CHAPTER V

PRICING POLICY - AN ANALYSIS
Bird's-Eye View of Chapter-V

- Introduction
- History of Pricing Policies and Trends
- Distribution Pattern Affecting Pricing Policy
- Production Control, 1974-78
- Production-Price Control, 1978-84
- Review of Price and Production Control
- Pricing of Domestic Newsprint (Pre-1982)
- Pricing of Imported Newsprint
- Pricing of Newsprint produced by New Units (Post-1982)
- Revision of Newsprint Sale Price, 1985
- Revision of Newsprint Sale Price (1988-91)
- The Framework for Pricing Policies
- Conclusion
- Major Findings
- Summary of the Chapter
CHAPTER - V

PRICING POLICY - AN ANALYSIS

INTRODUCTION

The Industrial Policy Resolution of April 6, 1948 defined clearly the Government’s industrial policy recognising ‘Paper and Newsprint Industry’ as one of the 18 basic industries of importance. It was, therefore, felt that the planning and regulation of these industries by the Central Government was necessary in the national interest. Further, paper (including newsprint and paper board) was also declared as essential item under ‘Essential Commodities Act, 1955’ which empowers the Central Government to control and/or regulate production, supply, import and distribution of specified ‘essential commodities’. The objective of the Government was to guide and control the production, distribution and price of this commodity which is of vital importance. As the supply of paper having generally fallen short of demand (till the late seventies), and as the interest of newspaper industry, printing industry and the educational sectors are also involved, the Government has exercised control on prices at times either formally or on an informal basis. Hence, the Paper Industry has all along been subject to a rigid price control regime and it (ie, the Industry) has a very little say in the formulation and excercise of its own pricing policies and mechanism.
In this background, it is intended to analyse the pricing policies which govern, and/or are practised by, the Paper Industry in general and the newsprint industry in particular. The pricing policies in respect of the units taken up for this study have not separately and exclusively been reviewed as their individual pricing decisions have been found to strictly follow the administered pricing policies announced by the Government from time to time.

HISTORY OF PRICING POLICIES AND TRENDS

The Paper Industry was first brought under control by the Government in 1942 when the prices started rising due to wartime scarcity. A series of orders pertaining to control on price, distribution and usage of paper were issued during 1944-46, and these were mainly pertained to wartime economy measures and Government purchases.

By 1945, the difference between the Government purchase price and those charged to the general public (called, "civil prices") had widened considerably. Hence, it was decided to fix civil prices by adding a few elements of costs (like, freight rates, distributor`s discount, etc) to the Government purchase price. Civil prices were again reviewed by the "Commodities Prices Board". It recommended only a marginal increase but this was not acceptable to the Industry. The matter was, therefore, referred to the Tariff Board. The Board recommended, in February 1949, a new price
schedule for non-Government consumers. Following an assurance by the Industry that no upward revision of prices would be effected without the prior permission from the Government, the statutory price control by way of the Paper Price Control Order was withdrawn in 1950. However, inflationary conditions and hike in the cost of inputs led to upward revision of prices in five stages till 1958. Then the question of determining a fair price was referred to the "Tariff Commission". After carrying out a comprehensive survey of the cost structure of various Mills, future demands for paper and the capital requirements of the Paper Mills, the Commission recommended a pricing pattern (for both the Government and the civil purchases) in respect of 24 varieties of paper and paper products. These recommendations were accepted by the Government and given effect to in January 1960.

Increase in cost of production, thereafter, led to demand for corresponding increase in prices or decontrol of price regime. Devaluation of rupee in 1966 and recessionary trends in the economy led finally to the removal of statutory control on prices in 1968. It was noted at that time that several reasons (such as, lack of fresh investment, fall in the growth rate of paper production, high capital costs and long gestation period of new projects and domestic price levels being substantially lower than import price) influenced the Government's decision to decontrol paper prices. However, a system of price regulation by mutual consultation and
agreement between the Government and the Industry (particularly in respect of cultural varieties of paper) continued. This informal control was somewhat effective till mid-1973. Thereafter, it broke down when the prices were increased frequently by the Mills and charging of 'on-money'¹ became a part of the marketing mechanism. In January 1974, the Industry agreed to an informal control over price and distribution of only white printing paper. Other varieties of paper remained free from price control.

The price structure of different varieties of paper remained relatively unchanged during the ten-year period². So far as the white printing paper³ was concerned, the price increased from Rs.1,390 per tonne to Rs.1,550 per tonne between February 1949 and May 1968 (when prices were decontrolled) representing an increase by a mere 11.5% over a period of nearly two decades. Prices of paper increased more rapidly after the decontrol in May 1968 and the price increase became particularly marked from 1974 onwards. The wholesale price index for paper products increased by 35% between 1968 and 1973, and during 1974 it rose by about 60%. Whereas the earlier price increases were claimed to be on account of increase in cost of production, the sharp increase in 1974 was stated to have

1. An unaccounted premium over the list price.

2. This 10-year period was between the recommendations of the Tariff Board in 1949 and that of Tarif Commission in 1959.

3. This paper has usually been taken as a base for fixation of prices of other varieties of paper.
been resorted to by the Industry, in order to mop-up the 'on-money' that prevailed in the market. Wholesale prices of paper, however, decreased marginally in April 1975 and thereafter, more or less, remained constant. The ex-mill selling prices of common varieties of writing and printing paper showed a compound growth rate of nearly 3.9% between January 1977 and December 1983 increasing from Rs.4,000 per tonne to Rs.7,500 per tonne. The table presented below shows the trend in general price in respect of a common variety of paper (cream wove) during this period.

**TABLE - 5.1**

**EX-MILL PRICE OF PAPER (CREAM WOVE)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ex-mill Price per Tonne (Rs.)</th>
<th>Percentage of increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>4,000</td>
<td>-</td>
</tr>
<tr>
<td>1978</td>
<td>4,700</td>
<td>17.50</td>
</tr>
<tr>
<td>1979</td>
<td>5,300</td>
<td>32.50</td>
</tr>
<tr>
<td>1980</td>
<td>5,310</td>
<td>32.75</td>
</tr>
<tr>
<td>1981</td>
<td>6,700</td>
<td>67.50</td>
</tr>
<tr>
<td>1982</td>
<td>6,600</td>
<td>65.00</td>
</tr>
<tr>
<td>1983</td>
<td>6,650</td>
<td>66.25</td>
</tr>
<tr>
<td>1984</td>
<td>7,500</td>
<td>87.50</td>
</tr>
<tr>
<td>1985</td>
<td>8,060</td>
<td>101.50</td>
</tr>
</tbody>
</table>

*Source: Figures in the table are extracted from the financial statements of MPM*

It may be seen from the table that the prices peaked significantly in 1978-79. They remained stable in 1980 and jumped sharply in 1981 and stabilised again till 1984. Thereafter, there has been a sharp increase due to
a variety of reasons such as, escalation of input costs, increase in exise levies, and shortfall of production. In general, shortages of supply due to fall in production have always resulted in increase in the selling prices and when a surplus situation prevailed, as in 1982 (due to import of paper), the selling price actually showed a downward trend. It has also been observed that, in regard to standard varieties of paper such as, white printing paper, cream wove, laid-paper, etc, price variations between different manufacturers have not been significant, but in respect of specialised varieties, representing only a small portion of the production, and possessing distinctive specifications, prices have shown significant variation. Paper manufacturers have also increased their profits by changing the product-mix towards high value varieties such as maplitho, bond, etc, by reducing the quantum of production of common varieties like white printing paper and cream-wove. Anyhow, the ex-mill price had increased from Rs.4,000 per tonne during 1977 to Rs.8,060 by 1985 representing an increase by 101.5% during this 9-year period. This works to an annual average increase in the selling price by 11.28%.

DISTRIBUTION PATTERN AFFECTING PRICING POLICY

The Paper Mills directly transfer their output to the Directorate General of Supplies and Disposals (DGSD, a centralised Government purchasing agency), to some large consumers and to the educational sector. Supplies to general market are routed through a chain of intermediaries starting from a
main distributor, through re-distribution stockists and dealers, and small retailers. Additionally, paper is a commodity which is not sold to consumers in the form it is supplied by the manufacturers, but has to pass through several stages of conversion like cutting, binding and printing before reaching the real users. The role of distributors and stockists in the paper business is therefore significant.

It is generally recognised that the distribution structure for paper is highly imperfect due to the large number of consumers spread all over the Country, the chain of intermediaries, the very large number of varieties and specifications of paper and the additional stages of conversion. Under such conditions, imbalances between demand and supply enable unscrupulous elements to exploit the consumers. The "Committee on Control and Subsidies" (1979) has made the following observations in respect of the distribution system of the Paper Industry. "Recent experience indicates the presence of cartel-type activities and tendencies in the Paper Industry and there are reasons for presumption that there has been tacit collusion between the major producers so as to manipulate the market". This may be seen from the following developments in the early seventies:

a) Sudden and sharp changes in the product-mix and reduction in the output of varieties (which are expected to be price-elastic) with a view to creating temporary shortages;
b) Frequent changes in the 'nomenclature' with a view to increase prices but without changing either the product or the quality thereof. This was extensively resorted to during 1973 and 1974; and,

c) The emergence of a significant premium over the list prices in respect of common varieties of paper. Consequently, supplies were being made only on payment of premium under the table (known as 'on-money' in the Paper Industry).

In the meeting held in 1974 by the Development Council for Paper, Pulp and Allied Industries with the representatives of the Paper Industry, trade and consumers, it was agreed to make efforts to curb unfair practices in the paper market by adopting a 'code of conduct' voluntarily. A supervising committee was also set up to watch the implementation of the 'code of conduct'. However, such efforts could not be sustained. Because, the distribution system had been far too complex to admit any rigid control. The only effective method of preventing market forces from resorting to unfair practices was to ensure adequate production and availability of paper. This can be facilitated by growing public sector presence and the intervention of a consumer-oriented distribution system of the HPC. The latter is expected to acquire a major share of the market and exert significant influence as a market and price leader, and as such it is anticipated that the paper market would stabilise. In this regard, it is important to
note the role of the small paper mills whose contribution to total production has increased significantly. Further, due to the lack of a wide spread network of dealers and distributors, they have also resorted to direct consumer sales. The dispersion of small paper mills and their presence in non-traditional regions like, North-West India, has also created local outlets which have broken the traditional distributor/dealer network.

PRODUCTION CONTROL, 1974-78

Following the experience of acute shortage of paper in the early 1974, particularly in respect of cultural paper, complaints were received from publishers and printers and the educational sector regarding non-availability of paper and the exorbitant prices. The DGSD also reported that there was a marked reluctance on the part of the Paper Mills to honour their commitments with regard to the supply of paper to Government agencies and the accumulation of heavy backlogs in the supply of paper. This led to suggestions that the ‘Defence of India Rules’ (DIR) should be invoked to force the Industry to honour its commitments.

Following the discussions between the representatives of the Paper Industry and the Government in May 1974, the Industry was prevailed upon to take the following steps:

a) To revert to the pattern of production of 1968-69, particularly in respect of commonly used writing and printing papers in order to correct imbalances in their availability;
b) To make available a quantity of 2,00,000 tonnes per year of white printing paper to meet the needs of vulnerable sections of the society; and

c) To supply white printing paper at a concessional rate of Rs.2,750 per tonne.

The Joint Committee of the Paper Industry, a representative association, accordingly made an announcement to the effect that the Industry had voluntarily agreed to supply 2,00,000 tonnes of paper to meet the needs of the educational sector at a special rate of Rs.2,750 per tonne. However, so far as cultural paper was concerned, the supplies and distribution as envisaged under the 'code of conduct' did not improve. Hence it was found imperative to check the Industry's tendency to go back on the commitments given earlier, and to give a statutory backing to the agreed production pattern for cultural paper. Accordingly, the Government issued an Order entitled the "Paper (Control of Production) Order" on August 1, 1974 exercising the powers conferred by the Essential Commodities Act, 1955. According to this Order, manufacturers were to produce minimum stipulated quantities of six varieties of cultural paper every month as indicated below:
TABLE - 5.2
MINIMUM MONTHLY PRODUCTION OF CULTURAL PAPER

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variety</th>
<th>Qty. stipulated (% of total production)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>White printing Paper</td>
<td>30.0</td>
</tr>
<tr>
<td>2.</td>
<td>Cream wove/laid Paper</td>
<td>16.0</td>
</tr>
<tr>
<td>3.</td>
<td>Coloured printing Paper</td>
<td>1.5</td>
</tr>
<tr>
<td>4.</td>
<td>Duplicating Paper</td>
<td>2.5</td>
</tr>
<tr>
<td>5.</td>
<td>Off-set and Litho Paper</td>
<td>6.5</td>
</tr>
<tr>
<td>6.</td>
<td>Typing Paper</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>57.0</td>
</tr>
</tbody>
</table>

*Source:* Figures in the table are extracted from the financial statements of MPM.

From the table, it can be observed that the Order covered a sizable portion of the total production. Further, the Order laid emphasis on the production of white printing paper to help the common consumers.

The Order did not apply to manufacturers producing less than 20 tonnes of paper and paper board per day. It was also provided that if any manufacturer did not have sufficient installed capacity to manufacture these varieties upto the stipulated proportions, first priority would be given to attain production of white printing paper. However, the Central Government would exempt a manufacturer from the whole, or part, of the requirement of producing the stipulated percentages of cultural papers in the following cases:
a) when the installed capacity of a Mill was meant for certain specialised varieties of paper, and/or,

b) when the manufacturer couldn’t produce white printing paper to the extent specified, except at a heavy cost.

In order to ensure that the white printing paper being supplied at the concessional price of Rs.2,750 per tonne was actually utilised for the purpose for which it was supplied (mainly to the educational sector and to the Government departments), and to facilitate detection of any diversion, such paper was to be tinted with a distinctive colour (i.e., the colour which is not used for any other variety of paper. A shade of dye known as ‘brilliant green’ was used for such tinting). The white printing paper was also not to exceed 60 gsm and it was also to conform to the prescribed ISI specifications.

Subsequent to the introduction of the Production Control Order, the position with regard to the production of cultural papers eased considerably and by 1975, some of the Mills were actually complaining of accumulation of stocks. Therefore, the control mechanism (except with regard to white printing paper) was reviewed and it was felt that there was no need to impose any control which would interfere with the normal working of the Mills in accordance with market conditions. The Order was, therefore,
modified in August-September 1975 so as to retain control only on production of white printing paper and cream wove/laid paper. While stipulated percentage of production of white printing paper continued at 30%, that of cream wove/laid paper was reduced marginally from 16% to 15%. Further the Mills having a capacity of less-than 25 tonnes per day each were excluded from the perview of this Order. The price of white printing paper of Rs.2,750 per tonne continued on an informal basis as agreed to by the Industry.

PRODUCTION-PRICE CONTROL, 1978-84

Though there was some improvement initially in the position of availability of specialised papers, the percentage of production went down again in 1977. The Paper Industry put up the prices of writing and printing papers and the price of cream wove/laid paper went up from Rs.4,000 to Rs.4,700 per tonne during 1977. The Industry also represented that the price of Rs.2,750 per tonne for white printing paper, agreed to in 1974, was far below the cost of production leading to heavy losses. On a review of the situation, the Government modified the control/orders in respect of production and price. These are analysed in the following paragraphs;

a) The Paper (Regulation of Production) Order, 1978

The Paper (Control of Production) Order, 1974 was replaced by the Paper (Regulation of Production) Order, 1978 on March 8, 1978. The Order provided that:
i) white printing paper should be manufactured to the extent of at least 30% of the total production of paper and paper board; and,

ii) other varieties such as cream wove/laid paper, offset or litho paper and typing paper, to the extent of at least 33% of the total production, of which not less than 20% should be cream wove/laid paper.

This Order excluded the Mills with less-than 25 tonnes per day capacity from these regulations. But the amendment on October 16, 1979, excluded the following categories of Mills from the scope of production control:

i) Mills with installed capacity of less than 10,000 tonnes per annum (ie, small paper mills);

ii) Mills utilising unconventional raw-materials like bagasse, jute sticks, mesta, cereal straws, waste paper or elephant grass to the extent of not less than 75%; and

iii) Mills whose installed capacity was commissioned on or after January 1, 1976 - for a period of 5 years from the date of commercial production (ie, new units).
From the beginning, small paper mills had been excluded from the perview of the Production Control Order. Because, their costs of production were comparatively higher and they were not able to comply with the required standards. It was also considered that the capacity limit for such mills could be placed at 30 tonnes per day or 10,000 tonnes per annum. Mills which were predominantly based on unconventional raw-materials were also excluded. This was done partly as an incentive to encourage the units to utilise such raw-materials and partly for the reasons that they would also find it difficult to meet the required specifications. New units were exempted for a period of 5 years in view of high capital cost and interest burden (particularly during the initial years when term loans had to be repaid). Broadly, the system of exemption was similar to the one followed under Central Excise Duties for small paper mills, mills based on unconventional raw-materials and new units. The Order also empowered the Government to grant exemption to certain mills facing a critical financial condition. However, such exemption could be granted for a period not exceeding one year. Only those Mills which had incurred continuous losses for the preceding three years, the Mills which had not declared any dividend during the same period and those Mills whose accumulated losses had completely wiped out the reserves were eligible for such exemption. These Provisions were fairly stringent and only Mills in terminal stages of sickness were qualified for this exemption. It was also not possible to provide for partial relief for intermediate cases.
The levy of white printing paper at a uniform rate of 30% irrespective of capacity to manufacture writing and printing papers was found to be unduly harsh on Mills with low manufacturing capacity. It was also noticed that the percentage of levy itself was very high. In the light of these, the Paper Mills pleaded with the Government for relaxation of Levy. Consequently, the Production Control Order was amended on April 11, 1983 to provide for differential rates as indicated below:

**TABLE - 5.3**

**STIPULATED PRODUCTION OF WHITE PRINTING PAPER**

<table>
<thead>
<tr>
<th>Capacity of Manufacturer</th>
<th>Extent of Production of White Printing paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where %age of capacity to manufacture writing and printing paper with reference to the total capacity to manufacture paper and paperboard is:</td>
<td>%age of production of white printing paper with reference to the total production of paper and paperboards shall be:</td>
</tr>
<tr>
<td>a) Not more than 50%.</td>
<td>a) 20%</td>
</tr>
<tr>
<td>b) More than 50%</td>
<td>b) 25%</td>
</tr>
</tbody>
</table>

**Source:** Figures in the table are extracted from the financial statements of MPM.

From the table, it can be observed that the volume of production of white printing paper stipulated under the Order was correlated with the capacity of the Mills. For the purpose of the applicability of the Order, the Paper Mills were divided into two convenient classes depending upon their...
capacity and the levy was made applicable progressively for these two classes.

As far as the new units were concerned, it was felt that instead of exempting them fully for a period of 5 years and subjecting them to the full levy thereafter, it would be desirable to bring them under the purview of the Production Control Order gradually. Accordingly, such units were asked to produce white printing paper to the extent of 5% in the first year, 10% in the second year, 15% in the third year, 20% in the fourth year and 25% in the fifth and subsequent years.

The size of the Mills for exclusion from the purview of the Production Control Order was enhanced to 16,500 tonnes per annum with effect from April 11, 1983 and to 24,000 tonnes per annum with effect from July 27, 1984. This was done in line with the corresponding definitions of capacity for small paper mills in the notifications relating to excise concession.

b) The Paper (Control) Order, 1979

Along with the modifications of Production Control Order, the Government imposed formal statutory control on white printing paper and cream wove/laid paper for which ex-factory retention prices of Rs.3,000 and Rs.3,785 per tonne respectively were prescribed. The Order also empowered the Central Government to direct any manufacturer to sell white

---

printing paper and cream wove/laid paper to any person as might be specified.

The price of Rs.3,785 per tonne stipulated for cream wove/laid paper, which was then being sold at ex-factory price of Rs.5,300 per tonne evoked sharp response from the Paper Mills. The revised price of Rs.3,000 per tonne for white printing paper was also, by and large, not acceptable to the Paper Industry. Several Mills obtained stay orders from Courts in respect of this statutory control on price and distribution of paper. However, this led to a situation where Paper Mills defaulted in the production of white printing paper on various grounds such as, financial difficulties, loss of production due to power cuts, high costs, etc. Consequently, there was a serious disruption in the supply of white printing paper. Following the discussions with the Industry Minister in March 1980, it was agreed that:

i) The Paper Industry would honour its commitments with regard to the supply of white printing paper to the educational sector and to meet the Government requirements;

ii) Revision of price of the white printing paper could be considered and the Industry was to furnish the relevant cost data to the BICP and to the Department of Industrial Development which advise the Government on pricing matters;
iii) The statutory control on other varieties of paper was to be removed; and,

iv) The Mills would withdraw writ petitions filed by them.

Pursuant to the above developments, the price of white printing paper was increased to Rs.3,500 per tonne with effect from November 29, 1980 and statutory control on the price of cream wove/laid paper and production of other varieties of paper (other than white printing paper) were withdrawn.

In the light of continuous rise in the prices of input factors, the price of white printing paper has been revised from time to time. The data presented in the table below show the frequency in, and extent of, price revision.

**TABLE - 5.4**

**REVISION OF PRICE OF WHITE PRINTING PAPER**

<table>
<thead>
<tr>
<th>Date of revision</th>
<th>Ex-factory price per tonne (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.11.80</td>
<td>3,500</td>
</tr>
<tr>
<td>20.12.81</td>
<td>4,200</td>
</tr>
<tr>
<td>11.04.83</td>
<td>5,400</td>
</tr>
<tr>
<td>11.05.84</td>
<td>6,400</td>
</tr>
<tr>
<td>16.01.86</td>
<td>7,200</td>
</tr>
</tbody>
</table>

**Source:** Figures in the table are extracted from the financial statements of MPM
From the above, it is obvious that the price of white printing paper has been revised five times during this 5-year period. But what is important is the irregularity in the revision of price. Because, no standard procedure has been adopted for the revision of price. That means, the time gap between one revision and the other differs. Further, the rate of increase also differs from one revision to another. The quantum of upward revision in the price made during 1980 was quite high at 20%. But, the next two price revisions effected during April 1983 and May 1984 registered a decrease in the quantum of upward revision, ie, the prices were increased by a lower rate of 19.05% and 18.52% respectively. Still, these hikes in price can be considered steep and significant. However, the subsequent increase in price, announced during January 1986, was only by 12.5%. As a result, the Mills, which were fairly able to neutralise the escalation in input costs during early part of 1980's, found this latest revision non-neutralising and unremunerative.

REVIEW OF PRICE AND PRODUCTION CONTROL

Although the Paper Industry had agreed in 1974 to supply 2,00,000 tonnes of paper at concessional rate, in practice, the supply of white printing paper was only to the extent of a little over 1,00,000 tonnes. The Paper Mills had initially taken advantage of the system of setting-off supply of other varieties of paper to the DGSD against the production of white printing paper. And once this facility was discontinued, the reluctance to
produce white printing paper to the extent required become more marked. A
number of factors contributed to this situation. Important factors are
discussed in the following paragraphs:

i) **Financial difficulties**: A number of large scale paper mills were in
critical financial position. The overall position of the large scale paper
mills was unsatisfactory and the new units suffered from high cost of
production;

ii) **Difference between controlled and market variety**: There was a wide
difference between the price of concessional white printing paper and
that of the equivalent market variety due to which there were reports
of leakage of paper to the open market.

iii) **Delay in the revision of price**: Extensive studies were carried out
periodically about the cost of production before each revision of price.
This procedure necessarily took time and the revision of price lagged
much behind the other developments.

iv) **Differences in product-mix and equipments**: The Paper Mills
manufacture a large number of varieties of paper and paper board
(unlike, say, cement which is a uniform product). Therefore, the plant
and equipment required also differ from one mill to another.
v) **Operation of a uniform price**: Due to the variation in the age of the mills, variation in the rates of royalties paid for raw-materials, variation in power tariff as well as local factors, the prescription of a uniform price applicable to all Mills caused practical difficulties.

In the light of the above, the Government repealed both the Paper (Control) Order, 1979 and the Paper (Regulation of Production) Order, 1978 with effect from January 22, 1987. Further, it has been decided to subsidise (by direct budgetary support) the supply of white printing paper to the educational sector. Under the new proposal, white printing paper is to be supplied by the Hindusthan Paper Corporation to the allottees (nominated by state-level committees) at a fixed price of Rs.7,560 per tonne. Initially, the Hindusthan Paper Corporation has contracted to supply 80,000 tonnes of white printing paper annually for meeting the requirements of the educational sector.

**PRICING OF DOMESTIC NEWSPRINT (PRE-1982)**

For nearly twenty-five years, the National Newsprint and Paper Mills (NEPA Mills), Nepanagar (Madhya Pradesh), a public sector undertaking, was the only newsprint mill in India. There was no statutory control in respect of the price of newsprint at that time. But still, due to the presence of the import element and distribution control, consultation with, and approval of, the Government was necessary in pricing the newsprint. The
The selling price of NEPA newsprint was accordingly determined from time to time. Of course, this was done in consultation with the Ministry of Industry under whose administrative control the Mill functioned.

From 1961 to 1968, the selling price of NEPA newsprint remained unchanged at Rs.1,050 per tonne. Thereafter, due to the escalation in the input costs, there were frequent upward revisions as shown below:

**TABLE 5.5**

**REVISIONS OF PRICES OF DOMESTIC NEWSPRINT**

<table>
<thead>
<tr>
<th>Period</th>
<th>Ex-Mill sale price (Rs. per tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.04.61 - 30.04.68</td>
<td>1,050</td>
</tr>
<tr>
<td>01.05.68 - 31.08.71</td>
<td>1,100</td>
</tr>
<tr>
<td>01.09.71 - 30.09.73</td>
<td>1,362</td>
</tr>
<tr>
<td>01.10.73 - 31.03.74</td>
<td>1,500 *</td>
</tr>
<tr>
<td>01.04.74 - 31.08.74</td>
<td>1,800 *</td>
</tr>
<tr>
<td>01.09.74 - 11.06.75</td>
<td>2,300</td>
</tr>
<tr>
<td>12.06.75 - 20.04.79</td>
<td>2,700</td>
</tr>
<tr>
<td>21.04.79 - 16.03.80</td>
<td>3,200</td>
</tr>
<tr>
<td>17.03.80 - 24.10.80</td>
<td>3,682</td>
</tr>
<tr>
<td>25.10.80 - 31.12.80</td>
<td>3,886</td>
</tr>
<tr>
<td>01.01.81 - 31.03.81</td>
<td>3,956</td>
</tr>
<tr>
<td>01.04.81 - 30.06.81</td>
<td>4,277</td>
</tr>
<tr>
<td>01.07.81 - 31.08.82</td>
<td>4,700</td>
</tr>
<tr>
<td>01.09.82 - 28.06.83</td>
<td>5,200</td>
</tr>
<tr>
<td>29.06.83 - 31.03.84</td>
<td>5,600</td>
</tr>
<tr>
<td>01.04.84 - 31.12.85</td>
<td>6,000</td>
</tr>
</tbody>
</table>

* Upto 36,500 mt the price was Rs.1500 per tonne; thereafter, it was Rs.1800 per tonne.

**Source:** Figures in the table are extracted from the financial statements of MPM
The first major revision took place in 1973-74 when the price was revised in three stages. From October 1, 1973 to March 31, 1974, the price was fixed at Rs.1,500 per tonne up to a level of production of 36,500 mt (the previous year's despatches) and at Rs.1,800 per tonne thereafter (An add formula, which gave cause for complaint that the mill had charged the higher rate even for clearances below the stipulated level, taking advantage of border line despatches). From April 1, 1974 onwards, the price was fixed at Rs. 1,800 per tonne till the end of August 1974, when it was raised to Rs.2,300 per tonne. This was in accordance with the trend in the international market when the price of newsprint went up from about Rs.1,300 per tonne to Rs.3,400 per tonne. The price was revised to Rs.2,700 per tonne with effect from June 12, 1975 due to adjustments arising from escalation in the cost of inputs. The price remained stable at Rs.2,700 per tonne between June 12, 1975 and April 20, 1979. It was revised to Rs.3,200 per tonne with effect from April 21, 1979. The revisions of sale price were made after an elaborate scrutiny of input costs. As a result, the revision of price could become effective only after the lapse of a considerable length of time.

In 1979, the Committee on Controls and Subsidies observed that the price of NEPA newsprint had been kept pegged at a very low level, significantly below the import price, resulting in losses to NEPA Mills. The
Committee drew attention to the observations of the Committee on Public Undertakings (27th Report) on this aspect. Since these observations are very much relevant, they are reproduced below.

"The Committee notes that the NEPA Mills have been approaching the Government of India for the revision of selling price of newsprint, and the Government of India took considerable time to grant an adhoc increase of Rs.50 per tonne in May 1968, which brought the price to Rs.1,100 per tonne, when the cost of the imported newsprint was Rs.1,243 per tonne. When the Mills again approached the Government of India in April 1969 for a further increase, it was only in September 1971 that the Government of India raised the selling price to Rs.1,362 per tonne which was almost the same as the import price, after a lapse of two years, apparently after the matter was raised through the Audit Report (July 1971). The Committee regrets to observe that there was hardly any justification in compelling the NEPA Mills to continue to sell the newsprint at less than the imported price in the intervening period, especially when they were running at a loss".

In the light of the above, the Committee on Controls and Subsidies made the following suggestion in respect of pricing of NEPA newsprint:

"There is a control over the price of NEPA newsprint. This could also be lifted, if imported newsprint is made subject to an import duty so that the NEPA newsprint is allowed to be sold in competition with imported
newsprint. NEPA newsprint grammage being higher and the colour being
darker, giving less number of pages per tonne of newsprint, its final price to
the consumers has to be lower than that of import price”.

The price of NEPA newsprint was successively revised to Rs.3,682
and to Rs.3,886 per tonne with effect from March 17, 1980 and October
25, 1980 respectively. These revisions were based on escalation formula
approved by Government to compensate for the rise in the cost of inputs.
At this stage, it was felt that frequent revisions of selling price involving
formal approval of Government were time-consuming. And therefore, it was
opined that NEPA Mills could itself determine the selling price of its
newsprint on the basis of the high-sea sales price of imported newsprint.
The sale price of NEPA newprint was accordingly revised to Rs.3,956,
Rs.4,277 and Rs.4,700 per tonne with effect from January 1, 1981, April 1,
1981 and July 1, 1981 respectively.

In total, the Government has revised the price of domestic newsprint
16 times during this 25-year period. During this period, the price has been
increased by only 4.71 times.

Revisions of prices of domestic newsprint presented in Table-5.5 is
graphically shown here (Figure: 5.1)
LINE GRAPH SHOWING REVISION OF PRICES OF DOMESTIC NEWSPRINT

Effective Date

Figure: 5.1
PRICING OF IMPORTED NEWSPRINT

The import of newsprint is canalised through the State Trading Corporation, an undertaking of the Government of India under the administrative control of the Ministry of Commerce. Till June 1980, the selling price of the imported newsprint was fixed by a Committee (under the chairmanship of the Chief Controller of Imports and Exports, Ministry of Commerce, Government of India) on the basis of pooled purchase price. With effect from July 1980, the power to fix the price for imported newsprint has been transferred to the Ministry of Information and Broadcasting as this Ministry is responsible for the administration of Newsprint Control Order, 1962 which regulates the distribution of newsprint. A Pricing Committee of the Ministry of Information and Broadcasting fixed separate selling prices for deliveries `on high-sea' sale basis and from the State Trading Corporation's godowns on the basis of actual cost plus 1% service margin for the State Trading Corporation. The difference between these two selling prices was maintained till June 1980 at about Rs.240 per tonne. But it was reduced to about Rs.50 per tonne from September 1980. This was done with the intention of lessening the burden on small and medium sized newspapers.

With effect from March 1, 1981, with the imposition of a 15% ad-valorem customs duty on imported newsprint, the Government decided to give a further relief to the small and medium sized newspapers. This was in
the form of complete relief for small papers and partial relief for medium papers from the payment of customs duty. This was achieved by classification of newspapers as small, medium and big, based on their circulation. In March 1982, the customs tariff was changed from 15% ad-valorem rate to a specific rate of Rs.825 per tonne. But the differential pricing system introduced in March 1981 continued to be effective.

Presently, the prices of imported newsprint are fixed by the Newsprint Price Fixation Committee under the chairmanship of the Secretary, Ministry of Information and Broadcasting. The Newspaper Industry is also represented on this Committee. A quarterly pricing system is in force and the prices are fixed separately for different categories of users, viz, big, medium and small newspapers, 'on high-sea' and 'ex-godown' basis. In fixing the price of imported newsprint, the weighted average CIF of purchase, the actual costs incurred regarding bank charges, interest and service charges of State Trading Corporation at 1% are taken into consideration. While this determines the high-sea sale price, the ex-godown price also includes actual costs towards clearing/handling charges, port charges, stevedoring, transportation, godown rents, insurance and other incidental expenses.

The newsprint selling price of the State Trading Corporation (average quarterly quotations) since 1980 is presented below:
### TABLE-5.6
SELLING PRICE PER TONNE OF NEWSPRINT

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EX-HIGH SEAS (Rs.)</th>
<th>EX-GODOWN (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>4,343</td>
<td>4,448</td>
</tr>
<tr>
<td>1981</td>
<td>5,185</td>
<td>5,255</td>
</tr>
<tr>
<td>1982</td>
<td>6,020</td>
<td>6,030</td>
</tr>
<tr>
<td>1983</td>
<td>5,710</td>
<td>5,760</td>
</tr>
<tr>
<td>1984</td>
<td>6,610</td>
<td>6,630</td>
</tr>
<tr>
<td>1985</td>
<td>6,425</td>
<td>7,025</td>
</tr>
<tr>
<td>1986</td>
<td>6,395</td>
<td>6,445</td>
</tr>
</tbody>
</table>

**Source:** Figures in the table are extracted from the financial statements of MPM

From the above table, the following points become very obvious:

i) Both the ex-high seas and ex-godown selling prices of newsprint have been revised every year indicating a fair degree of regularity in frequency of revisions;

ii) The ex-high seas selling price had increased by 47.25% during this 7-year period, averaging an annual rate of increase of 6.75%. However, the ex-godown price had increased by a slightly lower rate of 44.90% averaging 6.41% per annum;

iii) The difference between ex-godown price and ex-high seas price has varied from one revision to another, the differential ranging from a low of Rs.10 (as in the case of the price revision of 1982) to a high of Rs.600 (as in the case of price revision of 1985);
iv) Both the ex-high seas and ex-godown prices have moved both in upward and downward directions during this 7-year period. The ex-high seas prices had continuously increased during 1980-82, at the rate of 19.39% and 16.10% respectively. But the price had come down during 1983 by 5.15%. Again, it was increased during 1984 by 15.76% as compared to the earlier price. During 1985 and 1986, the price showed a continuous downward trend registering a reduction in the prices by 2.80% and 0.47% respectively. However, the ex-godown prices had increased regularly except during 1983 and 1986 during which the prices had come down; and,

v) Another interesting point to be noted is that both the prices had moved in the same direction (ie, upward or downward) on all occasions except in the case of price revision of 1985. In this case, the ex-high seas prices had come down whereas the ex-godown price had increased.

PRICING OF NEWSPRINT PRODUCED BY NEW-UNITS(POST-1982)

In 1981, the price of domestic newsprint had to be revised due to two new-units in the field (viz, Mysore Paper Mills - a State Government undertaking and the Kerala Newsprint Project of Hindustan Paper Corporation) were nearing completion and likely to have substantially higher
costs of production than the prevailing price for domestic newsprint manufactured by NEPA Mills. The high cost of production of these two new units are attributed to the following factors:

i) **High capital costs:** The Kerala Newsprint Project (with an annual capacity of 80,000 tonnes) which was scheduled to be commissioned in October 1978 at a capital cost of Rs.82 crore actually commenced production in February 1982 at a final capital cost of Rs.156 crore. The Mysore Paper Mills Project (with an annual capacity of 75,000 tonnes) which was originally estimated to have a capital cost of about Rs.100 crore and with commercial production scheduled for October 1979, commenced trial runs only in late 1981 at a final capital cost of about Rs.145 crore. The increase in the capital cost and the consequent high capital-servicing charges were responsible for the high cost of production of these units;

ii) **Non-conventional processes:** Due to non-availability of raw-materials suitable for conventional mechanical pulping, these units have been forced to adopt a combination of chemi-mechanical and chemical processes which have comparatively lower yield and involve higher consumption of chemicals. Consequently, these Mills have been incurring higher costs of production;
iii) **Use of imported pulp:** In both the projects, the paper mills commenced trial runs with imported thermo-mechanical pulp and the in-house pulping sections were commissioned later. Even after commissioning of the pulping plants, it was found necessary to continue the usage of imported pulp due to severe power shortage and consequent need to conserve energy on the pulping side which is the most power intensive. This has resulted in the comparatively higher costs of production.

Though the selling price, in the circumstances, based on actual cost of production could have been higher, a selling price of Rs.7,000 per tonne was arrived at for the new units. This was supposed to have based on acceptable norms of capital costs and efficient working conditions including maximum achievable capacity utilisation. As far as NEPA Mills were concerned, the pro-rated price would have been about Rs.6,000, but a price of Rs.5,200 per tonne was adopted. These prices became effective from September 1982.

After the production of the new units had stabilised, the price of indigenous newsprint was further reviewed taking into account escalation of input costs. A selling price of Rs.8,000 per tonne was arrived at on the basis of operating costs and normative efficiency parameters. The corresponding price for NEPA newsprint was Rs.6,000 per tonne. These prices became effective from April 1984. The price of imported newsprint including
customs duty of Rs.825 ranged from Rs.5,760 to Rs.6,630 per tonne during 1983 and 1984. The table presented below shows the prices of indigenous and imported newsprint during 1981-1985:

TABLE - 5.7
PRICES OF DOMESTIC AND IMPORTED NEWSPRINT (1981-85)

(Price per tonne in Rs.)

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Newsprint, MPM 52gsm</th>
<th>Imported Newsprint High-sea sales plus customs duty (average of quarterly quotations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.81</td>
<td>7,200</td>
<td>5,255</td>
</tr>
<tr>
<td>01.09.82</td>
<td>7,200</td>
<td>6,030</td>
</tr>
<tr>
<td>29.06.83</td>
<td>7,200</td>
<td>5,760</td>
</tr>
<tr>
<td>01.03.84</td>
<td>7,200</td>
<td>6,625</td>
</tr>
<tr>
<td>01.04.84</td>
<td>8,000</td>
<td>6,625</td>
</tr>
<tr>
<td>01.09.84</td>
<td>8,000</td>
<td>6,635</td>
</tr>
<tr>
<td>01.01.85</td>
<td>8,000</td>
<td>6,540</td>
</tr>
</tbody>
</table>

Source: Figures in the table are extracted from the financial statements of MPM

From the above table, it is evident that:

i) During the 4-year period referred to above, the selling price of newsprint of MPM was increased only twice, indicating a fairly high degree of stability in prices. But, the prices of imported newsprint was revised as many as seven times during this period, with three revisions in one single year (ie, 1984), thereby indicating high fluctuation and instability of these prices;
ii) The price of MPM newsprint had risen by only 11.11%, during this period with an annualised rate of increase of 2.78%. But, the price of imported newsprint had risen by 24.45% with an annual average of 6.11%.

iii) The price of MPM newsprint had shown continuous upward trend. But, the price of imported newsprint had moved in both the directions. The price was increased during 1982 but it came down during 1983. It was again increased during March 1984, and thereafter it remained almost stable for the rest of the year (except a marginal increase in September 1984). By another price revision effected in January 1985, the prices had once again have come down;

iv) The imported newsprint has been found cheaper as compared to MPM newsprint, the price differential ranging from Rs.575 (as per the prices prevailed during March 1984) to Rs.1,460 (as per the prices prevailed during January 1985).

The graph showing the revisions in the Prices of newsprint (both domestic and imported) is presented below (Figure: 5.2)
BAR GRAPH SHOWING PRICES OF DOMESTIC & IMPORTED NEWSPRINT (1981-85)

Figure: 5.2
REVISION OF NEWSPRINT SALE PRICE, 1985

Though the selling price of newsprint was revised with effect from April 1, 1984, the newsprint manufacturers sought further revision of the ex-mill price of newsprint. Because, the prevailing prices were proving unremunerative due to the escalation in the prices of raw-materials, chemicals and other inputs. In brief, the following reasons were cited in support of the need for further upward revision of the selling price:

i) Increase in royalty rates and working costs levied by the State Governments on forest raw-materials;

ii) Increase in electricity tariff;

iii) Upward revision of wages and salaries and the escalation in the prices of chemicals and other materials;

iv) Overall budgetary impact particularly on transporation; and

v) Additional cost due to the use of imported pulp by the new units.

The indigenous manufacturers also pointed out that the relatively higher cost of production of newsprint in India (as compared to international standard) was due to the following reasons:

i) The average production capacity of newsprint mills in developed countries is about 2.5 times higher than the production capacity of largest newsprint mill in India. Consequently, indigenous newsprint manufacturers have not been able to reap the benefits of large scale production;
ii) Raw-materials feed stock for newsprint mills abroad is entirely softwood and these materials are ideally suited for mechanical pulping which forms the bulk of newsprint furnish;

iii) Due to the nature of raw-material and adoption of mechanical pulping, cost of chemicals forms a very low percentage of the total manufacturing cost in foreign mills. But the Indian mills, whose primary raw-materials are hardwood, bamboo and bagasse, are obliged to use chemicals at the pulping stage as well as the bleaching stage to achieve the required brightness; and,

iv) Costs of power, chemicals and other inputs are comparatively high in India. In the light of the above, the Bureau of Industrial Costs and Prices carried out a comprehensive study of cost factors. Based on the recommendations of the Bureau, the Government approved the price revision of indigenous newsprint with effect from December 31, 1985, and allowed the following retention prices:

**TABLE - 5.8**

<table>
<thead>
<tr>
<th>Mill</th>
<th>Price per tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mysore Paper Mills</td>
<td>Rs. 8,960 (for 52 gsm newsprint)</td>
</tr>
<tr>
<td>NEPA</td>
<td>Rs. 7,860 (for 55 gsm newsprint)</td>
</tr>
</tbody>
</table>

**Source:** Figures in the table are extracted from the financial statements of MPM
It may be noted here that the State Trading Corporation's selling price of imported newsprint during January-March 1986 was Rs.7,030 per tonne, ex-godown (Rs.6,980 per tonne on high sea sales basis). Besides, customs duty of Rs.550 and Rs.275 per tonne was leviable in the cases of large and medium newspapers respectively. Of course, small newspapers were exempted from this duty. The revision of indigenous newsprint price evoked a strong reaction from the newspaper and publishing industry on the ground of higher cost as compared to imported newsprint. But, it was defended by the indigenous manufacturers citing higher costs of raw-materials, chemicals and power and based on strict normative criteria which stipulate certain levels of efficiency. The selling price of imported newsprint, however, showed an upward trend during 1987. The selling prices were at Rs.6,195, Rs.6,595, Rs.7,325 and Rs.7,530 per tonne respectively during the quarters starting from January 1987 on high-sea sales basis.

**REVISION OF NEWSPRINT SALE PRICE (1988-91)**

Following continuous escalation in the prices of various input factors, retention prices of indigenous newsprint have been revised as under:
TABLE - 5.9

REVISION OF PRICES OF INDIGENUOUS NEWSPRINT (1988-91)

(Rs. per Tonne)

<table>
<thead>
<tr>
<th>Month &amp; Year</th>
<th>MPM</th>
<th>NEPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1988</td>
<td>10,160</td>
<td>8,560</td>
</tr>
<tr>
<td>May 1989</td>
<td>13,800</td>
<td>12,300</td>
</tr>
<tr>
<td>September 1990</td>
<td>15,600</td>
<td>13,344</td>
</tr>
<tr>
<td>October 1990</td>
<td>16,400</td>
<td>14,000</td>
</tr>
<tr>
<td>June 1991</td>
<td>17,215</td>
<td>15,100</td>
</tr>
</tbody>
</table>

Source:


From the above table, it is evident that:

i) the hike in newsprint prices between January 1988 and June 1991 registered an average annual growth rate of 19.84% and 21.82% in case of MPM and NEPA Mills respectively;
ii) The selling price of NEPA newsprint has been lower than that of MPM newsprint throughout the above period. The price differential has ranged from Rs.1,500 (as in May 1989) to Rs.2,400 (as in October 1990);

iii) The rate of increase in the selling price of NEPA newsprint had shown both increasing and decreasing trends. The price had increased by 43.19% during May 1989 but only by 8.49% during September 1990. The rate of increase further declined to 4.92% in the price revision effected during October 1990. However, it had improved to 7.86% during June 1991. The selling price of MPM newsprint had, however, increased at a continually declining rate. The price had increased by 35.83% during May 1989 but the subsequent revision registered an increase by only 13.04%. The subsequent two revisions effected in October 1990 and June 1991 had recorded an increase at further reduced rates of 5.13% and 4.97% respectively.

THE FRAMEWORK FOR PRICING POLICIES

The conceptual framework according to which the price of indigenous newsprint is determined is discussed below.
in a lower price than the individual fair price which the Mills would have been entitled to. In any case, in the immediate context, when the international prices are low, the import-parity concept has not found favour, even though it has been recognised as possessing an economic rationale in the long run.

iii) Pooling of Newsprint Prices

The domestic Mills have pleaded that their financial performance had been adversely affected due to unremunerative selling prices. For instance, NEPA Mills incurred continuous losses till 1980-81 and even thereafter, they had made only marginal profits. The Mysore Paper Mills also faced serious cash flow problems. On the other hand, the price of imported newsprint has shown a declining trend, and as the gap between the prices of imported and indigenous newsprint widened, the preference of newspaper establishments for imported newsprint became more marked. As a result, domestic Mills have often been faced with the problem of huge inventories. In view of the fact that a large price differential between imported and indigenous newsprint is likely to disturb the allocation system, and in view of the need to allow reasonably remunerative prices to the domestic units, a system of evolving and operating a pooled price for newsprint (both domestic and imported) was suggested. Such a formula would involve the operation of a weighted average price which would even out the difference. Further, it would also enable the surplus accruing on the imported newsprint (the
landed cost of which would be lower than the pooled price), to be used for compensating the domestic producers (whose individual retention prices would be higher than the pooled price). For the present, however, the allocation mechanism which permits import of newsprint only to meet the residual gap is expected to ensure that offtake of indigenous newprint is not affected.

CONCLUSION

Admittedly, the cost of production of indigenous newsprint is high as compared to imported newsprint due to high capital cost which in turn is related to absence of economies of scale and other inherent dis-advantages, inferior raw-materials and consequent innovations of process technology. The indigenisation of newsprint production has, however, yielded considerable benefits by way of substantial savings of foreign exchange and stability of supply. Having regard to the potential importance of the domestic newsprint industry, it is necessary to achieve an atmosphere wherein mutual trust exists between the newspaper industry and the newsprint industry. The mechanism and trend of newsprint prices require a more rigorous technical analysis of all the parameters influencing consumption of, and demand for, newsprint. This would facilitate planning of imports and allocation of both the imported and indigenous newsprint so as to check inventory build-up in the domestic Mills and also to ensure 'no stock-out' situation for the newspapers.
MAJOR FINDINGS

The major findings of this chapter are presented below:

i) The Paper Industry has all along been subject to a rigid price control regime with little liberty in the formulation and implementation of its own pricing policies;

ii) The Paper Industry, at times, was also subject to statutory controls as to the production of certain varieties of paper as well as supply of certain quantity at concessional rates;

iii) Fixation/revision of prices by the Government had not immediately followed the escalation in the cost of production but after extensive studies. Further, the revised prices were much lower and therefore, the statutory price was not fully covering the cost of production. As a result, each successive revision of prices was found to be non-neutralising and highly unremunerative affecting seriously the sales, revenues and profitability of the Mills;

iv) Interestingly, the price revisions were blamed by the industry as very low whereas the same prices were criticised by the newspaper, printing and publishing industry (being the largest consumer of the paper and newsprint) as very high. Thus, the task of the Government in formulating an appropriate pricing policy to satisfy both the
manufacturers and consumers was always difficult and controversial. Existence of such conflicting interests had gradually impressed upon the Government to abolish the statutory controls and to leave the pricing issue to be decided by the market forces, in the nineties.
SUMMARY OF THE CHAPTER

To sum up, paper industry had been subjected to statutory controls beginning from 1940s. This is due to the importance of this product in mass communication and literacy as well as the existence of a wide gap between demand and supply. The pricing policies have been continuously revised by the Government depending upon the changing circumstances in the Industry and market. But the manufacturers have not found these prices remunerative and have therefore campaigned for total decontrol of paper. Of course, there is an element of truth in their assertion. But, in the larger interest of the users, total abolition of price-controls may not be appropriate.