which I have just mentioned to £7-2-6, because it thought in that event rails would be bought at that price but otherwise they might not have been bought at all or a smaller quantity would have been bought. It is not so far as I can gather the policy of the IRMA to reduce its prices merely because the order is large.

President.—It may not be policy of the IRMA to reduce prices in free markets, in neutral markets?

Mr. Mather.—In any of the markets.

President.—With regard to internal markets?

Mr. Mather.—In any of the markets.

President.—But then how do you have these variations? You have given us a few variations. How do these variations occur?

Mr. Mather.—According to the judgment of the IRMA Committee whether a lower price might induce the possible buyer to place the order; otherwise he would not buy at all.

President.—I am not in the confidence of the IRMA. Since there is no minimum observed with regard to internal markets and there is the possibility of getting in competition with some other party a very substantial order, why British steel makers should not quote more favourable prices, I do not know. I can understand their policy with regard to the minimum in the export markets but when there is no minimum at all in the internal markets of the participating country, what is the policy which underlies that?

Mr. Mather.—The position is essentially the same, because there within the British reserved area or the French, the German or any other reserved area, the makers work as a single unit and do not compete. There is no free competition.

President.—Supposing in an internal market there is a manufacturer who is not a participant in the IRMA and therefore competition arises from that source, then you see the whole body of manufacturers in the United Kingdom will act together.

Mr. Mather.—That is so. Here again as you realise we are only discussing hypothetical questions. I think it is more probable that the British manufacturers would get into contact with us realising as they do that we are in a very much stronger position to supply the rails in the Indian market than anybody else in the world.

President.—If you take £7-2-6, what sort of price do you get?

Mr. Mather.—It would reduce the price by Rs. 3·3 approximately.

President.—That would bring the import price with a revenue duty of 10 per cent. to Rs. 112.

Mr. Dalal.—Yes. May I point out that these prices which the British railmakers have quoted since England went off the Gold Standard are lower than the prices which they would otherwise have quoted.

President.—That is what indicates to me that considerable variations are possible according to circumstances.

Mr. Dalal.—To elaborate what Mr. Mather has just now said, if we visualise the circumstances under which British railmakers were to compete in the Indian market, what would be their position? It would be almost certain that they would not get the orders for rails. The only thing that would happen is we would have to drop prices in competition. That is not the kind of situation which they would like to see indefinitely. It may happen for one year or perhaps it may happen for two years and then there is a possibility that with our rail costs as they are we might compete in some of their reserved markets which we are in a position to do and they would not like such a situation to arise.

Mr. Mather.—It is not to their financial interests to reduce the price of rails in India, because they know in any event they would not get the order after one or two years. Naturally in that event it would lead to a strongly competitive attitude between the Steel Company and the British railmakers which might in certain circumstances in future lead us to compete in a way which would definitely be to their detriment.

President.—You admit, don't you, Mr. Mather, that we are speaking of factors which are almost entirely hypothetical.

Mr. Mather.—That is so.

President.—Do you think it reasonable in regard to an article like rails to fix a price for a period of seven years on what is after all a hypothetical figure? About this figure of Rs. 94 there is no hypothesis. We can establish that.

Mr. Mather.—Might I suggest these are important facts in the situation? When the price for the present contract was fixed at the end of 1926, the IRMA was not operating and the world price of rails has very substantially risen since 1926. Therefore it does not seem to us to be inherently unreasonable that our price should rise by Rs. 5 per ton. I submit that if the last Statutory enquiry had been held a year later, by which time the IRMA was operating—it began to function in October or November, 1926—then the position would have been that the price of rails would have been higher than was taken by the Board in 1926.

President.—From your point of view is there any objection to a system of simultaneous tenders?

Mr. Mather.—No.

President.—There is no protective duty required on your figures?

Mr. Dalal.—No. As between fixing on the basis of the fair selling price and simultaneous tenders, we would much rather have simultaneous tenders, because we feel certain that we would get much better prices.

President.—Supposing we had an agreement based on this price or on the fair selling price or some other price, supposing another steel works was started in this country, what would be the position?

Mr. Dalal.—It would be sometime before they brought down their costs in the matter of rails.

President.—Supposing they were in a position to quote the same price.

Mr. Mather.—Is this on the supposition that another Steel works was started?

President.—At the end of 4 or 5 years they would like to get a share of the world's market and they say "we are prepared to quote the same price as the Tata Iron and Steel Company".

Mr. Dalal.—Then of course it would be for the Government of India to divide the order.

President.—Suppose the agreement had not in the meantime been made?

Mr. Dalal.—There you are going into a region of greater hypothesis.

President.—We are really discussing various hypotheses now, so it is just as well to have the whole lot of hypotheses. On the first day of your oral examination, you were very keen on the possibility of another steel works being started. The proposals of the Tariff Board are put up in September and the Government of India legislate in October and straightaway the idea is taken up. By about 1937 or early in 1938 there is another steel works in the country. They would like to get a share of the rail market and they go to the Railway Board and say "Well, treat us exactly as you have been treating the Tata Iron and Steel Company".

Mr. Dalal.—That would only be an argument for not entering into an arrangement for the full period of seven years.

President.—What period would you suggest?

Mr. Dalal.—If such a contingency was regarded as at all probable . . . . .

President.—I thought you regarded that contingency as probable.

Mr. Dalal.—That they would within this period be able to manufacture at such costs as to compete with us seems to us to be very unlikely.

Mr. Mather.—Or at least that they would in the first instance equip themselves to manufacture rails.

President.—An arrangement of this kind would preclude such a possibility.

Mr. Dalal.—It seems to be such a very remote contingency that there is no likelihood of any harm being done to any party.

President.—Is there any objection from your point of view if the agreement were for a shorter period than the period of protection?

Mr. Dalal.—We don't see any particular object in doing that.

President.—Supposing there was some object and if it was done, would there be any objection from your point of view?

Mr. Dalal.—There would be no objection.

President.—Because your interests are not likely to suffer. Supposing at the end of four years there was a steel works started in the country and they adopted the same price or some price corresponding to the import price, it would not affect your position?

Mr. Dalal.—No.

Mr. Wiles.—You excluded in 1924 your operations on your collieries from your other activities.

Mr. Mather.—Yes.

Mr. Wiles.—Have you got separate accounts for collieries? They are not separated at all in the balance sheets.

Mr. Mather.—No.

Mr. Wiles.—I want to make it quite clear that the figures which you have given us in your representation do totally exclude any losses which you might have actually incurred on your collieries?

Mr. Mather.—That is so. May I be permitted to add we have not actually made a loss. They don't include the profits that we have made on the collieries which are, I admit, small.

Mr. Wiles.—That is to say, your realisations which you have given us in your representation are based entirely on the prices that you obtained for steel only?

Mr. Mather.—And pig iron, since pig iron was taken into account in the recommendations.

Mr. Wiles.—The cost of working your collieries appears in your profit and loss account under the heading "expenses of production"

Mr. Mather.—Yes.

Mr. Wiles.—You say that there is no loss in the period of seven years in the working of your collieries.

Mr. Mather.—No.

Mr. Wiles.—Taking seven years as the period.

Mr. Mather.—Quite.

Mr. Wiles.—I should like to refer you to your balance sheets. I am anxious to know a little about the reserve funds which you show there. I think you have (1) debenture sinking fund, (2) reserve fund account, (3) repairs and renewals account and (4) sinking and other funds. Does that complete the whole of your reserve fund accounts?

Mr. Mather.—We have for instance Income-tax Reserve Account which is a new item. The account above that "Provision and Reserve for doubtful debts" is a reserve in so far as the amount set aside may prove to be greater than the actual requirements.

Mr. Wiles.—Are these funds accumulated on any regular system? Do you set aside any percentage every year? How do they accumulate?

Mr. Mather.—There is no system.

Mr. Wiles.—Take one item—Debenture sinking fund.

Mr. Mather.—That was accumulated over a period of three years.

Mr. Wiles.—It is not added to?

Mr. Mather.—No.

Mr. Wiles.—It is held as a reserve against the repayment of debentures?

Mr. Mather.—As an additional reserve against the repayment of debentures. After three years, we decided to pay off debentures without making any special allocation.

Mr. Wiles.—What is the Reserve fund account?

Mr. Mather.—Reserve fund account is a survival of the prosperous days of the Company when we did put aside a sum of money. According to the earliest balance sheet which I have with me at the moment, *viz.*, 1926-27 balance sheet, the reserve fund was exactly the same amount. I think there has been no change in that since 1921.

Mr. Wiles.—For what purpose is that held?

Mr. Mather.—There was a balance from the profit and loss account which was transferred to the reserve fund account in a year or years in which the profits of the Company were large and the Company decided not to pay to the shareholders the whole of the profits.

Mr. Wiles.—The Directors are at liberty to use it for any financial purpose they like.

Mr. Mather.—Yes, subject to the sanction of the shareholders.

Mr. Wiles.—Repairs and renewals account—we discussed that at some length the other day.

Mr. Mather.—Yes.

Mr. Wiles.—The other account is "Sinking and other funds". Are these funds added to?

Mr. Mather.—Yes.

Mr. Wiles.—There has been an addition of about Rs. 4 lakhs.

Mr. Mather.—Yes.

Mr. Wiles.—Is it just a percentage?

Mr. Mather.—Most of that is a fixed amount per ton of material handled.

Mr. Wiles.—The item sinking fund is for the amortisation of debts?

Mr. Mather.—No. This group is mainly for the replacement of wasting assets, *i.e.*, minerals.

Mr. Wiles.—Is it against what is called "a depletion fund" or is it part of the depreciation fund?

Mr. Mather.—It is not part of the depreciation fund, which is allocated annually on the basis of the fixed capital invested.

Mr. Wiles.—But your depreciation fund at present is calculated on your capital expenditure on ore mines as well as everything else.

Mr. Mather.—Yes. We have very little or no capital expenditure on mineral deposits as such. We pay for that by means of a royalty. We have not capitalised the value of the minerals in the deposits unless we had to pay capital.

Mr. Wiles.—What is Rs. 86 lakhs which you show as capital expenditure on mines?

Mr. Mather.—That is on equipment—locomotives wagons and railway tracks, bangalows, quarters, repair shops, etc.

Mr. Wiles.—It does not include anything on account of the value of mines?

Mr. Mather.—No. So far as collieries are concerned, the value has in some cases been capitalised but you will of course realise that collieries are excluded from our valuation of the assets for your purposes. They have been capitalised merely because we purchased most of the collieries from existing concerns. We had to pay a large sum for the value of the coal in the seams. We were not the original leaseholders in some cases.

Mr. Wiles.—Let us confine ourselves to the ore mines. You say that this sinking fund is an accumulation against the depletion of your reserves of ore.

Mr. Mather.—Not exclusively. I will submit a note, if you want, giving a fuller analysis of that.

Mr. Wiles.—It is definitely not a sinking fund for the amortization of debt?

Mr. Mather.—No.

Mr. Wiles.—Additions made in the year represent percentages calculated on the quantities of ore taken out.

Mr. Mather.—They represent fixed sums per ton of mineral taken out.

Mr. Wiles.—I understand you have never kept any definite account of your depreciation fund. You don't regard it as a fund in which you are definitely restricted by audit rules. Do you ever have to satisfy your auditors as to the method in which you are applying your funds available in the depreciation fund?

Mr. Mather.—In what way should we have to satisfy the auditors?

Mr. Wiles.—In many industries I understand where a depreciation fund is actually kept, the Directors cannot spend money from the fund without satisfying the auditors that it is an item for which depreciation fund can be utilized. You treat your depreciation fund rather as a general addition to your finances?

Mr. Mather.—We keep one general financial account. We don't lock away the allocation to depreciation and invest it entirely separately. Nor do I think that practice is at all common.

Mr. Wiles.—It is not uncommon so far as my investigation goes. A separate account is kept showing how the amounts from reserves accumulated for the definite purpose of obsolescence or depreciation have been utilised. Here is a copy of the balance sheet of the Bethlehem Steel Corporation which will illustrate what I mean. There you have a rather an elaborate account in which they have shown not only depreciation fund but also obsolescence fund and depletion fund (shown).

Mr. Mather.—Yes. We keep our accounts in such a way that we could without difficulty prepare a table of this type.

Mr. Wiles.—It is a little beyond our competence to go into that. But it would have simplified our task very considerably if we had had some such accounts at our disposal. You remember the argument that we had the other day as to whether some of your additions to the capital expenditure could be met legitimately from your depreciation fund. I drew a distinction between capital expenditure from depreciation fund account and capital expenditure from a more general reserve. This illustrates what I mean.

Mr. Mather.—I should like to examine that in a little more detail.

Mr. Wiles.—You may keep it if you like and return it later on. In general, I take it from your subsequent memoranda regarding your proposed capital expenditure that one of the chief points is that you don't wish to be tied hand and foot to any particular expenditure, but you propose to follow roughly the programme subject to your financial circumstances. You don't want to be tied down to an annual programme.

Mr. Mather.—We are not in a position to say, and I doubt whether any concern of our nature would be in a position to say, definitely how all the money available for development during the next seven years is going to be spent.

Mr. Wiles.—I only mention that as arising out of what we just discussed. You have roughly classified your capital expenditure into expenditure which is entirely for replacement and expenditure which is more or less an addition to your normal activities.

Mr. Mather.—Yes.

Mr. Wiles.—I should certainly regard your expenditure on replacements as having the first claim on your capital expenditure.

Mr. Mather.—The expenditure on replacement I would submit can be regarded as having the first claim when it comes to the stage that it is absolutely necessary or unavoidable, but it does not necessarily follow that on any particular date, when one envisages the future and when certain developments are going on, the future unavoidable replacement should have precedence over the development item.

Mr. Wiles.—That is rather a matter for your domestic arrangement. I am only concerned to point out as far as the depreciation fund is concerned, I should regard the items of replacement as having definitely the first claim on the depreciation fund rather than extensions involving additional capital expenditure which might or might not pay for themselves.

Mr. Mather.—I do not feel that I could accept that position without qualification.

Mr. Wiles.—I am not dealing with any reserves which you may have in addition to the depreciation fund.

Mr. Mather.—I quite realise that.

Mr. Natesan.—Is it definitely your contention that these small industries do certainly get on with basic iron?

Mr. Dalal.—We find that small industries do use our basic iron to a very large extent for their purposes.

Mr. Natesan.—Are you in a position to say that you have had no complaints from them?

Mr. Mather.—Yes. We have had letters from them saying that they have been using our basic iron without any trouble.

Mr. Natesan.—Do the same parties come again and again and purchase basic iron from you?

Mr. Dalal.—Yes.

Mr. Mather.—They are regular customers.

Mr. Natesan.—With regard to the other statement to which the President drew your attention, you say that if there is a genuine demand, you would be prepared to supply.

Mr. Mahindra.—If somebody asks for special iron for a special article then we deliver him whatever iron he requires.

Mr. Natesan.—Will you go so far as to say that you would give him foundry iron with a small margin over basic iron?

Mr. Mahindra.—The distinction between basic iron and foundry iron is in the silicon content. If the articles they want to manufacture require a higher percentage of silicon we would certainly give it to them at the same price as basic iron.

Mr. Dalal.—We will not supply him with No. 2 foundry iron, or No. 1 foundry iron or anything like that.

Mr. Natesan.—You will determine exactly what material he should use?

Mr. Mahindra.—We are going to supply this material at a very low price. The railways, for example, want iron for sleepers: they do not specify what that iron should be and we call it sleeper iron; it need not be No. II or No. III or No. IV.

Mr. Mather.—I might point out that this is a case in which we have actually put into effect the principle indicated here, in the same spirit although perhaps not precisely to the letter, that we have supplied iron to the Tatanagar Foundry at special prices and that the foundry has not complained about the price at which we have supplied to them suitable iron for the manufacture of sleepers at a price which has no relation to the import price of pig iron and at a price which is practically the same at which we have been selling basic.

Mr. Natesan.—The point I am trying to emphasise is that having regard to the numerous complaints something should be done to see that this complaint is not repeated.

Mr. Mather.—We have gone a long way to meet them by giving them iron of the kind they require. What I feel about the complaints is that they come mainly from foundries which are not functioning to-day. Foundries which are working to-day, I may say that 90 per cent. of them have told us that they are using basic iron and are finding it suitable for the purposes for which they want it.

Mr. Dalal. Our buyers have not complained; persons who have complained are not persons who are working their foundries at the present moment.

Mr. Natesan.—Do you contemplate adding to the number of C class apprentices?

Mr. Dalal. We definitely propose to add to the number of C class apprentices. We had 50 in our scheme; this year we have taken 75 and we are proposing to increase it to 100.

Mr. Natesan.—Your proposal is to add as many as possible to the number of apprentices so that the sons of your employees get definite occupation?

Mr. Dalal.—Yes.

Mr. Natesan.—With regard to the sales arrangements, since our examination and having regard to the complaints have you thought it desirable to reconsider certain points regarding which complaints have been made, that is conditions of selling agency?

Mr. Mahindra.—The organisation for the sale of the various kinds of material is reviewed from time to time and as soon as we find that there is a weakness in it we revise the scheme and make it suitable as far as possible.

Mr. Natesan.—Since the examination and since the complaints have come up have you reviewed them?

Mr. Mahindra.—I do not know of any special complaints. If there is any definite complaint we would certainly do so. In the Calcutta market we had certain complaints some time ago, about a year and a half ago, and these have since been met.

Mr. Natesan.—What I have in view is the condition of your selling agency. A man might be willing to sell your products but the buyer might wish to add a few more items which if he were to buy elsewhere might cause a little delay. Therefore if your agent wants to buy these elsewhere and supply the buyer I hope it wont vitiate the clause in your agreement.

Mr. Dalal.—I don't know whether you mean merchant houses or the agencies in the Punjab or the United Provinces. If you mean the dealers' agreement, the position to-day is that we make the condition with regard to buying outside material as easy as possible. The only condition is that they must ask us before they buy and invariably they are given permission to buy things outside which we cannot supply them.

Mr. Atha.—In connection with rails, certain tonnages of rails are shown as second class rails in the cost sheets. Can you tell me how you dispose of these. Are they sold to the railways or to other customers?

Mr. Mahindra.—Not to the railways. They are usually offered to the various public bodies who use second class rails for purposes of trolly lines or some other purpose. Mosttimes these are used as posts.

Mr. Atha.—In the cost sheets they are treated as scrap. Are they sold at scrap prices?

Mr. Mahindra. The price that we obtain for these rails is very low and for all practical purposes it can only be treated as scrap.

President.—What is the sort of price you get now?

Mr. Mahindra.—Between Rs. 50 and Rs. 60.

Mr. Atha. That is two or three times the price of scrap!

Mr. Mahindra.—As a matter of fact we have not a large stock for sale due to the sort tonnage of good rails which has been ordered by the Railways in recent years.

Mr. Atha.—The additional credit you propose on second class rails is only Rs. 0·1?

Mr. Mather.—The quantity of second class rails that we are able to sell—although actually when we do sell we get a price of Rs. 50 above the scrap credit—is so very small that it does only produce a small effect.

Mr. Atha.—According to the cost sheet the quantity of second class rails is rather over 10 per cent.?

Mr. Mather.—The quantity is high but we have not been able to sell all that quantity. We have re-melted most of it.

Mr. Atha.—That is a very unusual condition. All railmakers have second class rails and they are able to dispose of them.

Mr. Mather.—I am aware of that and that question is before us. But in that respect India is not so favourably situated as the more highly industrialised countries in Europe where they require these for industrial sidings and such kind of construction takes place therefrom time to time. But in India owing to the conditions we have been passing through there has been no such work undertaken and secondly, second class rails are too heavy for all other purposes for which customers might buy and we are therefore not able to sell these.

Mr. Atha.—Will you send us a statement showing the prices realised for second class rails and the proportion re-melted? You will find that in the cost sheets they are not included in the make, but treated as scrap in arriving at the cost at the rail mill but in estimating the yield of good product they are included. It is rather puzzling to know whether they are scrap or whether they are not scrap.

President.—The quantities involved of course are very small but theoretically on that basis when you give an estimated output of rails it includes second class rails.

Mr. Mather.—No. 80,000 tons is what we estimate to be able to sell as first class.

President.—But in the cost sheets the yield includes second class rails?

Mr. Mather.—Yes, the figure at the bottom of the sheet does so, as is clearly indicated. But the figures for general mill yield and for output do not.

Mr. Atha.—The effect on your costs has been small recently because your total output of rails has been small but it might become an important factor.

Mr. Mather.—The percentage is likely to remain the same.

Mr. Atha.—But the percentage of the total rails to the output of the mill may not remain the same?

Mr. Mather.—That is right.

President.—When there is a reduction in the output of rails there is reduction in the quantity of second class rails but the proportion may remain the same?

Mr. Mather.—Yes.

President.—But in spite of the reduction in the quantity of second class rails produced you are not able to market the whole of it?

Mr. Mather.—That is so. The restriction of the market is more than the decline in the quantity produced. That has been our experience during the last two or three years.

President.—Second class rails are really required in connection with industrial works mainly?

Mr. Mather.—In other countries that is definitely the main requirement. The requirement here, at any rate a substantial part of the sales of second class rails, has been for standards for electric distribution systems or telephone poles, for street lighting, etc.

President.—Would the Railway Board accept them for sidings and so on?

Mr. Mather.—We have tried to make it a condition that a certain percentage of second class rails will be taken as part of the delivery but they have not agreed to that because they mainly use worn rails for that purpose. They find it more convenient to use worn rails; otherwise they have to sell them as scrap.

President.—Reverting for the moment to this question of rails I am still a little puzzled. It is quite true in 1926 what we did was to base the agreement on a price which corresponded to the import price *plus* the duty we proposed. That duty was proposed as definitely a protective duty and that protective duty was suggested in order to bring the import price up to the fair selling.

Mr. Mather.—Yes, as adjusted for the freight disadvantage.

President.—The agreement was based on the fair selling price and the duty was fixed with reference to the import price in order that the import price might be brought up to the fair selling price.

Mr. Mather.—I submit the procedure was the other way round. It was found that our fair selling price was Rs. 110 and that we were at a freight disadvantage of Rs. 8. Therefore it was necessary if we were to realise our fair selling price that imported rails should enter at 118 at the port. Proceeding on that basis it was ascertained that the import price so far as could be judged for 1926 was Rs. 105. The duty required was Rs. 13 which of course brought the price of imported rails to Rs. 118. After that stage the question came up of the agreement, but not until those figures had been worked out in that way. It was then clear that if we entered into an agreement to sell our rails at Rs. 110 f.o.r. works, it would give us our fair selling price and must *ex-hypothesi* mean that we are selling our rails on the same basis as imported rails would be landed if the price of imported rails was not changed.

President.—This figure of Rs. 110 was the ex-works equivalent of the net import price?

Mr. Mather.—That is so, and in the case of any protective duty that must inevitably follow.

President.—That is as far as the duty is concerned. No protective duty is required now, so that if we are preceeding on the same basis we take no protective duty into account in fixing the price. On that basis therefore the revenue duty is irrelevant.

Mr Mather.—It is not essential for our purposes.

President.—Therefore what we have got to do is to take the import price, make the necessary adjustment for freight disadvantage, convert it into its equivalent f.o.r. Tatanagar price and you get the comparable price.

Mr. Mather.—That we submit presumes that the buyers of rails in this country are entitled to buy on a basis assuming that there is no revenue duty. That was the basis on which Government purchased its requirements of stores several years ago and it was deliberately changed in 1924 or 1925. Prior to that date Government did not pay any import duty but it was changed and it was decided that Government departments should pay for their requirements prices including the revenue duty, or any other duty.

President.—The whole principle underlying that was that the Indian industry should not be deprived of such benefit as it might derive from the import duty in order to make a sort of allowance for the protective effect of the revenue duty. But where you have an industry which does not definitely require protection on a particular product that principle does not apply.

Mr. Mather.—It does not necessarily mean that we should be put in less advantageous position than industries which require protection. There are other industries in India which require no protection in which it is not proposed to take off the revenue duty for purposes of Government consumption.

President.—What I am trying to do is to arrive at some kind of principle with regard to Government policy in the matter of purchasing rails on which we could base our proposals. The statement as you have put it here in para. 105, I don't say is incorrect, but it doesn't seem to me to be quite correct at any rate as far as rails are concerned. I don't say it is entirely wrong, but it doesn't seem to me to be an accurate presentation of the real position in determining what sort of price you would require for rails. It is of course impossible to make up our own minds as to what precisely is the policy of Government in regard to the purchase of rails during the past protective period. What kind of price you adopt as the basis of your agreement will depend upon that.

Mr. Mather.—I realise that.

President.—In spite of the discussion this morning the point is not quite clear to me. Taking the basis that we adopted in 1926 Report, it does not quite confirm or justify your proposal that the import duty should necessarily be taken into account in fixing the agreement price, because what we are concerned in 1926 was the protective duty.

Mr. Mather.—I think in 1926 or in any other circumstances in which a protective duty is required, it follows automatically that that duty must be taken into account in fixing the price, but we submit that if an industry which has been protected in the past and which still needs protection for certain parts of its output has reached a stage in regard to one part of its output for which protection is not required, it should not then be deprived of the benefit of the revenue duty which corresponding benefit is obtained by other industries, some of which have never even needed protection.

President.—You don't want protection.

Mr. Mather.—It seems to me to be rather a special interference with the normal principles on which Government purchases its stores. We see no reason why the normal principles should be departed from under which when Government purchases stores, it takes into full account the revenue duty, if there is a revenue duty or the protective duty if there is a protective duty. We don't see why a special exception should be made in this particular case. Why should Government say: "We will ignore even a revenue duty".

President.—I quite understand it from the Government point of view. In your own proposals you are prepared to surrender what you get. Then what difference does it make to you? Why do you insist on the observance of a principle on the ground of the advantage derived by an industry when you are prepared to surrender the advantage.

Mr. Mather. Because we believe that we shall derive indirect benefit, not so much we as a company, but the industry will receive indirect advantage in that by reducing the duties on other kinds of steel, it will help to promote their consumption.

President. Mr. Mather, you have heard during our discussion here that a suggestion was made to which I made reference more than once that who might probably attempt a readjustment of overheads and profit, that is arranging differently from the way in which you have arranged the distribution of overheads and profit. Supposing the matter was tackled in this form that you allow rails a higher proportion of overhead and profits correspondingly reduce the proportion of overheads allowed to some other product which we consider in the national interest would be cheaper, that would come to the same thing.

Mr. Mather.—Yes.

President. That would meet your difficulty. What you are out for is a principle.

Mr. Mather.—Yes. We are out of course in the first instance for the possibility of making a certain total amount available for overhead and profit. So long as we receive that amount, we think it is sound that if on one article we require no duty, then at any rate a minimum of revenue duty should be imposed in order that we may reduce the duties on other kinds on which the duties are relatively higher.

President.—Supposing I arrange the overheads and profit in such a way that the fair selling price of rails corresponds more closely than the present fair selling price with the import price, then of course it is open to me to reduce correspondingly the overheads and profit on some other kind of article that you produce which it may be the Board considers in the national interest should be cheaper. Then the principle that you are contending for, is observed. You have brought the rail price in closer correspondence with the import price.

Mr. Mather.—The same effect is produced if you bring the profits on rails to such an extent as to correspond with the import price.

President.—It is not exactly the import price that you ask for, but it is something more.

Mr. Dalal.—Because we stand on the principle that it is a fair commercial price.

President. If an arrangement of that kind were made, you would consider that reasonable in accordance with the principle you are contending.

Mr. Dalal.—So long as we realise anything approximating a fair commercial price, we would consider it reasonable.

President.—Supposing overheads and profit were increased in proportion and the price was brought in closer correspondence with the import price?

Mr. Dalal.—That would meet our point of view, but everything depends on the degree of correspondence that you brought about to the commercial price.

President.—What you have suggested is to arrange the duties in such a way that a surplus is derived and then that surplus is divided, but the same result is achieved by distributing the overheads and profit in a different way.

Mr. Dalal.—Yes, if it is to the same extent.

President.—More or less to the same extent.

Mr. Dalal.—Because it seems to me that the same question may perhaps arise later on if at all any protection is required in connection with other kinds of materials that we produce. Suppose we find we are in a position to manufacture bars and sections without requiring any protective duty, but are not in a position to manufacture sheets and plates without a protective duty, then again would you say that therefore we should sell bars and sections at our fair selling price even if it may be lower than the commercial price?

President.—That is essentially different. No agreement can be made with regard to the sale of these other articles, but in effect the same result may be achieved in a different way.

Mr. Mather. The same financial results would be achieved. Looking at the figures before you, it would appear to require an allocation for overhead and profit on rails of approximately Rs. 50 and that on structural sections about Rs. 25 which out of relation to actualities so far as overheads are concerned. We agree, however, that the financial results would be the same.

President.—As a matter of fact, as far as overheads are concerned, I admit a substantial part of it is depreciation, but a bigger part of it is your profit and why profit on structurals should bear the same relation to the profit on rails, I don't see. Depreciation might bear comparable relation. I don't see why profit should bear the same relation, because they are marketed in different ways.

Mr. Dalal. Would it be possible for the Tariff Board to await any arrangement or agreement that we may be able to arrive with the Railway Board as regards the price of rails?

President. From to-morrow we are going to close this enquiry and if you make an arrangement with the Railway Board, it is your affair and not ours. We are going to settle down and study the evidence. There is no more examination of this enquiry.

Mr. Dalal.—We don't want examination but if we inform the Board that we have entered into an arrangement with the Railway Board . . . . .

President.—If you arrive at an arrangement with the Railway Board, we will give that the best consideration.

Mr. Dalal.—Yes.

President.—We shall not be definitely waiting for any further information. We proceed with our study of the subject.

Mr. Dalal.—Quite.

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