

APPENDIX I.

Burden of Protection.

The grant of protection to the Indian Steel Industry between 1924 and 1947 is sometimes considered as having imposed an undue burden on the Indian consumer. It is assumed that but for protection the foreign supplier of steel would have charged, and the Indian consumer would have paid, for steel supplies only the c.i.f. landed prices without the addition of the protective duty.

2. The assumption is untenable, since if there had been no steel industry in India, the foreign suppliers would have charged, subject to conditions of international competition, the maximum prices they could have obtained, which would have been higher than c.i.f. landed prices without duty actually charged by them during the period of protection. The existence of international cartels, as in the case of the steel industry, had eliminated international competition to a large extent. Not only, therefore, did the consumer not bear any burden on account of protection but actually got his steel, including imported steel, at a lower price than what he would have been required to pay in the absence of the indigenous steel industry.

3. Protective duties were introduced in 1924 and continued on the statute-book till 31st March, 1947; protection had, however, ceased to be effective since the outbreak of war in 1939.

4. Owing to the "discriminating protection" granted by Government during this period, protective duties were fixed at as low a level as possible. Certain categories of steel like billets were made exempt from all duties—protective or revenue—excepting the countervailing excise duty, from 1934. Protective duties on rails, fish plates and sleepers from all sources and structurals and plates from the United Kingdom were only equivalent to the revenue duties. The consumer did not bear any burden in respect of these items.

5. We have made detailed calculations, which show that during the period 1924-25 to 1938-39 the benefits of protection to the Tata Iron and Steel Company calculated on the basis of the difference between the enhanced duty provided as a result of protection and the previous revenue duty was Rs. 10.61 crores (as per statement annexed—Appendix II); against this the Company paid excise duty during this period amounting to Rs. 1.58 crores; the net gain to the Company on account of protection was, therefore, only Rs. 9.03 crores. During the same period, the Government of India obtained Rs. 10.76 crores in the shape of the difference between the protective duties and the ordinary revenue duties and through the excise duty

6. Even before protection was first granted, during the first World War the Tata Iron and Steel Company had supplied approximately 292,000 tons of steel to Government in the shape of rails, shell steels and other materials at an average base price of less than Rs. 150 per ton. As the British Steel Works were busy with urgent munition works of their own, Government could have secured their requirements from the United States only, which would have cost them at least Rs. 200 more per ton. On the supply of 292,000 tons of steel, the Government had made a saving of about Rs. 6 crores.

7. Similarly, during World War II the Tata Iron and Steel Co. alone supplied to Government three million tons of steel at war contract prices, and, but for the existence of the Steel Company, the steel materials could have been obtained only from the U.S.A. at an average price of Rs. 200 more per ton. This would have cost the Government about Rs. 60 crores more than what they paid to the Steel Company. To mention but one instance, 20,000 tons of bullet-proof armour plates were supplied by the Tata Iron and Steel Company at a price of Rs. 900 per ton to Government against the price of Rs. 2,000 per

ton charged by the British manufacturers and Rs. 2,500 per ton charged by the American manufacturers. On this supply alone Government benefited to the extent of nearly Rs. 2.2 crores.

8. The current prices of imported steel materials in India are, on an average, Rs. 200 more per ton than the price paid to the main producers in this country. On a current production of about one million tons per year, therefore, the Indian consumers of steel including the Government save annually a sum of Rs. 20 crores.

9. The consumers in the country have received back for the protective duties on steel paid by them, several times the amount through the low prices at which steel was supplied to them before, during and after the period of protection.