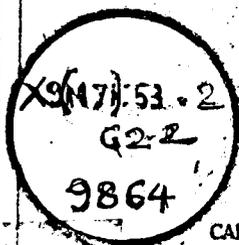


REPORT
OF THE
Indian Tariff Board
REGARDING THE
GRANT OF PROTECTION TO THE
COTTON TEXTILE INDUSTRY



CALCUTTA: GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1932

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PRELIMINARY.

This enquiry was referred to the Tariff Board by the Government of India in Commerce Department Resolution No. 341-T. (150), dated the 9th April, 1932, which was issued in the following terms:—

Terms of reference.

“ By the Cotton Textile Industry (Protection) Act, 1930, protective duties were imposed on cotton piecegoods for a period of three years in order to give the cotton mill industry in India temporary shelter against foreign competition. These duties are fixed at a lower rate on piecegoods of British than on those not of British manufacture. By the same Act the operation of the duty imposed by the Indian Tariff (Cotton Yarn Amendment) Act, 1927, was extended for a further period of three years on account of the unfair competition arising from the prevalence of inferior labour conditions in China. These duties will expire on the 31st March, 1933. An assurance was, however, given by Government to the Legislature, when the Cotton Textile Industry (Protection) Bill was under consideration, that before the termination of the three-year period the effect of the duties on the production of cotton piecegoods in India and on the Indian cotton textile industry would be examined in a Tariff Board enquiry.

2. Since the Cotton Textile Industry (Protection) Act was passed three noteworthy changes have occurred. In the first place, the rates of duty imposed on cotton piecegoods under the Act have been raised by two successive Finance Acts, and are now levied at a rate substantially higher than the Legislature found to be necessary to give temporary shelter to the indigenous industry. In the second place, a very large increase has occurred in the imports of piecegoods made wholly or partly of artificial silk, and the duties on such goods have been raised to the rates applicable to goods made wholly or partly of real silk. Finally, the Government of India have decided to discuss at the forthcoming Imperial Conference at Ottawa the question whether Great Britain and India should enter into a trade agreement embodying a preferential tariff regime so designed as to benefit the trade of both countries.

3. The Government of India consider that the Tariff Board enquiry should now be undertaken. The Board is requested to examine the following questions and to make recommendations:—

- (1) Whether the claim of the Indian cotton textile industry to protection has been established;
- (2) If the claim is found to be established, in what form protection should be given and to what extent;

- (3) If it is proposed that protection should be given by means of import duties—
- (a) whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere; and
 - (b) what rates of duty are recommended in respect of:—
 - (i) cotton piecegoods,
 - (ii) piecegoods made wholly or partly of artificial silk, and
 - (iii) cotton twist and yarn, according as they are manufactured—
 - A.—In the United Kingdom,
 - B.—Elsewhere.

In making its recommendations the Tariff Board will take all relevant considerations into account including that stated in part (b) of the Resolution adopted by the Legislative Assembly on the 16th February, 1923. In particular, the Board is requested to consider how its recommendations will affect the handloom weaving industry.

- (4) Firms or persons interested who desire that their views should be considered by the Tariff Board should address their representations to the Secretary to the Board."

2. On the 11th April, the Board published a Press Communiqué reproducing these terms of reference and inviting firms or persons interested to send their representations by the 25th May. Appendix I contains a copy of this communiqué and a list of the associations, firms and persons from whom representations were received. In the middle of June a questionnaire was issued to these associations, firms and persons and also to others, who had applied for copies or who were known to be in possession of information likely to assist the Board in its enquiry. It is a matter for regret that, while the questionnaire was sent to 30 mills which are not represented by any association or Chamber of Commerce, only four of them sent any reply at all, and even these four sent replies which were so incomplete as to be of little value. In view of the undertaking given by the Board not to disclose the figures of costs submitted by mills or their identity, there was little justification for the refusal of these mills to respond to the Board's request for information. Since they stand to benefit equally with other mills by the imposition of any protective duties which may be adopted in pursuance of our report, their conduct in our opinion betrays a deplorable lack of public spirit. When an enquiry into the grant of protection to an industry is referred to the Tariff Board, it must be understood that the industry is under an obligation to place the Board in possession of all the information which may be required. While the Millowners'

Associations and most of the Chambers of Commerce which have been the chief spokesmen for the industry, particularly the Bombay Millowners' Association, have spared no pains to carry out this obligation, the unattached mills and some of the Chambers of Commerce have contributed little or nothing. Without the power to compel the production of evidence the Board is entirely dependent upon the co-operation of the industry for the supply of the detailed information necessary to enable it to study the conditions of the industry and to formulate its proposals. Hitherto there has been no conspicuous failure in any enquiry to secure this co-operation. But the experience of this enquiry suggests that the Board, if it is to discharge its duty, must be armed with power to compel persons and firms engaged in the industry to appear and to present their books for examination.

3. The last week of June was spent in visiting mills in Bombay, the Indian Central Cotton Committee's Laboratory and the Victoria Jubilee Technical Institute; a visit was also paid to the Cotton Exchange at Sewri. At the end of July work on this enquiry was interrupted by an urgent reference regarding the emergency created by the depreciation of Japanese currency to which further allusion will be made. The latter half of August was occupied by the examination of witnesses in Bombay; from August 29th to September 2nd the Board was in Ahmedabad where it inspected mills and recorded evidence. It then went to Calcutta where from September 8th to 16th it was occupied with inspection and with the examination of witnesses. The detailed programme of visits and examinations will be found in Appendix II. The Board has not for the purpose of this enquiry found it necessary to visit other centres. Outside Bombay and Ahmedabad which between them represent about 60 per cent. of the total production of cotton piecegoods, the industry is scattered over the whole country and there are no centres of production so large as to demand a visit. Nor did the representations or the replies to the questionnaire indicate the existence of conditions in any other part of the country such as to necessitate a personal visit and investigation. Pressure of time and financial considerations also rendered it necessary that the Board should as far as possible restrict its touring. We had, however, intended to include Cawnpore in our programme of visits. But on receipt of a communication from the Upper India Chamber of Commerce representing the majority of the mills at Cawnpore that they did not desire to reply to the questionnaire or to give evidence the proposed visit was abandoned.

4. We desire to acknowledge the assistance we have received from the various associations and individuals who supplied us with information and gave evidence before us.

Acknowledgments. We desire also to express our warm appreciation of the services of our Technical Assistant, Rai Sahib Hrishikesh Mookerjee, A.M.C.T. Mr. Mookerjee's previous experience in a similar capacity under Mr. G. S. Hardy, C.I.E., I.C.S.,

and his intimate and accurate knowledge of the import trade in cotton piecegoods rendered his assistance specially valuable. His assistance was not however confined to questions relating to the import trade in piecegoods and the administration of customs duties. His distinguished record as a student of textile technology at Manchester and his practical experience of the cotton mill industry both in India and elsewhere rendered his advice equally useful on the general issues under enquiry. He spared no pains in the discharge of his difficult duties and in placing at our service his exceptional knowledge and experience.

Report regarding the grant of Protection to the Cotton Textile Industry.

CHAPTER I.

The Present Protective Duties and their origin.

Though the first measure of protection was accorded to the Indian cotton textile industry by the Indian Tariff (Cotton Yarn Amendment) Act of 1927, cotton textile goods had from the early part of the 19th century been called upon to contribute to the revenues of the Government of India by means of duties upon yarn and woven goods levied at rates which varied from time to time according to the financial requirements of the Government. From 1896 to 1917 an import duty was levied on cotton piecegoods at the rate of 3½ per cent.; while, in accordance with the strict principles of free trade, a countervailing excise duty was levied on the goods manufactured in the Indian mills. In 1917 revenue considerations led to the raising of the rate of import duty to 7½ per cent., and in 1921 it was further raised to 11 per cent., the excise duty being maintained at 3½ per cent. till 1925, when it was first suspended, to be finally abolished in 1926. An import duty on cotton yarn was imposed in 1922 at the rate of 5 per cent. *ad valorem*.

2. From 1923 to 1926 the cotton textile industry, especially in Bombay, was affected by a severe depression; and the Government of India in 1926 appointed a special Tariff Board to investigate the condition of the industry and the causes of the depression. This Board reported early in 1927 that the depression was due largely to causes world wide in their operation, such as the altered relations between agrarian and general prices since 1920 which had reduced the purchasing power of the agriculturist, the cyclical character of trade and India's participation in the world depression which had followed the boom of 1921-23, and the course of American cotton prices by which the cost of the raw material of the Indian cotton industry is determined. The Board also found that the depression in the cotton textile industry in India was partly due to competition from Japan, and that this competition was facilitated by inferior conditions of labour in that country in regard both to hours of work and to the employment of women and children at night. Among the factors which had had a special influence upon the industry in Bombay the most important were the increasing competition of mills in other parts of India and the loss of the yarn export trade to China, which had made it necessary for Bombay to find an outlet in the home market for an additional 300 million yards of cloth a year at a time when up-country mills had rapidly

increased their production. Apart from a number of detailed recommendations made with the object of improving the internal organisation of the industry, the Board's main proposals were designed first to assist the industry to secure greater diversification of production and to stimulate a larger output of goods of superior quality, and secondly to afford the industry a measure of protection against the unfair competition from Japan. To assist the industry in improving the quality of its production, the Board made an unanimous recommendation for the establishment at Bombay, with financial assistance from the Government, of a combined bleaching, dyeing and printing works. The majority of the Board (the President dissenting) made a further recommendation for the payment for four years of a bounty of one anna a pound or its equivalent on the production of yarn of 32s and higher counts, based on the output of an average of 15 per cent. of the total working spindleage in a mill. The Board was unanimous in finding that the Indian industry had established a claim for protection against imports from Japan, and in estimating the advantage derived by the Japanese mills from inferior labour conditions at about 4 per cent. on the actual cost of manufacturing both yarn and cloth. But there was a difference of opinion regarding the measure of protection to be adopted. The majority (the President dissenting) recommended an increase in the import duty on cotton piecegoods from 11 to 15 per cent. for three years; they recommended no increase in the duty on yarn, in consideration of the effect which such an increase might have upon the handloom industry. The President in a minute of dissent recommended an additional duty of 4 per cent. for three years on all cotton manufactures, including yarn, imported from Japan. The Board made a further unanimous recommendation that cotton textile machinery and certain mill stores which had been liable to duty since 1921 should be exempted from duty for a period of three years, at an estimated sacrifice of revenue of about Rs. 50 lakhs.

3. The Government of India deferred passing orders on the proposal that they should contribute towards the cost of establishing a combined bleaching, dyeing and printing works in Bombay until they had ascertained the views of the Bombay Government and the industry in Bombay and elsewhere.

Orders of Government on Tariff Board's Report.

They rejected the recommendation that the spinning of the higher counts of yarn should be encouraged by the grant of a bounty, holding that the administrative difficulties in working the scheme were insuperable and agreeing with the President "that a long established industry, such as the cotton textile industry in Bombay, should need no stimulus at the cost of the general tax-payer to a development which is in its own interest". The Government of India also rejected the recommendation of the majority for a general increase in the import duty on cotton piecegoods, finding that no case had been established for such an increase, which had been recommended mainly in order to supply the funds required for the

payment of the proposed bounty. Nor did they accept the President's proposal for an increased duty on imports from Japan; they agreed that the advantage which Japan derived from labour conditions in that country might be assumed at about 4 per cent. on the actual cost of manufacture of both yarn and cloth; and they found that if a reasonable return on capital were admitted, the advantage would not be more than 10 per cent. on cloth, which was already sufficiently covered by the existing 11 per cent. revenue duty on cotton piecegoods. Though the 5 per cent. revenue duty on yarn did not cover the advantage to the Japanese mills, the Government would not impose an additional duty on yarn, because the handloom industry would be prejudicially affected. Finally, the Government of India agreed to remove the import duties on machinery and on certain stores consumed in cotton mills.

4. The publication of this order led to a strong protest by a conference of representatives of the cotton textile industry who urged the Government of India to reconsider their decisions on the proposals for the payment of a bounty on the production of the finer counts of yarn and for the increase of the duties on imports of yarn and piecegoods. This representation was followed by a deputation of Millowners to the Viceroy. The Government of India were induced by these expressions of opinion to modify their original order in respect of the proposal to increase the duty on yarn, and they undertook to introduce a bill providing that up to the 31st March 1930 the duty on all imported cotton yarn should be one and a half annas a pound or 5 per cent. *ad valorem* whichever is higher, following the Tariff Board's estimate of 16.55 pies a lb. as the measure of the advantage enjoyed by the Japanese mills in spinning yarn of 32s counts. At the same time in order to minimise the burden on the handloom industry and to encourage diversification of mill production they proposed to reduce the duty on artificial silk yarn from 15 to $7\frac{1}{2}$ per cent. They also agreed to make certain additions to the list of machinery and mill stores to be exempted from duty. The Bombay Millowners' Association made a further protest against the Government's refusal to admit the necessity for an increase in the duty on piecegoods; but this had no effect; and the Indian Tariff (Cotton Yarn Amendment) Act, 1927, duly provided that until 31st March 1930 the duty on all imported cotton yarn should be 5 per cent. *ad valorem* or $1\frac{1}{2}$ annas a pound whichever is higher. At the same session of the Legislature the Indian Tariff (Amendment) Act, 1927, was passed giving effect to the Government's undertakings to exempt certain mill machinery and stores from duty and to reduce the duty on artificial silk yarn from 15 to $7\frac{1}{2}$ per cent.

5. The Tariff Board's recommendation regarding a combined bleaching, dyeing and printing works has not yet led to any practical result, although discussions have been held between the Government of India, the Government of Bombay and the Bombay Mill-

Reconsideration of order by Government.

Protective Duties on Piecegoods.

owners' Association on the subject. The years 1928 and 1929 were marked by serious labour troubles and general strikes in the Bombay cotton mills; the industry became still more depressed; and the competition of imports from Japan became keener than ever. In 1929 Mr. G. S. Hardy was appointed to examine the possibility of introducing a system of specific duties on cotton piecegoods, and to ascertain what changes had occurred since 1926 in the volume of imports, the classes of goods imported and the extent and severity of external competition with the products of the Indian mills. Mr. Hardy found that a change to a system of specific duties would be on the whole undesirable. As regards external competition he found that Japan's progress since the Tariff Board reported had been rapid and uninterrupted, especially in shirtings. Soon after the publication of his report towards the end of 1929, the Government of India discussed it with representatives of the various Associations connected with the industry; and in his budget speech on the 28th February 1930 the Finance Member announced the intention of the Government of India to raise the revenue duty on piecegoods from 11 to 15 per cent., and in addition to impose a 5 per cent. protective duty, with a minimum of $3\frac{1}{2}$ annas a pound on "plain grey goods," on all cotton piecegoods imported from countries other than the United Kingdom—this protective duty to be in force for three years and its effects to be examined by the Tariff Board before the expiry of that period. At the same time the Government proposed to continue the minimum specific duty on cotton yarn for a further period of three years. The increase of the duty on cotton piecegoods from 11 to 15 per cent. was dictated by considerations of revenue alone. The addition of the protective duty was proposed partly in order to provide a temporary shelter under which the cotton textile industry, especially in Bombay, might be able so to organise itself as to be in a position "to start again with restored health and a new lease of life on its normal course of development", and partly in response to a message from His Majesty's Government asking that the serious effect of the proposals in England might not be lost sight of. It was considered necessary to raise the duty on piecegoods imported from certain countries to 20 per cent. in order to make the protection afforded to the industry fully effective. It was considered unnecessary to apply the higher rate of duty to goods of British manufacture, first because the history of the previous 20 years indicated that with an advantage varying from 4 to 11 per cent. large quantities of British goods had been replaced by Indian manufactures and that there was nothing to justify the imposition of a duty in excess of 15 per cent. by way of protection against British goods; and secondly, because the raising of the duty to 20 per cent. all round would impose an undue burden on the consumer, raising the cost to him of enormous quantities of goods which are not in effective competition with Indian manufactures. The minimum specific duty on 'plain grey goods' was proposed first because these goods form the staple production of the Indian and especially of the Bombay mills; secondly because it was in this class of goods that competition from abroad was most keenly felt; and thirdly

because the Indian mills as then equipped were capable of producing nearly the whole of the country's requirement of this class of goods (except jaconets and mulls which are woven from the finer counts of yarn and were not made in India). The definition of 'plain grey goods' was widened so as to include such new classes of imports as dhutis with printed headings, and so as to provide as far as possible against the danger of substitution. With regard to the continuance of the protective duty on yarn, it was pointed out that labour conditions in Japan had been improved by the introduction of a new labour law since 1927 and it was now impossible to maintain that conditions in Japan were inferior to those in India. On the other hand, a large import trade in yarn from China had come into existence, and labour conditions in China both as regards hours of work and as regards the employment of women and children were far inferior to those in India. A law improving these conditions had been promulgated but it was reported that no attempt had been made to enforce it. And the continuance of the duty was justified by the existing conditions in that country. The Cotton Textile Industry (Protection) Bill in which these proposals were embodied met with considerable opposition, partly on the ground that no protection was needed and partly on the ground that the protection offered was inadequate; but the main attack was directed against the differential duty proposed for goods of British origin. An amendment proposing to make the duty on all cotton piecegoods 15 per cent. or $3\frac{1}{2}$ annas a pound whichever is higher was defeated; the Government accepted another amendment by which the minimum specific duty of $3\frac{1}{2}$ annas a pound was made applicable to all plain grey goods, including those of British origin; and with this alteration the Bill passed into law.

6. Even before these proposals were formulated India with the rest of the world had come under the influence of the severe depression which started with the collapse of prices in the latter half of 1929. Indeed it was the adverse effect upon the Indian revenues of this depression which made it necessary for the Finance Member to propose the increase of the duty on cotton piecegoods from 11 to 15 per cent., and its continuation in an intensified form through 1930 and 1931 led to further increases of taxation in March and September 1931. The prices of the products of Indian agriculture have shared in the general collapse, and this has greatly reduced the purchasing power of the Indian agriculturist and has thus affected the piecegoods market. Besides these economic developments the situation has been complicated by the acute political controversies of the last three years. The 'civil disobedience' campaign, launched in March 1930, suspended early in 1931 and renewed at the beginning of 1932, proclaimed as one of its main objects the boycott of foreign goods. Thus in attempting to estimate the effect of the protective duties imposed in 1930 on the cotton textile industry in India we find ourselves confronted on the one hand by the insuperable difficulty of assessing the relative influence of the tariff, the

Other influences affecting the industry.

general economic condition of the country and the political situation in reducing the volume of imports; while on the other hand the stimulus which the Indian industry has received from the protective duties and from the political propaganda in favour of 'swadeshi' goods has largely been obscured by the severe depression of prices caused by the economic conditions obtaining throughout the world. Nor have political influences worked entirely in favour of the Indian industry; trade has been hampered by periodical disturbances and the constant closure of markets; and propaganda directed against the use of foreign goods has penalised the use of imported yarn, both cotton and artificial silk. But before we begin to examine the position of the industry during this period, we must briefly describe the changes which have been made in the tariff since 1930.

7. To supply the large deficit disclosed by the Budget for 1931-32 an additional duty of 5 per cent. was in March 1931 added to the import duties on piecegoods, and the duty on artificial silk yarn was raised to 10 per cent;

Additional duties imposed. and in consequence of the further deterioration of the financial situation the Indian Finance (Supplementary and Extending) Bill, introduced in the following September, provided for an additional surcharge of 25 per cent. on all import duties, for the raising of the duty on artificial silk piecegoods to 40 per cent. and on artificial silk yarn to 15 per cent. (the surcharge to be levied on the increased duty) and for new duties of 10 per cent. on machinery and dyes and of half an anna a lb. on raw cotton. Additions were also made to the duties on piecegoods manufactured from mixtures of cotton and artificial silk. Before April, 1930, while the duty on cotton piecegoods was 11 per cent. and that on artificial silk piecegoods 15 per cent., mixtures were assessed at one or other of these rates according as less or more than 20 per cent. of the superficial area consisted of artificial silk. When the duties on cotton goods were raised to 15 or 20 per cent. according as they were or were not of British origin, mixtures containing less than 20 per cent. of artificial silk, coming as most of them did from Japan or from the Continent, became liable to a duty of 20 per cent., while those containing more than 20 per cent. of artificial silk continued to pay the revenue duty of 15 per cent. No change was made in March 1931 beyond the 5 per cent. addition to the duties on piecegoods of all description. But in September, 1931, when the duty on goods made wholly of artificial silk was raised to the same level as that on silk goods, the duty on artificial silk mixtures whatever the proportion of their contents represented by artificial silk, was raised to the level of the duty on silk mixtures. Thus at the time when this enquiry was referred to the Board the duties chargeable were as follows:—

Raw cotton	. . . . .	6 pies a lb.
Textile machinery	. . . . .	10 per cent. <i>ad valorem</i> .
Dyes	. . . . .	10 per cent. <i>ad valorem</i> .

Artificial silk yarn	18½ per cent. <i>ad valorem</i> .
Cotton twist and yarn	6½ per cent. <i>ad valorem</i> or 1½ annas a lb. whichever is higher.

Cotton Piecegoods—

(a) Plain grey, that is not bleached or dyed in the piece, if imported in pieces which either are without woven headings or contain any length of more than nine yards which is not divided by transverse woven headings—

(i) of British manufacture 25 per cent. *ad valorem* or 4½ annas a lb. whichever is higher.

(ii) not of British manufacture 31½ per cent. *ad valorem* or 4½ annas a lb. whichever is higher.

(b) Others—

(i) of British manufacture 25 per cent. *ad valorem*.

(ii) not of British manufacture 31½ per cent. *ad valorem*.

Artificial silk piecegoods 50 per cent. *ad valorem*.

Artificial silk mixtures 34½ per cent. *ad valorem*.

8. On July 25th, 1932, the Government of India in Commerce Department's Resolution No. 341-T. (161) directed the Board to make an immediate enquiry into the allegation that cotton piecegoods not of British manufacture were being imported at such a price as to render inoperative the protection contemplated by the duties imposed in 1930, and to report whether these duties should be increased by the Governor General in Council in the exercise of his powers under section 3 (5) of the Indian Tariff Act, 1894. The Board reported that the depreciation of Japanese currency since the beginning of 1932 had led to a remarkable increase in the imports of piecegoods from Japan at prices which were likely to render ineffective the protection intended for the Indian industry and that additional assistance should be given either in the form of a system by which the tariff values of piecegoods might be adjusted to counteract the effect of the depreciated exchange, or by raising the *ad valorem* duty on cotton piecegoods from 31½ to 50 per cent. While pointing out that Japan was the only country whose currency was so depreciated as to endanger the scheme of protection for the Indian industry, the Board considered the low prices at which Japanese goods were being imported such a menace that it recommended that, in case the Indo-Japanese Trade Convention of 1904 debarred the Government from raising the duty upon goods of Japanese origin alone, the increased duty should be applied to all goods not of British manufacture. The Government of India accepted the Board's finding of facts; they did not accept the suggestion that tariff values might be adjusted in such a way as to counteract falls in prices due to depreciated currencies, and they held that the terms of the Indo-Japanese Trade Convention did not admit of their increasing the duties on Japanese goods alone. They held however that they had the power under section 3 (5) of the

Tariff Act to alter the specific duty on plain grey goods as well as the *ad valorem* duty, and they accordingly directed that until March 31st, 1933, the duty on all piecegoods not of British manufacture be raised to 50 per cent. *ad valorem* the minimum specific duty on plain grey goods being raised to 5¼ annas a lb.

9. It is necessary at the earliest possible stage in this Report to emphasise the difference in scope between this enquiry and that held by the Tariff Board in 1926-27. The object of that enquiry was primarily to ascertain the causes of the depression in the industry at that time, with special reference to conditions at Bombay and Ahmedabad, and to consider how far the depression was due to the competition of other countries in the home and export trade, and to what extent protection was necessary to safeguard the industry. Our terms of reference require us to consider first whether the claim of the Indian cotton textile industry to protection has been established, and if so in what form and to what extent it should be given. The main purpose of our enquiry must therefore be to ascertain how far the industry satisfies the conditions which the Indian Fiscal Commission has laid down, to estimate the importance of the industry in the economic structure of the country and to see how far its development is likely to be prevented or retarded without the help of protection. The Tariff Board in 1926-27 admitted the claim of the Indian industry to protection only to the extent that the foreign competition with which it was faced was unfair. We are required, if we find that the claim for protection is established, to propose an effective measure of protection against all foreign imports which compete with the goods produced in Indian mills. This measure of protection can only be determined by a comparison of the costs of manufacture in Indian mills with the prices at which cotton goods find a market in India.

CHAPTER II.

The Indian Industry and the Indian Market.

10. The Tariff Board's report on the Cotton Textile Industry Enquiry, 1926-27, opens with a survey of the cotton mill industry in India during the first twenty-five years of this century, covering first the period of steady progress in the earlier years, when the industry ceased to be essentially a spinning industry and the export trade in yarn began to decline in importance, secondly the war years when development was arrested, mainly owing to the difficulty of obtaining new machinery, and imports of yarn and piecegoods from Japan first reached considerable proportions, thirdly the three years 1919-1921 of abounding prosperity, and lastly the period of depression in the years 1923 to 1926. The most striking feature brought to light by this survey was the great expansion of the industry in all directions but more particularly in weaving as compared with spinning; other features hardly less important were the loss of the export trade in yarn, the gradually decreasing dominance of Bombay in the home industry and the increasing share of Japan in the import trade. The following review of the conditions of the industry from 1926 onwards will show the persistence of the same tendencies, though there has been a considerable change in their relative importance. The industry has continued to expand and there has been greater expansion in weaving than in spinning. The export trade in yarn has continued to decline. Both in the number of mills at work and in production Bombay continues to lose its commanding influence. And though the import trade as a whole has fallen with great rapidity since 1929-30, Japan's share of it has become steadily greater.

11. There has been little change in the distribution of mills throughout India, which is shown in the following Table for the year 1931:—

TABLE I.

	Mills working.				Mills idle.	Mills in course of erection or recently registered.
	Spin-ning only	Weav-ing only.	Spin-ning and weaving.	Total.		
Bombay	6	1	66	73	8	..
Ahmedabad	6	5	62	73	3	8

	Mills working.				Mills idle.	Mills in course of erection or recently registered.
	Spinning only.	Weaving only.	Spinning and weaving.	Total.		
Bombay Presidency other than Bombay and Ahmedabad (a)	6	7	19	32	6	3
United Provinces (b)	10	1	11	22	1	1
Madras (c)	16	3	6	25	1	2
Central Provinces (d)	..	..	7	7	..	..
Bengal	4	2	7	13	4	4
Delhi	..	..	5	5	1	..
Punjab	1	..	3	4	..	..
Berar	..	..	4	4	..	..
Baroda (e)	5	..	8	13	1	2
Ajmer-Merwara	1	1	2	4	..	..
Hyderabad	..	..	4	4	1	..
Indore	..	..	9	9	..	1
Gwalior	..	..	3	3	1	1
Kathiawar	1	..	4	5	..	1
Sangli	..	1	..	1	..	1
Kolhapur.	..	..	1	1	..	..
Cambay	..	1	1	2	..	..
Rajnandgaon	..	..	1	1	..	..
Mysore (f)	1	1	3	5	..	..
Kishangar	..	..	1	1	..	..
Travancore and Cochin	..	..	1	1	..	..
Pondicherry	..	..	3	3	..	..
Burma	1	..	..	1	..	..
Total	58	23	231	312	27	24

(a) Sholapur 5, Surat 5, Broach 5.

(b) Cawnpore 9.

(c) Madras 3, Coimbatore 8, Madura 5.

(d) Nagpur 2, Wardha 3.

(e) Baroda 4, Sidhpur 2, Kalol 2, Petlad 2, Billimora 1, Kadi 1, Navsari 1.

(f) Bangalore 4, Mysore 1.

The total number of mills working has risen from 274 in 1925 to 312 in 1931, when there were 30 more spinning and weaving mills and 8 more spinning mills at work than in the earlier year. The number of idle mills has risen from 20 to 27, Bombay and Bengal each contributing three to the increase; and whereas in 1925 there were 43 mills in course of erection, there were in 1931 only 24. Most of the new mills have come into existence in Ahmedabad (15) and the Madras Presidency (9). Bombay and Ahmedabad are still the principal centres of the industry; about half the total number of mills in the country are at these two places, which together in 1931-32 produced 49·1 per cent. of the yarn and 61·5 per cent. of the cloth manufactured by the Indian mills. Apart from these two centres the industry is still so scattered that any detailed survey of the conditions of the up-country mills is impossible. The statement in Appendix III shows in the form of the statement in Appendix II of the 1926-27 Report for the country as a whole the progress of the industry between 1925-26 and 1930-31. It will be seen from this statement that the number of spindles to looms in the mills at work has fallen from 53 in 1925-26 to 51 in 1930-31. In Bombay and Ahmedabad alike the fall is from 45 to 43. The average number of hands employed daily has risen in the country as a whole by more than 20,000 or nearly 6 per cent. In Bombay the number has fallen by more than 20,000 or 13·5 per cent. In the following Table the number of mills working and the production in 1931-32 are compared with the figures for 1925-26 for Bombay, Ahmedabad, the rest of India and the country as a whole:—

TABLE II.

	Number of mills working.		Percentage of variation.	Production of yarn Millions of pounds.		Percentage of variation.	Production of woven goods of all descriptions Millions of pounds.		Percentage of variation.
	1925-26.	1931.		1925-26.	1931-32.		1925-26.	1930-31.	
Bombay . . .	79	78	-7·6	261	322	+23·4	200	264	+32·0
Ahmedabad . . .	56	73	+30·4	103	152	+47·8	106	149	+40·2
Rest of India . . .	135	166	+22·9	322	492	+52·8	159	259	+62·9
Total . . .	270	312	+15·5	686	966	+40·9	465	672	+44·5
Percentage of—									
Bombay to all India. . .	29·3	23·4	..	38·1	33·3	..	43·0	39·3	..
Ahmedabad to all India. . .	20·7	23·7	..	15·0	15·8	..	22·8	22·2	..
Rest of India to all India. . .	50·0	52·9	..	46·9	50·9	..	34·2	38·5	..

This Table shows the extent to which the industry has expanded in the country as a whole, and the extent to which Bombay's

progress has been slower than that either of Ahmedabad or of the other upcountry centres. Between 1925-26 and 1931-32 in spite of a reduction in the number of mills working in Bombay, its production of yarn has risen by 23·4 per cent. and of woven goods by 32 per cent. But even this substantial increase of production has been surpassed by Ahmedabad whose production both of yarn and of woven goods shows an increase of nearly 50 per cent.; while the mills in the rest of India have increased their production of yarn by 52·8 per cent. and of woven goods by 62·9 per cent. Thus Bombay's share of the yarn production has fallen from 38·1 to 33·3 per cent. and her share of the production of woven goods has fallen from 43 per cent. to 39·3 per cent.; Ahmedabad's share has remained about constant; and the share of the rest of India shows an increase.

12. We now proceed to examine in closer detail the production of yarn and piecegoods in Indian mills during the period 1926-27 to 1931-32. The following Table shows for Production: (i) Yarn. each of these years the quantity of yarn spun in the Indian mills:—

TABLE III.
Yarn spun in Indian Mills.

Counts.	(Millions of lbs.)						Percentage variation between 1926-27 and 1931-32.
	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.	
1-10 . .	114·64	105·98	78·89	105·46	113·59	116·99	+ 2·05
11-20 . .	401·04	388·82	303·14	337·92	400·15	445·15	+11·00
21-30 . .	248·31	263·07	213·01	271·82	259·69	293·96	+18·33
31-40 . .	27·66	33·76	37·49	46·37	60·75	71·07	+156·94
Above 40 . .	11·53	11·14	10·03	15·28	27·31	34·00	+194·88
Wastes . .	3·94	6·17	5·73	6·71	5·79	5·24	+32·99
Total . .	807·12	808·94	648·29	833·56	867·28	966·41	+19·74

As compared with 1926-27 the figures for 1931-32 show increased production of nearly 160 million lbs. or just under 20 per cent. There has only been a slight increase in the production of yarn of the lower counts; but in the production of yarn of counts above 30s the increase has been no less than 168 per cent. Whereas in 1926-27, 42·73 per cent. of the yarn spun in India was spun in the mills on the Bombay Island, the labour troubles in Bombay reduced this percentage to 23·72 in 1928-29 and the Bombay industry has only been able to recapture a portion of the busi-

ness it lost in those years. Mills situated in Indian States, in the United Provinces, in Madras and in Ahmedabad have all secured part of the business lost by Bombay. The following statements show for each year the quantity of yarn spun in various parts of India and the percentage which these quantities bear to the total production of each year:—

TABLE IV.

Quantity of yarn spun.

(Millions of lbs.)

—	Bombay Island.	Ahmed- abad.	Bombay other centres.	Madras.	Bengal.	United Pro- vinces.	Central Pro- vinces.	Indian States.	Other centres.	Total.
1926-27	844.86	105.91	61.25	64.50	81.54	68.80	38.90	72.89	18.47	807.12
1927-28	818.75	111.11	61.98	68.73	84.35	66.60	42.86	84.35	20.18	808.91
1928-29	153.75	116.72	59.88	69.04	30.02	60.33	44.06	90.62	24.38	648.90
1929-30	263.22	135.78	68.80	74.50	87.05	76.42	45.11	102.61	30.42	833.41
1930-31	270.91	137.11	67.93	76.93	87.76	85.05	45.10	113.61	32.88	867.23
1931-32	321.59	152.86	75.09	87.68	87.62	89.82	44.14	118.25	39.86	966.41

TABLE V.

Percentage of yarn spun.

—	Bombay Island.	Ahmed- abad.	Bombay (other centres.)	Madras.	Bengal.	United Pro- vinces.	Central Pro- vinces.	Indian States.	Other centres.
1926-27	42.73	13.12	7.59	7.99	3.90	8.52	4.82	9.03	2.30
1927-28	39.40	13.73	7.66	8.50	4.24	8.23	5.30	10.45	2.51
1928-29	23.72	18.00	9.16	10.65	4.63	9.30	6.80	13.98	3.76
1929-30	31.58	16.29	8.19	8.94	4.44	9.17	5.41	12.33	3.65
1930-31	31.24	15.87	7.83	8.87	4.35	9.80	5.20	13.09	3.76
1931-32	33.28	15.77	7.77	9.07	3.89	9.29	4.67	12.24	4.12

13. The increase in the production of yarn of the finer counts is noteworthy. In paragraph 81 of the 1926-27 Report the Tariff Board emphasised the desirability of such a development in the Indian industry especially in Bombay, and Mr. Hardy in his report in 1929 recorded some evidence of progress made by the industry in this respect. The following Table shows for Bombay,

Ahmedabad and for the whole of India the actual output for each year of the finer yarns:—

TABLE VI.

Quantity of yarn spun.

(Millions of lbs.)

	All India.		Bombay.		Ahmedabad.		Other centres.	
	31-40s.	Above 40s.	31-40s.	Above 40s.	31-40s.	Above 40s.	31-40s.	Above 40s.
1926-27	28	12	9	4	8	5	11	3
1927-28	34	11	12	5	10	4	12	2
1928-29	37	10	9	3	13	4	15	3
1929-30	46	15	13	5	15	6	18	4
1930-31	61	27	23	10	17	11	21	6
1931-32	71	34	29	13	20	14	22	7

Progress has been very rapid both in Bombay and in Ahmedabad; in the rest of India it has been steady though more moderate. The next table shows for Bombay, Ahmedabad and the rest of India the proportion borne by yarn of various counts to the total production of each year.

TABLE VII.

Statement showing the percentage of yarn of different counts to the total quantity spun in each year.

Count.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>A.—All-India.</i>						
1—10s	14.20	13.11	12.17	12.65	11.09	12.11
11—20s	49.67	48.06	46.76	46.54	46.15	46.06
21—30s	30.76	32.62	32.66	32.61	29.94	30.42
31—40s	3.42	4.17	5.78	5.56	7.00	7.35
Above 40s	1.43	1.38	1.55	1.83	3.15	3.52
Wastes . . . . .	.49	.76	.88	.61	.67	.54

Count.	1926-27	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>B.—Bombay Island.</i>						
1-10s	21.11	19.85	21.10	20.11	19.80	16.32
11-20s	44.47	41.10	40.26	40.23	37.21	37.66
21-30s	30.17	33.72	30.60	32.56	30.55	32.58
31-40s	2.66	3.85	5.57	4.96	8.37	9.17
Above 40s	1.25	1.58	2.04	1.76	3.88	4.03
Wastes . . . . .	.33	.37	.43	.33	.19	.24
<i>C.—Ahmedabad.</i>						
1-10s	2.41	2.09	2.07	2.18	2.02	1.24
11-20s	37.77	36.92	33.76	35.64	35.02	36.44
21-30s	47.45	50.09	49.86	46.49	42.68	39.98
31-40s	7.79	8.66	10.83	11.34	12.51	12.88
Above 40s	4.55	3.24	3.48	4.35	7.80	9.46
Wastes . . . . .	...	...	...	...	...	...
<i>D.—Other Centres.</i>						
1-10s	11.03	11.05	11.66	11.38	12.46	12.71
11-20s	58.30	57.48	53.42	53.77	54.71	54.52
21-30s	26.38	26.36	28.52	28.30	25.78	26.05
31-40s	2.86	3.13	4.31	4.12	4.56	4.46
Above 40s . . . . .	.67	.66	.75	1.09	1.34	1.35
Wastes . . . . .	.78	1.32	1.34	1.34	1.15	.91

It will be noticed that in the country as a whole the percentage borne by counts above 30s has risen from $5\frac{1}{2}$ to nearly 11 while there has been a corresponding fall in the percentage borne by counts below 30s. In Bombay the higher counts in 1931-32 represented 13 per cent. of the production as against a little under 4 per cent. in 1926-27, while at Ahmedabad counts above 30s represented 22 per cent. of the output in 1931-32 as compared with 12 per cent. in 1926-27. In Bombay the proportion borne by yarn of counts below 20s in 1931-32 shows a marked reduction as compared with that of 1926-27. In Ahmedabad the proportion borne by counts 21s to 30s shows a considerable fall while the fall in the proportion borne by yarn of counts below 20s is comparatively slight. In the other mills the variation has not been so marked; but there is an unmistakeable tendency to reduce the proportion of counts 11s to 20s and to increase that of counts above 30s. Further light is thrown upon the relative progress made by Bombay and Ahmedabad in this respect by the next Table which shows how much of the total production of yarn of each quality has been spun at Bombay, Ahmedabad and elsewhere.

TABLE VIII.

Statement showing for yarn of various counts the proportion produced in Bombay Island, Ahmedabad and elsewhere in each year.

Year.	Counts 1—10s			Counts 11—20s			Counts 21—30s			Counts 31—40s			Counts above 40s			Wastes.			Total.		
	Bombay Island.	Ahmedabad.	All other Mills.	Bombay Island.	Ahmedabad.	All other Mills.	Bombay Island.	Ahmedabad.	All other Mills.	Bombay Island.	Ahmedabad.	All other Mills.	Bombay Island.	Ahmedabad.	All other Mills.	Bombay Island.	Ahmedabad.	All other Mills.	Bombay Island.	Ahmedabad.	All other Mills.
1926-27 .	63·52	2·23	34·25	38·24	9·97	51·79	41·90	20·24	37·86	33·26	29·97	36·87	37·38	41·80	20·82	28·98	..	71·07	42·73	13·12	44·15
1927-28 .	58·27	2·19	39·54	33·70	10·26	56·04	40·85	21·16	37·99	36·88	28·50	35·12	45·16	42·32	22·52	18·96	..	81·04	39·40	13·74	46·86
1928-29 .	41·11	3·05	55·84	20·42	13·00	66·58	22·09	27·80	50·61	22·65	33·72	43·43	31·21	40·49	28·30	11·51	..	88·49	28·71	18·00	58·29
1929-30 .	50·29	2·80	46·91	27·20	12·47	60·24	31·53	23·22	45·25	28·20	33·21	38·59	30·30	36·61	31·09	12·98	..	87·02	31·57	16·28	52·15
1930-31 .	47·22	2·44	50·34	25·19	12·00	62·81	31·66	22·42	45·72	37·32	28·24	34·44	38·42	38·99	22·59	9·15	..	90·85	31·25	15·81	52·94
1931-32 .	44·87	1·62	58·51	27·21	12·47	60·32	35·64	20·72	43·64	41·48	27·60	30·92	38·10	42·41	19·49	14·59	..	85·41	33·28	15·77	50·95

In 1931-32 Bombay produced 33·28 per cent. of the total quantity of yarn spun in the country as compared with 42·73 per cent. in 1926-27. The loss is distributed fairly equally over all grades of yarn except in the cases of 31s to 40s counts where Bombay so far from losing has increased her proportion of the production from 33·26 to 41·48 per cent. and of counts above 40s where Bombay's proportion has risen from 37·38 to 38·10 per cent. Ahmedabad has advanced her proportion of the total production from 13·12 in 1926-27 to 15·77 in 1931-32. The gain here has been mostly in counts 11s to 20s. In the case of the other mills whose proportion of the total output has risen from 44·15 per cent. in 1926-27 to 50·95 per cent. in 1931-32 the gain has been in yarn of the lowest counts.

14. The following table shows for each of the years 1926-27 to 1931-32 the quantity of piecegoods produced in the Indian mills:—
(ii) Piecegoods.

TABLE IX.
Indian production.

(Millions of yards.)

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>Grey and Bleached.</i>						
Chadars	65·6	66·8	56·7	66·0	54·0	55·7
Dhatis	585·7	616·0	564·2	776·0	831·4	964·5
Drills and jeans . .	79·7	91·2	76·3	100·3	80·7	103·2
Cambrics and lawns .	3·4	5·5	4·6	3·6	28·9	43·3
Printers	20·9	20·2	22·5	19·5	19·1	22·0
Shirtings and longcloth	580·5	320·0	474·2	585·2	642·2	790·9
T-cloth, domestics and sheetings.	93·3	92·2	75·5	90·7	121·9	154·4
Tent cloth	6·7	6·1	6·9	7·6	8·7	4·9
Khadi, Dungri or Khadar.	98·7	116·1	93·7	124·6	175·2	119·5
Other sorts	42·7	40·9	35·0	41·4	41·4	52·6
Total	1,577·2	1,675·0	1,409·6	1,814·9	2,003·5	2,311·1
Coloured piecegoods	681·5	681·6	483·7	604·1	557·6	678·8
Total piecegoods	2,258·7	2,356·6	1,893·3	2,419·0	2,561·1	2,989·9
Other goods in millions of pounds.	11·7	16·0	12·4	14·6	12·5	13·6

Throughout the six years the bulk of the Indian production has been included under the three heads—dhutis, shirtings and longcloth and coloured piecegoods. Dhutis which in 1926-27 represented 26 per cent. of the production advanced to 30 per cent. in 1928-29 and have stood at 32 per cent. in each subsequent year. Longcloth and shirtings which represented 26 per cent. in 1926-27 and 1927-28 fell to 25 per cent. in 1928-29 and 24 per cent. in 1929-30 but recovered to 25 per cent. in 1930-31 and 26 per cent. in 1931-32. There was a marked fall in the proportion of the output represented by coloured goods from 30 per cent. in 1926-27 to 29 per cent. in 1927-28, 26 per cent. in 1929-30 and 22 per cent. in 1930-31; but in 1931-32 the fall was arrested and the output of coloured goods represented 23 per cent. of the total production. As compared with 1926-27 the total production in 1931-32 shows an increase of 731.7 million yards or 32 per cent., the output of dhutis has increased by 378.8 million yards or 65 per cent.; that of shirtings and longcloth by 210.4 million yards or 36 per cent.; while the output of coloured goods which in 1930-31 had fallen by 123.8 million yards or 18 per cent. has in 1931-32 recovered to within 3 million yards of the production attained in 1926-27 and 1927-28. Among the other classes of goods the production of khadi, dungri or khaddar in 1930-31 showed a sudden increase of 50.6 million yards or 41 per cent. over the production of the previous year; but this rate of production was not maintained; for in 1931-32 the output fell by 5.4 million yards as compared with that of 1929-30. The output of T-cloths, domestics and sheetings in 1931-32 was 61.1 million yards or 65 per cent. in excess of that for 1926-27. And the increase in the production of cambrics and lawns from 3.6 million yards in 1929-30 to 43.3 million yards in 1931-32 is specially noticeable as indicating the measure of success which has attended the attempt on the part of the mills—especially those in Bombay and Ahmedabad—to improve their output of goods of higher quality.

TABLE X.

Production of Cambrics and Lawns.

(Million yards.)

	1929-30.	1931-32.
Bombay Island	·80	14·54
Ahmedabad	1·31	22·27
Bombay (other Centres)	·58	3·84
India States	·63	·41
United Provinces	·19	1·69
Others	·08	·57
Total	3·59	43·32

15. Table XI shows for each of the last five years the production of (a) piecegoods of all sorts, (b) dhutis, (c) longcloth and shirtings and (d) coloured goods in various parts of the country.

TABLE XI.

(Millions of yards.)

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>A.—Total production.</i>						
Bombay Island . . .	1,135.0	1131.5	337.4	388.9	967.6	1,216.9
Ahmedabad	507.3	525.8	538.3	649.0	691.6	781.2
Bombay (other centres).	144.0	171.2	168.3	187.0	170.6	190.2
Indian States . . .	191.5	215.8	260.3	293.9	307.8	327.3
Central Provinces and Berar.	70.7	71.9	77.8	81.6	82.0	81.7
Ajmer and Delhi . .	38.3	46.6	55.1	69.5	74.6	92.7
United Provinces . .	76.5	92.0	93.8	117.9	130.0	144.2
Bengal	31.8	35.8	43.6	63.2	71.6	79.4
Madras	58.2	60.0	60.0	64.1	61.2	68.8
<i>B.—Production of dhutis.</i>						
Bombay Island . . .	150.3	163.8	86.5	170.8	229.4	257.6
Ahmedabad	241.9	236.5	248.1	306.3	290.1	319.3
Bombay (other centres)	50.2	55.0	49.2	63.6	57.3	65.1
Indian States . . .	39.7	41.1	52.2	68.2	62.9	64.1
Central Provinces and Berar.	28.4	26.2	27.1	29.9	32.9	37.5
Ajmer and Delhi . .	13.0	12.3	13.8	18.0	18.4	23.4
United Provinces . .	34.5	43.6	52.1	64.1	69.5	86.7
Bengal	17.9	23.4	27.1	44.0	56.5	65.1
Madras	9.1	8.4	8.1	10.9	13.9	13.8
<i>C.—Production of longcloth and shirtings.</i>						
Bombay Island . . .	374.0	378.1	168.0	289.0	327.6	435.8
Ahmedabad	86.9	109.4	132.0	138.6	170.5	170.9
Bombay (other centres)	18.6	22.2	24.2	26.0	26.8	34.3
Indian States . . .	53.9	64.5	84.1	82.3	80.0	104.2

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>C.—Production of longcloth and shirtings—contd.</i>						
Central Provinces and Berar.	10.0	7.5	6.3	6.0	5.3	7.5
Ajmer and Delhi . . .	5.1	7.4	9.7	8.5	3.6	4.3
United Provinces . . .	10.8	9.1	9.7	12.4	13.9	9.2
Bengal	9.2	7.1	9.5	10.5	6.6	8.9
Madras	12.3	13.1	10.6	12.9	7.6	13.8
<i>D.—Production of coloured goods.</i>						
Bombay Island	417.3	387.3	182.8	273.6	221.1	283.8
Ahmedabad	128.1	129.9	121.8	139.6	156.3	208.7
Bombay (other centres)	50.9	62.3	60.3	63.8	49.1	52.9
Indian States	31.9	37.7	42.3	45.9	56.1	58.8
Central Provinces and Berar.	14.1	18.0	24.3	24.1	21.1	17.6
Ajmer and Delhi . . .	1.6	2.9	4.5	7.0	8.1	10.9
United Provinces . . .	4.8	6.5	6.9	8.9	7.5	6.1
Bengal	1.0	3.4	4.9	6.0	4.0	3.9
Madras	31.8	33.4	35.6	34.6	34.0	35.6

The short production in Bombay Island in 1928-29 which is disclosed by all four statements was caused by the closure of most of the mills for about 6 months on account of labour trouble. It is only in 1931-32 that Bombay has recovered the ground lost in that year. The mills in the Bombay Presidency other than those at Bombay and Ahmedabad show a large increase in their total production in 1927-28, a slight fall in 1928-29, a considerable increase in 1929-30, a fall again in 1930-31 and a larger increase in 1931-32. In Madras the total output in 1930-31 was slightly less than that in 1929-30 but the loss was more than recovered in 1931-32. In the Central Provinces production in 1931-32 was slightly less than that of 1930-31. Everywhere else there has been a regular increase from year to year; in the year 1929-30 the Indian States, Bengal, the United Provinces and Ajmer and Delhi show exceptional increases and in 1931-32 there were noteworthy increases in Bombay Island, Ahmedabad, and Ajmer and Delhi. The progress of Ahmedabad has been noticeably rapid; the mills in Bengal have doubled their production since 1927-28; and so have those in Ajmer and Delhi. Table XII

gives for the total production as well as for dhutis, longcloth and shirtings and coloured goods separately the actual and the percentage variation in output between 1926-27 and 1931-32.

TABLE XII.

Variation in production between 1926-27 and 1931-32.

	All sorts.		Dhutis.		Longcloth and Shirtings.		Coloured goods.	
	Variation million yards.	Per-centage.	Variation million yards.	Per-centage.	Variation million yards.	Per-centage.	Variation million yards.	Per-centage.
Bombay Island.	+81.9	+7.22	+137.4	+91.18	+61.5	+16.44	-133.5	-32.00
Ahmedabad	+273.9	+53.99	+77.9	+32.21	+84.0	+96.66	+80.6	+62.92
Bombay (other centres).	+46.2	+32.08	+14.9	+29.68	+15.8	+84.95	+2.0	+3.93
Indian States.	+135.8	+70.91	+24.4	+61.46	+50.3	+93.32	+26.9	+84.33
Central Provinces and Berar.	+11.0	+15.56	+9.1	+32.04	-2.5	-25.00	+3.5	+24.82
Ajmer and Delhi.	+54.4	+142.04	+10.4	+80.00	+1.3	+41.93	+9.3	+581.25
United Provinces.	+67.7	+88.50	+52.2	+151.30	-1.6	-14.81	+1.3	+27.08
Bengal	+47.6	+149.69	+47.2	+263.69	-0.3	-3.26	+2.9	+290.00
Madras	+10.6	+18.18	+4.7	+51.65	+1.5	+12.20	+3.8	+11.95

We have seen that in the country as a whole the production of dhutis has increased by 42 per cent. Tables XI and XII show that all parts of the country have contributed to this increase and that it has been most conspicuous in Bombay, Ahmedabad, Bengal and the United Provinces. In the case of longcloth and shirtings Ahmedabad has nearly doubled its production and there has been a considerable increase in the Indian States. Bombay Island is the only part of the country in which the output of coloured goods has declined; but in these mills this branch of production has fallen off by 32 per cent. Ahmedabad and the Indian States show considerable increases, but not sufficient to compensate for the heavy fall in Bombay; and for the country as a whole the production of coloured goods shows a slight loss of .38 per cent.

Table XIII shows for piecegoods of all kinds and for dhutis, shirtings and longcloth and coloured goods separately, what per-

centage of the total yardage produced each year is contributed by mills in different parts of the country:—

TABLE XIII.

Indian production of piecegoods (percentage of total yardage).

—	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>A.—All Sorts.</i>						
Bombay Island . . .	50	49	28	37	38	41
Ahmedabad . . .	23	22	31	27	27	26
Bombay (other centres).	6	7	9	8	7	6
Delhi and Ajmer . . .	2	2	3	3	3	3
Central Provinces and Berar.	3	3	4	3	3	3
Indian States . . .	9	9	14	12	12	11
United Provinces . . .	3	4	5	5	5	6
Bengal	1	1	2	3	3	3
Madras	3	3	3	3	2	2
<i>B.—Dhulis.</i>						
Bombay Island . . .	26	23	15	22	28	30
Ahmedabad	41	38	44	40	35	33
Bombay (other centres)	8	9	9	8	7	7
Central Provinces and Berar.	5	4	5	4	4	4
Ajmer and Delhi . . .	2	2	2	2	2	2
Indian States	7	7	9	9	7	7
United Provinces . . .	6	7	9	8	8	9
Bengal	3	4	5	6	7	7
Madras	1	1	1	1	2	1
<i>C.—Shirtings and longcloths.</i>						
Bombay Island . . .	64	61	36	50	51	55
Ahmedabad	15	18	32	24	27	22
Bombay (other centres)	3	4	5	4	4	4
Delhi and Ajmer . . .	1	1	2	1	1	1
Central Provinces and Berar.	2	1	1	1	1	1

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>C.—Shirting and longcloth—contd.</i>						
Indian States . . .	9	11	18	14	12	13
United Provinces . . .	2	1	3	2	2	1
Bengal	2	2	2	2	1	1
Madras	2	2	2	2	1	2
<i>D.—Coloured piece-goods.</i>						
Bombay Island . . .	61	57	38	45	40	42
Ahmedabad	19	19	25	23	28	30
Bombay (other centres)	7	9	13	11	9	8
Delhi and Ajmer . . .	...	...	1	1	1	2
Central Provinces and Berar.	2	3	5	4	4	3
Indian States	5	6	9	8	10	8
United Provinces . . .	1	1	1	1	1	1
Bengal . . . . .	...	...	1	1	1	1
Madras	5	5	7	6	6	5

Bombay's share of the total Indian production has fallen away from 50 to 41 per cent., Ahmedabad and the Indian States being the principal gainers. As regards dhutis, Bombay has slightly improved her position, while Bengal has advanced from 3 to 7 per cent., and Ahmedabad, though still contributing the largest percentage, does not occupy such an outstanding position as she did in 1926-27. In the case of shirtings and longcloth, Bombay contributes 9 per cent. less and Ahmedabad 7 per cent. and the States 4 per cent. more than in 1926-27. In coloured piecegoods, Bombay's percentage has fallen from 61 to 42, the deficiency being made up by Ahmedabad, with small contributions from the Indian States, Delhi, other parts of Bombay, the Central Provinces and Bengal.

16. Mr. Hardy in paragraph 10 of his report of 1929, taking account of the quantity of Indian cotton suitable for spinning yarn of counts between 30s and 40s, of the quantity of the finer yarns imported and of the quantity of cotton imported, came to the conclusion that in Bombay, excluding the definitely coarse classes of cloth, 25 per cent. of the dhutis and shirtings were woven from counts of 25s or over, 13 per cent. from yarns

26s to 30s, 9 per cent. from yarns 31s to 40s and 3 per cent. from yarns 41s or over. To arrive at an estimate of the progress made in weaving the finer qualities of cloth we omit from our consideration all those classes of cloth which are usually woven from the coarser counts of yarn. We have been informed that practically all the fine yarn which is imported is used by the handloom industry and that for practical purposes it may be left out of account in considering mill production. We have therefore compared the mill production in 1926-27 and 1931-32 of dhutis, cambrics and lawns and shirtings and longcloth and coloured goods which are the classes of goods in which medium and fine counts of yarn are used. We have compared the mill production in these years of yarns of counts above 30s. We have converted this yarn into cloth at the rate of 100 lbs. of yarn to 106 lbs. of cloth which we are informed is a reasonable rate of conversion for goods woven from the finer counts of yarn; and we can then see what percentage in each year the cloth represented by the fine yarn spun in the mills bears to the production of these classes of goods. The result of our investigation is as follows:—

TABLE XIV.

(Million lbs.)

	1926-27.	1931-32.
Mill production of dhutis	123.1	188.3
Mill production of cambrics and lawns . . . . .	.7	5.8
Mill production of shirtings and longcloth	134.8	176.3
Mill production of coloured goods	145.3	138.6
A.—Total	403.9	509.0
Mill production of yarn of counts above 30s	39.2	105.1
<i>Deduct</i> —5 per cent. for yarn sold	2.0	5.3
B.—Yarn used in mills	37.2	99.8
C.—Equivalent weight of cloth at 100 lbs. yarn =106 lbs. cloth.	39.4	105.8
Percentage of C to quantity of cloth at A	9.7	20.8

Judged by weight the percentage of cloth woven from the finer counts of yarn increased from below 10 per cent. in 1926-27 to

21 per cent. in 1931-32. This must be considered a satisfactory achievement. The same tendency is further illustrated by the increase in the production of bleached goods to which we refer in paragraph 145.

17. In the next Table are shown the total imports of yarn in each of the last six years and the proportion which came from Imports: (i) Yarn. the United Kingdom and from Japan in each year:—

TABLE XV.
Imports of yarn.

	Total millions of lbs.	United Kingdom.		Japan.	
		Millions of lbs.	Percentage.	Millions of lbs.	Percentage.
1926-27 . . .	49.42	20.11	40.70	26.62	53.86
1927-28 . . .	52.34	20.56	59.30	16.97	32.42
1928-29 . . .	43.77	23.09	52.75	7.63	17.43
1929-30 . . .	43.88	20.11	45.83	10.87	24.77
1930-31 . . .	29.14	10.31	35.38	6.89	23.64
1931-32 . . .	31.58	11.91	37.71	6.21	19.66

It will be observed that, whereas the United Kingdom and Japan together sent 94.56 per cent. of the total imports in 1926-27, in 1931-32 these two countries sent only 57.37 per cent. This variation is almost entirely due to imports of grey yarn from China which have in recent years largely replaced Japanese yarn. The only other countries from which yarn is imported in appreciable quantities are Italy, which sends both grey and coloured yarn, and Switzerland and the Netherlands which supply a certain quantity of coloured yarn. The following statement indicates the extent to which the fall in the imports from Japan has been made good by imports from China:—

TABLE XVI.

(Millions of lbs.)

	Quantity of yarn imported from			Percentage of total imports coming from		
	Japan.	China.	Total.	Japan.	China.	Both.
1926-27 . . .	26.62	.93	27.55	53.86	1.88	55.74
1927-28 . . .	16.97	12.04	29.01	32.42	22.99	55.41
1928-29 . . .	7.63	11.49	19.03	17.43	26.04	43.47
1929-30 . . .	10.87	10.49	21.30	24.77	23.96	48.73
1930-31 . . .	6.89	11.72	18.61	23.64	40.22	63.86
1931-32 . . .	6.21	13.22	19.43	19.66	41.86	61.52

The fall in the imports in 1928-29 is evidently the effect of the specific duty first imposed in 1927. From the following Table it will be clear that the fall occurred mainly in grey yarns of counts 31s to 40s and to a smaller extent in coloured yarns:—

TABLE XVII.

Analysis of imports of yarn by kind and count.

(Millions of lbs)

Description of cloth.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>I.—Grey.</i>						
1—10s . . .	·10	·32	·02	·11	...	...
11—20s . . .	·71	1·75	·81	·69	·26	·12
21—30s . . .	·42	·39	·45	·39	·24	·47
31—40s . . .	20·95	21·97	16·27	15·51	13·13	12·77
Above 40s . . .	6·96	6·42	7·81	7·20	3·03	4·39
Two-folds . . .	6·60	5·29	5·34	4·61	3·17	3·71
Total Grey . . .	35·74	36·12	30·70	28·51	19·89	21·46
<i>II.—White.</i>						
1—20s . . .	...	·01	...	·01	·01	·01
21—30s . . .	...	·07	·04	·06	·01	·03
31—40s . . .	...	1·27	1·17	1·61	·94	1·02
Above 40s . . .	..	1·06	1·14	1·32	·87	·61
Two-folds . . .	...	2·41	2·72	2·28	2·15	1·97
Total White . . .	4·06	4·82	5·07	5·28	3·98	3·64
<i>III.—Coloured.</i>						
1—20s . . .	·25	·40	·27	·22	·18	·19
21—30s . . .	·52	·38	·27	·23	·23	·25
31—40s . . .	3·45	4·06	2·49	2·92	·68	·51
Above 40s . . .	·60	·57	·36	·46	·28	·23
Two-folds . . .	·54	·58	·50	·50	·36	·23
Total Coloured . . .	5·36	5·99	3·89	4·33	1·73	1·40

Description of cloth.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
<i>IV—Mercerised.</i>						
1—20s . . .	...	...	...	·02	·01	...
21—30s . . .	...	...	·01	...	...	...
31—40s . . .	...	...	·01	...	...	·01
Above 40s . . .	...	...	·02	·04	·03	·02
Two-folds . . .	...	5·36	4·04	5·66	3·49	5·03
Total Mercerised	4·17	5·36	4·08	5·72	3·53	5·06
<i>V.—Unspecified</i>	·06	·05	·03	·03	·01	·02
Grand total . . .	49·39	52·34	43·77	43·87	29·14	31·58

The avowed object of the specific duty was to discourage imports of yarn of counts 31s to 40s; and these figures indicate the extent to which it has succeeded in this object.

18. Table XVIII shows for each of the last six years the total quantity of piecegoods imported and the countries from which they came and compares with these figures the quantity produced by the Indian mills.

(ii) Piecegoods.

TABLE XVIII.

Table showing the imports of piecegoods with the countries which export them and comparing the production in Indian mills.

(Millions of yards.)

	United Kingdom.	Holland.	Italy.	United States.	Switzerland.	Japan.	China.	Others.	Total.	Mill production.	Total.
1926-27 . . .	1467	20	17	16	12	244	2	10	1788	2259	4047
1927-28 . . .	1543	20	26	28	15	323	7	11	1973	2357	4330
1928-29 . . .	1456	20	38	30	11	357	13	12	1937	1893	3830
1929-30 . . .	1248	22	25	33	10	562	10	9	1919	2419	4338
1930-31 . . .	523	13	10	9	6	321	2	6	890	2561	3451
1931-32 . . .	383	7	11	19	8	340	4	4	776	2990	3766

In 1927 the imports reached 1973 million yards, the highest figure attained since the war. But there was a slight decline in the two following years and in 1930-31 there was a sudden fall to less than half the quantity imported in 1929-30. To this several causes contributed; it was partly due to the slump which visited industry and trade throughout the world; political conditions in India were partly responsible; and the protective duties first imposed in 1930 also operated to check imports. 1931-32 has seen a further decline. Over 90 per cent. of the imports come from the United Kingdom and from Japan. Since 1927-28 there has been a continuous fall in the quantities coming from the United Kingdom; Japan's exports made a sudden jump in 1929-30 from 357 to 562 million yards, but in the two following years have reverted to the level occupied before the jump. Japan, however, has steadily increased her proportion of the Indian import trade and there has been a corresponding decline in the proportion of that trade held by the United Kingdom.

TABLE XIX.

Statement showing the quantities of piecegoods imported from the United Kingdom and from Japan and their percentage proportion to the total quantity imported.

	United Kingdom.		Japan.	
	Million yards.	Percentage of total imports.	Million yards.	Percentage of total imports.
<i>All Piece goods.</i>				
1926-27	1466·87	82·04	243·59	13·62
1927-28	1543·11	78·20	323·05	16·37
1928-29	1456·09	75·18	357·34	18·45
1929-30	1247·54	65·00	561·97	29·28
1930-31	523·45	58·80	320·78	36·04
1931-32	383·50	49·44	339·78	43·31
<i>Grey.</i>				
1926-27	588·78	78·67	154·87	20·69
1927-28	651·16	74·37	214·77	24·53
1928-29	581·62	69·36	241·75	28·83
1929-30	520·52	56·24	393·70	42·54
1930-31	143·30	39·26	218·32	59·81
1931-32	59·68	23·93	185·22	74·55

	United Kingdom.		Japan.	
	Million yards.	Percentage of total imports	Million yards.	Percentage of total imports.
<i>White.</i>				
1926-27	550.28	96.88	2.88	0.50
1927-28	526.75	94.66	5.60	1.01
1928-29	525.36	94.2	5.46	0.99
1929-30	435.5	92.05	13.88	2.93
1930-31	229.96	84.66	28.11	10.35
1931-32	207.05	74.03	59.82	21.37
<i>Coloured.</i>				
1926-27	314.30	71.14	85.82	19.18
1927-28	352.21	69.77	102.67	20.34
1928-29	335.61	66.20	109.80	21.66
1929-30	278.62	57.63	154.7	31.91
1930-31	147.64	60.07	74.33	30.24
1931-32	110.27	49.39	84.67	42.41

Taking all piecegoods together the United Kingdom's proportion of the trade has fallen from 82 per cent. to 49 per cent. in the six years, while Japan's has increased from 14 to 44 per cent. In the case of grey goods the relative position of the two countries has practically been reversed; in 1926-27 the United Kingdom supplied 79 per cent. and Japan 21 per cent.; in 1931-32 the United Kingdom's share was 24 per cent. and Japan's 75 per cent. In white goods Japan has in the last two years increased her proportion of the trade from 3 to 21 per cent., while the United Kingdom's share has dropped from 92 to 74 per cent. And in the case of coloured goods Japan's proportion has risen steadily from 19 per cent. in 1926-27 to 42 per cent. in 1931-32, while the United Kingdom's has fallen from 71 to 49 per cent.

19. The following statement shows for each of the last six years the quantity of grey goods imported and the countries from which they came:—

Grey goods.

TABLE XX.
Quantity of grey goods imported.

(Millions of yards.)

	United Kingdom.	Japan.	China.	United States.	Others.	Total.
1926-27	589	155	2	2	...	748
1927-28	651	215	7	2	1	876
1928-29	58	242	13	2	...	839
1929-30	521	394	10	1	...	926
1930-31	143	218	2	1	1	365
1931-32	60	185	4	..	..	249

In the next statement these imports are classified into the main groups shown in the Trade Returns:—

TABLE XXI.

Imports of grey goods.

(Millions of yards.)

—	Dhutis and chadars.	Jaconnets.	Longcloth and shirtings.	Sheetings.	Drills and jeans.	Others.	Total.	Value in lakhs.
								Rs.
1926-27 .	473	73	169	19	15	..	748	1961-70
1927-28 .	528	79	233	23	11	2	876	2124-82
1928-29 .	498	79	252	7	12	1	839	2019-16
1929-30 .	502	53	340	15	13	3	926	2092-58
1930-31 .	171	19	166	4	2	3	365	686-76
1931-32 .	83	23	134	4	3	2	249	392-44

Practically all the imports from the United States are drills and jeans. In the following Table the imports from Japan and China are shown by their trade classifications; and the difference between these figures and those in Table XXI may be taken as the particulars of the imports from the United Kingdom:—

TABLE XXII.

Imports of grey goods from Japan and China.

(The figures represent imports from Japan and China combined. The figures for China only are given in brackets.)

(Millions of yards.)

—	Dhutis and chadars.	Longcloth and shirtings.	Sheetings.	Drills and Jeans.	Others.	Total.	Value in lakhs.
							Rs.
1926-27 .	29	97	18 (1)	12	1	157 (1)	427 (4)
1927-28 .	34	155 (3)	22 (4)	9	...	221 (7)	562 (16)
1928-29 .	35	203 (12)	6 (1)	10	1	255 (13)	634 (32)
1929-30 .	58	318 (8)	14 (1)	12	1	403 (9)	911 (20)
1930-31 .	53	161 (2)	4	2	1	231 (2)	403 (5)
1931-32 .	53	180 (3)	4 (1)	2	...	189 (4)	295 (6)

A comparison of the three Tables above will show that the bulk of the decline in imports in 1930-31 and 1931-32 occurred in dhutis

from the United Kingdom and in longcloth and shirtings from Japan.

20. The next Table gives the quantities of white goods imported each year and the countries from which they came:—

White goods.

TABLE XXIII.

Imports of white goods.

(Millions of yards.)

	United Kingdom.	Netherlands.	Switzerland.	Italy.	Austria.	Japan.	United States.	Others.	Total.
1926-27 . . .	550	6	9	2	...	3	...	1	571
1927-28 . . .	527	7	12	2	1	6	1	...	556
1928-29 . . .	525	8	9	2	2	5	2	1	554
1929-30 . . .	436	7	9	10	3	14	2	1	474
1930-31 . . .	240	4	5	1	1	23	1	...	272
1931-32 . . .	207	4	6	1	1	60	1	...	280

The features disclosed by this Table are the decline of trade from the United Kingdom and the rapid increase in the last three years of that from Japan. The classes of goods of which Japan is sending the largest quantities are longcloth and shirtings (9 million yards in 1929-30, 17½ million yards in 1930-31 and 38½ million yards in 1931-32) and nainsooks (1¼ million yards in 1929-30, 6 million yards in 1930-31 and 13 million yards in 1931-32); she also sends considerable quantities of drills and jeans, mulls, jaconets and twills. The next Table shows the trade classification of the white goods imported since 1926-27:—

TABLE XXIV.

Classification of the white goods imported.

(Millions of yards.)

	Checks, spots and stripes.	Dhulis, saris, scarves and chedars.	Drills and Jeans.	Jaconets, cambrics, etc.	Lawns.	Longcloth and shirtings.	Mulls.	Nainsooks.	Twills.	Total.	Value Rs. lakhs.
1926-27 . . .	12	114	5	15	15	97	220	66	12	571	1,752.7
1927-28 . . .	14	72	7	16	8	112	208	93	15	556	1,541.6
1928-29 . . .	13	48	6	15	7	123	243	77	18	554	1,533.4
1929-30 . . .	12	35	7	16	11	104	203	53	17	474	1,327.3
1930-31 . . .	4	15	4	11	5	72	124	24	8	272	620.5
1931-32 . . .	4	2	4	11	7	80	144	22	4	280	532.6

The large fall of imports under dhutis and mulls has been borne entirely by the United Kingdom, which has also lost severely under most of the other heads.

21. The following Table shows the quantity of coloured goods of all descriptions—printed, dyed and woven together—imported each year and the countries which exported them:—

Coloured goods.

TABLE XXV.

Total quantity of coloured goods imported and the country of origin.
(Millions of yards.)

	United Kingdom.	Straits Settlements.	Germany.	Netherlands.	Belgium.	Switzerland.	Italy.	Japan.	United States.	Total.
1926-27 . .	318	3	3	14	2	3	16	86	1	447
1927-28 . .	352	3	3	12	2	3	25	103	2	505
1928-29 . .	336	2	2	11	2	2	36	110	4	507
1929-30 . .	279	1	1	14	1	2	23	154	7	483
1930-31 . .	148	1	1	9	...	1	9	74	3	246
1931-32 . .	110	...	1	3	...	2	10	95	2	223

Imports from the United Kingdom have been on the decline since 1927-28; but the loss in 1930-31 was much more severe than in the previous years. It affected almost all classes of goods; among printed goods the classes which suffered most were prints and chintz, shirtings, cambrics, saris and scarves, drills and jeans, and twills; among dyed goods the chief fall was in Italian cloth and sateen, shirtings and cambrics; while among woven coloured goods the classes most affected were the goods of unspecified description, saris and scarves and coating and trouserings. Imports from Japan increased steadily up to 1929-30; but in 1930-31 they fell by nearly 50 per cent. The most important classes of goods imported from Japan are drills and jeans (printed, dyed and woven), shirtings (printed, dyed and woven), woven twills, flannels and flannelettes and prints and chintz. The classes most affected by the decline in trade in 1930-31 were shirtings (printed, dyed and woven), drills and jeans (printed and woven) and woven twills. Other countries from which coloured goods are imported in considerable quantities are Italy and the Netherlands: the principal classes imported from Italy are flannels and flannelettes, prints and chintz, twills and coatings and trouserings. All these classes have shared in the loss of trade since 1930-31. The chief imports from the Netherlands are lungis and sarongs and shirtings; the fall in imports in 1930-31 was

confined to the class of lungis and sarongs (printed and woven). The following Table shows for printed, dyed and woven coloured goods separately the principal classes imported and the quantities in each class imported in each year from 1926-27 onwards:—

TABLE XXVI.

Classes and quantity of imports.

(a) Printed goods. .

(Millions of yards.)

	Cambrics, etc.	Dhotis, saris and scarves and lungis.	Drills and Jeans.	Prints and chirtz.	Shirtings.	Twills.	Others.	Total.	Value Rs. lakhs.
1926-27 . . .	18	36	18	47	24	13	21	177	612.9
1927-28 . . .	23	41	31	68	29	15	28	235	753.3
1928-29 . . .	20	44	32	74	33	19	22	244	741.1
1929-30 . . .	15	38	38	57	31	12	9	200	576.6
1930-31 . . .	5	21	19	32	20	3	6	106	260.8
1931-32 . . .	3	15	20	20	37	4	6	105	208.4

(b) Dyed goods.

(Millions of yards.)

	Cambrics, etc.	Checks, spots and stripes.	Drills and Jeans.	Sateens.	Shirtings.	Twills.	Others.	Total.	Value Rs. lakhs.
1926-27 . . .	23	10	7	28	40	10	39	157	617.4
1927-28 . . .	24	10	10	25	40	13	36	158	561.1
1928-29 . . .	27	11	7	28	37	18	28	156	562.2
1929-30 . . .	27	11	9	18	49	14	23	151	491.5
1930-31 . . .	15	5	7	10	25	10	21	93	269.1
1931-32 . . .	16	2	8	12	21	13	21	93	229.2

(c) Woven coloured goods.

(Millions of yards.)

	Checks, spots and stripes.	Coatings and trouserings.	Drills and Jeans.	Langis and sarongs.	Shirtings.	Twills.	Others.	Total.	Rs. Value lakhs.
1926-27 . . .	6	11	20	10	27	6	34	114	492.2
1927-28 . . .	7	9	23	7	20	12	33	111	437.9
1928-29 . . .	10	11	18	3	26	12	27	107	431.6
1929-30 . . .	14	7	40	12	26	11	23	133	446.5
1930-31 . . .	8	3	7	10	9	2	9	46	152.0
1931-32 . . .	2	2	4	7	5	1	4	25	67.6

The following table gives an interesting comparison between the imports of coloured goods from the United Kingdom and those from Japan:—

TABLE XXVII.

(Millions of yards.)

	Printed.			Dyed.			Woven.		
	Total.	United King- dom.	Japan.	Total.	United King- dom.	Japan.	Total.	United King- dom.	Japan.
1926-27 . . .	177	154	9	157	120	26	114	44	51
1927-28 . . .	235	189	21	158	117	30	111	46	51
1928-29 . . .	244	175	36	156	116	23	107	44	50
1929-30 . . .	200	131	53	151	106	28	133	42	74
1930-31 . . .	106	71	30	93	59	23	46	18	21
1931-32 . . .	105	51	49	93	55	29	25	4	17

It will be observed that while there has been a heavy fall in the imports of all classes of goods from the United Kingdom, the imports of printed and dyed goods from Japan in 1931-32 show no falling off; on the other hand there has been a severe fall in the imports of Japanese woven goods. Since this fall has occurred entirely since 1929-30 it appears to be chiefly a result of the specific-

duty imposed on this class of goods in 1930. The importance of this in relation to the question of protection is discussed in Chapter VII.

22. We have also been at pains to ascertain particulars of the imports of artificial silk yarn and piecegoods. Artificial silk yarn is not much used in Indian mills; in fact (iii) Artificial silk yarn and piecegoods. the mills represented by the Bombay and Ahmedabad Millowners' Associations and some at least of the mills in other parts of the country have at the instance of the Congress pledged themselves not to use it. It is however largely used by the handloom industry in weaving decorative borders. The following Table shows the quantity imported each year and its value:—

TABLE XXVIII.

Imports of artificial silk yarn.

	Million lbs.	Value Rs. lakhs.
1926-27	5.8	102.6
1927-28	7.5	149.2
1928-29	7.7	135.3
1929-30	7.4	99.1
1930-31	7.1	80.8
1931-22	8.0	82.2

About 50 per cent. of this yarn comes from Italy; and of the remaining 50 per cent. the greater part used to come from the United Kingdom and the Netherlands. In 1931-32 Japan for the first time sent an appreciable quantity of artificial silk yarn and from the most recent returns it is evident that she is making rapid progress in the capture of the Indian market; in the first five months of 1932-33 the quantity of imports from Japan was greater than that from any other country except Italy and was more than 20 times greater than the Japanese imports in the corresponding period of 1931-32. It will be observed that the average value has fallen from Rs. 1.8 a pound in 1926-27 or Rs. 2 a pound in 1927-28 to Rs. 1.05 a pound in 1931-32. The quantity of yarn imported has varied only slightly in the last five years. The next Table shows for each of the last six years the imports of artificial silk and cotton piecegoods—both those made entirely of artificial silk and those made of mixtures of cotton and artificial silk.

TABLE XXIX.

Imports of artificial silk piecegoods (including mixtures of artificial silk and cotton).

(Millions of yards.)

Country of origin.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
United Kingdom	16.1	14.3	12.6	7.2	2.4	1.6
Germany	2.5	4.7	2.5	.8	.3	.2
Switzerland	6.7	11.1	7.0	6.8	3.2	2.0
Italy	13.9	16.0	17.8	11.5	5.6	5.2
Japan . . . . .	..	1.1	3.8	25.0	38.2	74.6
Others*	2.8	5.9	6.1	5.3	1.8	1.0
Total	42.0	53.1	49.8	56.6	51.5	84.6
Value in Rs lakhs	308.7	386.4	330.4	315.0	211.6	251.8

From this Table it will be seen that while the total volume of imports shows a marked increase only in 1931-32, Japan has since 1929-30 been acquiring a predominating influence in this trade. The returns for the first five months of 1932-33 show that Japan's proportion of the trade is still increasing and is now well over 90 per cent. And with the substitution of Japanese for European imports there has been a marked fall in values. The average value of the imports fell from Rs. .73 per pound in 1926-27 to Rs. .30 per pound in 1931-32; and in the latter year while the average value of imports from Japan was Rs. .28 per pound, that of goods from the United Kingdom was Rs. .58 per pound and of Swiss goods Rs. .48 per pound; and Italian goods which in 1927-28 and 1928-29 constituted the largest portion of the imports into India, have steadily declined in value from Rs. .58 per pound in 1926-27 to Rs. .31 in 1931-32.

23. We now proceed to bring together the figures showing for different classes of goods so far as the published statistics make it possible to institute comparisons, the quantity produced in Indian mills and the quantity imported, in order to form an estimate of the progress made by the Indian industry in capturing the market and of the nature and degree of the competition with which

* Chiefly Austria, Czecho-slovakia, the United States and Belgium.

Erratum.

In paragraph 22 on page 36 of the Tariff Board's Report regarding the grant of protection to the Cotton Textile Industry (1932) in lines 8, 9, 10, 11, 12 and 14 below Table XXIX *for* "per pound" *read* "per yard".

it is threatened by imported goods. The following Table shows the position as regards yarn :—

TABLE XXX.

(Millions of pounds.)

Year.	Imports of yarn.	Re-exports of yarn.*	Nett Imports of yarn.	Indian production.	Exports of Indian yarn.	Nett consumption of Indian mill production.	Total Indian consumption.	Yarn consumed in mills for production of woven goods.†	Balance of yarn available for sale.
1926-27	49.42	5.73	43.69	807.12	49.21	757.91	801.60	481.0	320.60
1927-28	52.34	6.19	46.15	808.94	30.13	778.81	824.96	507.0	317.96
1928-29	43.77	7.06	36.71	648.23	29.42	618.86	655.57	398.0	257.57
1929-30	43.88	6.92	36.96	833.56	30.86	802.70	839.66	502.0	337.66
1930-31	29.14	5.69	23.45	867.28	30.00	837.28	860.73	527.0	333.73
1931-32	31.58	5.04	26.54	966.41	27.97	938.44	964.98	600.0	364.98

Very little imported yarn is now used in the Indian mills; and we have received evidence that in parts of the country swadeshi and boycott propaganda have made it difficult for the handloom weaver who uses imported yarn to sell his goods. But most of the yarn which is now imported is used by the handloom industry, either for special purposes for which suitable Indian yarn cannot be obtained, or because of a definite preference for its regularity and even quality. Persia is now the largest foreign market for Indian yarns and smaller quantities are sent to Iraq, Aden, Egypt and Syria and in 1931-32 for the first time a considerable quantity was exported to French Somaliland. The large fall in the quantity exported in 1927-28 was caused by the decline of trade with Hongkong from 16.67 million pounds in 1926-27 to .63 million pounds in 1927-28. With this exception there has been little variation in the volume of the export trade in yarn either by sea or by land. The following Table distinguishes exports by sea from exports by land :—

TABLE XXXI.

Quantity of yarn exported.

(Millions of pounds.)

	By sea.	By land.	Total.
1926-27	42.42	12.52	54.94
1927-28	26.08	10.24	36.32
1928-29	24.64	11.84	36.48
1929-30	25.04	12.74	37.78
1930-31	23.88	11.81	35.69
1931-32	22.58	10.43	33.01

* All the exports by land from Burma are treated as Re-exports.
 † Calculated at 100 lbs. yarn = 112 lbs. cloth.

Of the yarn available for sale a small quantity is absorbed by such subsidiary industries as hosiery or braid making; but the bulk is used by the handloom industry. From a statement supplied by the Bombay Millowners' Association to Mr. Hardy it is seen that up to 1928 of the yarn sold by the mills to the handloom industry not less than 80 per cent. was coarse yarn of counts below 20s. We are informed that this proportion is still maintained.

(ii) Piecegoods. 24. The general position with regard to piecegoods is summarised in the following Table:—

TABLE XXXII.

(Millions of yards.)

	Imports of foreign piecegoods.	Re-exports of foreign piecegoods.*	Nett imports.	Production of piecegoods in India.			Exports of Indian piecegoods.	Balance of Indian piecegoods available for consumption.	Balances of Indian and foreign piecegoods available.
				Mills.	Hand-looms.†	Total.			
1926-27	1,787.04	180.41	1,607.53	2,258.73	1,282.40	3,541.13	279.30	3,261.73	4,869.26
1927-28	1,973.38	178.87	1,794.51	2,356.56	1,271.92	3,628.48	286.70	3,371.78	5,168.29
1928-29	1,836.76	164.75	1,772.01	1,893.27	1,030.28	2,923.55	249.98	2,673.57	4,445.53
1929-30	1,919.35	127.18	1,792.23	2,418.98	1,850.64	3,769.62	219.61	3,550.01	5,342.23
1930-31	890.03	91.28	798.75	2561.13	1,334.92	3,896.05	188.12	3,707.93	4,506.68
1931-32	775.61	104.58	671.03	2959.89	1,459.92	4,419.81	208.03	4,211.68	4,913.71

In order to present a picture as complete as possible a rough estimate has been formed of the production on handlooms. This estimate is necessarily only approximate since it is based on a series of assumptions. The method of calculation was first adopted by the Indian Industrial Commission which reported in 1918 and it has been developed by Mr. R. D. Bell, formerly Director of Industries, Bombay, in his "Notes on the Indian Textile Industry with special reference to Hand Weaving", compiled in 1926. In the first place, it is assumed that the quantity of mill yarn used for purposes other than handloom weaving may be offset against the quantity of handspun yarn used on handlooms. Both of these are indeterminate quantities. In our Chapter on the Handloom Industry we indicate that the quantity of yarn spun by hand may be about 24 million pounds. Mill yarn is used in considerable quanti-

* All exports by land from Burma are treated as re-exports.

† Calculated from figures in Column 10 of Table XXX at 4 yards=1 lb.

ties for such purposes as the making of hosiery, braid, ropes, nets, lampwicks, bandages and pyjama cords; but it is impossible to form even an approximate estimate of the total amount of yarn absorbed in this manner. Consequently this first assumption is entirely arbitrary. Secondly, it is assumed that in the case of mill cloth 1 lb. of yarn will give on the average 4.78 yards of cloth, while in handloom production, the bulk of which is coarse, 1 lb. of yarn will give 4 yards of cloth. Thirdly, the quantity of yarn consumed in the mills is calculated on the assumption that 100 lbs. of yarn will on the average give 112 lbs. of cloth, this being the percentage increase adopted by the Indian Industrial Commission in 1918, and, fourthly, it is assumed that on the average 1 lb. of mill cloth will be equivalent to 4.27 yards. In these three cases we have better means of checking the correctness of the assumption. The yardage of cloth per pound of yarn depends upon the reed and pick as well as upon the count of yarn. The weight of cloth per pound of yarn will depend upon the additional weight given by sizing. And the yardage per pound of cloth will depend on a combination of these factors. With the gradual increase of the use of finer counts of yarn in the mills, we should expect a gradual increase in the yardage per pound. Thus while in 1931-32 the average yardage per pound of cloth for India as a whole is about 4.5, for Ahmedabad it is over 5.2 and for Bombay about 4.7. We are inclined to think that 4 yards per pound of yarn is too high an average for the handloom industry, in which as we shall see, at least 80 per cent. of the cloth is woven from the coarser counts of yarn, and we believe that the average yardage of cloth per pound of yarn is nearer 3 than 4. Similarly, with the improvement in the quality of Indian production we should expect a reduction in the addition to weight by sizing; and the Bombay Millowners' Association agrees that the average is now somewhere about 100 pounds of yarn to 110 pounds of cloth. In order, however, to facilitate comparison with the figures given in Appendix IV of the 1926-27 Tariff Board Report, we have retained the old method of calculation in Table XXXII and we see that whereas in 1926-27 the Indian market was supplied 33 per cent. by imported goods, 40.6 per cent. by Indian mill goods, and 26.4 per cent. by handwoven goods, in 1931-32 imported goods supplied only 13.7 per cent., the proportion supplied by the mills had risen to 56.6 per cent. and handlooms supplied 29.7 per cent.

25. But there is such a variety and diversity in the range of piecegoods that it is necessary for a proper understanding of the position to examine the statistics for different kinds of cloth separately; and it is here that the difference in structure between the statistics of production and the import statistics causes most difficulty. The chief defects in the statistics of production are that grey and bleached goods are not shown separately and that all coloured goods are included under one general head. The following four statements accordingly show the principal sorts of grey and bleached

Grey and bleached goods.

cloth produced in the Indian mills together with the imports of goods of the same description with their countries of origin:—

TABLE XXXIII.
Dhutis, Saris, Scarves and Chadars.

(Millions of yards.)

	Imports.						Indian mill production.	Total available for consumption.
	Plain grey (all from United Kingdom.)	Bordered Grey.			White (all from United Kingdom.)	Total imports.		
		United Kingdom.	Japan.	Total.				
1926-27 . . .	2	442	28	470	114	586	651	1,237
1927-28	494	34	528	72	600	683	1,233
1928-29	453	35	488	43	531	621	1,152
1929-30	443	58	501	45	546	842	1,388
1930-31	118	53	171	15	186	885	1,071
1931-32	30	53	83	2	85	1,020	1,105

The great decline in imports of both grey and white goods from the United Kingdom has been made good not by increased imports from any other countries but by increased production in the Indian mills. Japan sent increased imports up to 1929-30; but has made no further progress since then.

TABLE XXXIV.
Longcloth and Shirtings.

(Millions of yards.)

	Imports.							Total Imports.	Mill production.	Total available for consumption.	
	Grey.				White.						
	United Kingdom.	Japan.	China.	Total.	United Kingdom.	Japan.	Netherlands.				Total.
1926-27 . . .	71	97	..	168	91	1	5	97	266	581	847
1927-28 . . .	77	153	3	233	103	2	7	112	345	620	965
1928-29 . . .	48	191	12	252	112	3	8	123	375	474	849
1929-30 . . .	21	310	3	340	88	9	7	104	444	585	1,029
1930-31 . . .	5	159	2	166	50	18	4	72	238	642	880
1931-32 . . .	3	127	3	134	38	39	3	80	214	791	1,005

In grey shirtings and longcloth the United Kingdom has lost practically the whole of her trade to Japan; the great fall in imports from Japan in 1930-31 reflects the influence of the protective duties that year; for it is to this class of goods that the specific duty is applicable. Japan's bid for the trade in white shirtings is remarkable: in about three years she has caught up and just passed the United Kingdom. In spite of the menace of considerable imports the mills are steadily increasing their production; it is in this class of goods that they secure the greatest measure of protection which has evidently been successful in enabling them to make a substantial increase in their output.

TABLE XXXV.

T-Cloth, Domestics and Sheetings.

(Millions of yards.)

	Imports.			Mill production.	Total available for consumption.
	Japan.	China.	All countries.		
1926-27	17	1	18	93	111
1927-28	18	4	23	92	115
1928-29	5	1	7	75	82
1929-30	13	1	15	91	106
1930-31	4	0	4	122	126
1931-32	3	1	4	154	158

It is evident from the Table that in these classes of goods the mills have nothing to fear from the competition of imported goods.

TABLE XXXVI.

Drills and Jeans.

(Millions of yards.)

	Imports.						Total Imports.	Mill production.	Total available for consumption.
	Grey.			White.					
	Japan.	United States.	All countries.	United Kingdom.	Japan.	Total.			
1926-27	12	2	15	4	1	5	20	80	100
1927-28	9	2	11	4	2	7	18	91	109
1928-29	10	1	12	4	2	6	18	76	94
1929-30	12	1	13	4	2	7	20	100	120
1930-31	2	..	2	2	2	4	6	81	87
1931-32	2	..	2	2	2	4	7	108	110

In this class too it appears that the mills are perfectly well able to hold their own against the competition of imports from abroad.

26. As regards coloured goods the statistics of production include coloured goods of all classes under one head. The following Table compares for each year since 1926-27 the imports of each class of coloured goods with the total mill production:—

TABLE XXXVII.

Coloured goods.

(Millions of yards.)

	Imports.			Mill production.	Total
	Printed.	Dyed.	Woven.		
1926-27 . . .	177	157	114	681	1,129
1927-28 . . .	235	168	111	682	1,186
1928-29 . . .	244	156	107	484	991
1929-30 . . .	209	151	133	604	1,088
1930-31 . . .	106	93	46	558	803
1931-32 . . .	105	93	25	679	902

As compared with 1926-27 the mill production of 1931-32 was practically the same while imports had declined by half. It is in this class of goods that the competition of artificial silk goods is most severely felt; the decline in the imports of cotton piecegoods is in part made up by the great increase in the imports of artificial silk goods.

27. Mr. Hardy in 1929 noted a prominent decline in the export trade in grey goods while in coloured goods the Indian mills at that time appeared to be able to hold their own. The following Table shows that in respect of exports by sea, for which alone the figures for grey, white and coloured goods are shown separately, not only has the trade in grey goods continued to decline but there has also in recent years been a falling off in the overseas trade in coloured goods.

TABLE XXXVIII.

Exports of piecegoods by sea.

(Millions of yards.)

	Grey.	White.	Coloured.	Total.
1926-27	20	2	176	198
1927-28	18	1	149	169
1928-29	16	1	131	149
1929-30	15	1	117	133
1930-31	10	...	88	98
1931-32	9	...	96	105

The decline in the export of coloured goods is ascribed to increasing competition of low priced Japanese goods in the overseas markets. For exports by land we have only the total figures for piecegoods of all descriptions: the following Table shows that in these markets the Indian mills have managed to maintain their position:—

TABLE XXXIX.

Exports of piecegoods by land.

(Millions of yards.)

1926-27	82.99
1927-28	88.08
1928-29	100.76
1929-30	86.18
1930-31	90.40
1931-32	103.39

The total figures for exports and re-exports are incorporated in table XXXII.

28. The prices of cotton yarn and piecegoods rise or fall in sympathy with the price of raw cotton, and the prices of Indian

Parity of price of cotton are determined not so much by conditions in India as by the prices which rule American and Indian cotton.

American cotton. The East India Cotton Association quotes a History of Cotton Prices from which it is

possible to compare the Liverpool prices of American and Indian cotton. The following Table shows the figures from 1918-19 to 1931-32:—

TABLE XL.

Cotton prices 1918-19 to 1931-32.

	Liverpool prices.		Excess of American over Indian prices. pence per lb.
	American. pence per lb.	Indian. pence per lb.	
1918-19	19·73	18·13	1·60
1919-20	25·31	19·23	6·08
1920-21	11·89	9·20	2·69
1921-22	11·37	9·60	1·77
1922-23	14·92	11·14	3·78
1923-24	17·66	13·35	4·31
1924-25	13·76	11·95	1·81
1925-26	10·77	8·97	1·80
1926-27	8·15	7·18	0·97
1927-28	11·17	9·21	1·96
1928-29	10·52	8·03	2·49
1929-30	9·09	6·39	2·70
1930-31	5·71	4·02	1·69
1931-32	4·82	4·32	0·50

The high prices of 1918-19 and 1919-20 reflect the abnormal conditions which marked the boom period immediately following the war. In 1920-21 American prices fell by 53 per cent.; the fall in the case of Indian price was 52 per cent.; but the margin of excess of American over Indian prices fell from 6·08 pence to 2·69 pence. In the following year there was a further fall of nearly a penny in the margin. The relative value of Indian cotton improved in 1922-23 and 1923-24, but declined in the three following years. 1928-29 and 1929-30 saw a moderate rise, to be followed in 1930-31 and 1931-32 by another break. The main factor which determines the relative prices of American and Indian cotton is the success or failure of the crop in the two countries. From 1921 to 1923 the American crop was seriously affected by the ravages of the boll weevil, and this failure of crop is reflected in the rising prices of

the years 1921-22, 1922-23 and 1923-24. From 1924 to 1926 the American crop steadily increased till it reached a record in 1926. Then for three years the boll weevil reappeared and took a heavy toll of the crop, to be followed by a great drought in 1930. But in 1931 again in spite of a reduced acreage there was a great increase of yield. In India the crop was largely a failure in 1920-21 and 1926-27 when American crops were good; and in 1931-32 the Indian crop which had been declining for the two previous years reached its lowest point since 1920. We shall notice in the next Chapter the effect of these fluctuations in the parity of prices on the import and export trade of India. Here we shall examine the course of prices in Bombay from 1926-27 onwards and note the manner in which the prices of yarn and piecegoods have reacted to the fall in these years of the price of cotton.

29. The variation from year to year in prices of American, Indian and Egyptian are compared below:—
Variation in prices of cotton, 1926-31.

TABLE XLI.

Actual and percentage variation in prices.

Years.	American.		Indian.		Egyptian.	
	Actual.	Per cent.	Actual.	Per cent.	Actual	Per cent.
1926-27 to 1927-28 . .	+3.02	37	+2.03	28	+4.00	26
1927-28 to 1928-29 . .	-0.65	6	-1.18	13	-1.25	6
1928-29 to 1929-30 . .	-1.43	14	-1.64	20	-3.62	20
1929-30 to 1930-31 . .	-3.38	37	-2.37	37	-5.46	38

It is clear from these figures that the prices of all cotton generally move together. And the influence of American on Indian prices is further established by a more detailed examination of the course of prices in Bombay. The season 1926-27 was marked by a decline in prices from September to December in sympathy with advices from America where the largest crop on record was marketed. From the middle of December the low price level stimulated demand and there was a steady advance, till at the end of the season the price reached the highest level of the year. The year 1927-28 opened with prices higher than they had been since March 1925; but they fell away within a fortnight, due to a break in the value of American cotton consequent upon the liquidation of a large speculative position; and the decline continued till February when the lowest point was reached; from this level there was a steady advance till July and just over one half of the fall in value was recovered. 1928-29 opened with the market depressed by labour

troubles; but American markets were advancing due to the reduced crop estimated, and under this influence the Bombay market also advanced. In September prices gave way under the influence of a fall in Americans; but the decline was shortlived and by the beginning of October prices were back at the opening level. They remained above this level till April, when the weight of stocks and a break in American values sent them back nearly to the level reached in September. Thereafter till the close of the season they remained below the opening level but with a tendency to stiffen. 1929-30 opened with anticipations of only moderate fluctuations; but the collapse of the American Stock Exchanges in November caused a serious break in prices; by February prices had declined to a point at which the large stocks in Bombay must involve the trade in heavy loss. The benefits anticipated from the increase of the import duties were largely neutralised by the political situation, and trade conditions continued to get worse till in June a state of panic developed. The collapse of the market was followed by a recovery brought about by the very heavy export off-take. The year closed with the market in a somewhat healthier condition but with prospects anything but bright. From the opening of the 1930-31 season prices slowly sagged away under the influence of Americans till the middle of December. There was a slight recovery in February and March; but this was only temporary and prices again fell and continued to fall for the rest of the season. The Indian market has been entirely over-shadowed by the economic blizzard which has struck both Europe and America and whilst throughout the year the technical position of Indian cotton was strong, the position was not able to exert any great influence on price in consequence of the general world depression. The low price levels prevailing in 1931 gave little return to the grower if they did not involve him in actual loss; but the low prices of other agricultural products acted as an incentive to the cultivation of cotton despite the poor return which it brought.

30. The East India Cotton Association which regulates the cotton market in Bombay publishes every week the official prices for the principal varieties of Indian cotton, and from these weekly prices the following annual average figures have been worked out for Broach cotton per candy of 784 lbs.

TABLE XLII.

Year.	Rs. per candy.
1926	325
1927	340
1928	369
1929	339
1930	236
1931	132

The 1931 average price was 44 per cent. below that of 1926. The lowest prices were touched in August 1931 since when there has been a distinct recovery, and for the first nine months of 1932 the average price has been Rs. 198. The Bombay Millowners' Association publishes fortnightly lists of prices of typical kinds of yarn and cloth produced in their mills. These prices are not the prices actually realised, but prices fixed by the mills with reference both to their cost of production and to the state of the markets. They thus reflect not only the fluctuation in the prices of raw cotton but variations in the severity of competition both internal and from abroad. In the following table average annual prices have been calculated from these statements for a few specimen grades of yarns and varieties of piecegoods for each of the years 1926 to 1931;—

TABLE XLIII.

Average wholesale prices of piecegoods and yarn produced by Bombay mills.

Year.	Yarn per lb.				Cloth per lb.				Cloth per piece.		
	10½s.	16s.	20s.	24s.	Longcloth standard quality 37×37½× 9.	Shirtings 35×38× 9.	Dhutis up to ¼' nakshi border 32×9×1½.	Drills 29½×40× 13½.	White bleached twills 31½×40× 7½.	Susi grey weft fancy 21×24×2 11/16 (up to 20 per cent colour).	Sholapur fancy coating 27×24× 8½ (100 per cent. colour).
	A. P.	A. P.	A. P.	A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1926 . . .	8 4	10 2	10 8	12 5	1 0 5	0 15 5	1 0 5	0 14 0	10 12 8	2 11 2	11 6 0
1927 . . .	8 8	10 3	10 10	11 4	0 15 1	0 14 6	0 15 4	0 12 7	9 14 7	2 9 3	10 6 10
1928 . . .	9 5	11 1	11 10	12 5	0 15 4	0 14 9	0 15 9	0 12 11	8 11 3	2 10 4	9 10 9
1929 . . .	9 1	10 8	11 9	12 6	0 15 5	0 14 9	0 15 9	0 13 1	8 11 6	2 10 4	9 7 2
1930 . . .	6 10	8 6	9 2	9 9	0 12 9	0 12 2	0 13 5	0 10 5	6 1 2	2 1 7	8 4 8
1931 . . .	5 7½	6 11	7 6	8 0	0 11 3	0 10 7	0 11 5	0 9 2	5 14 0	1 12 1	7 7 5
1932 . . .	6 3	7 6	8 1	8 9	0 11 2	0 10 7	0 11 6	..	5 13 9	1 6 8	7 1 8
January to Sep- tember fall 1926 to 1931.	2 8½	3 3	3 2	4 5	0 5 2	0 4 10	0 5 0	0 4 10	4 14 8	0 15 1	3 14 7
Percentage of fall	40·5	31·9	29·7	35·6	31·5	31·3	30·5	34·5	45·6	45·5	34·4

The prices of yarn for 1927 and 1928 reflect not only the higher prices of cotton in those years but also the effect of the protective duty imposed in September 1927. The prices for piecegoods show that the effect of the protective duties imposed in 1930 has been outweighed by the influence of the world collapse in prices.

31. The fall in the price of yarn since 1927 when the protective duty was imposed has resulted in the application of the specific duty to yarn of counts higher than was anticipated when the scheme of protection was introduced. In his speech introducing the Indian Tariff (Cotton Yarn Amendment) Bill on 22nd August, 1927, Sir George Rainy observed "As regards the higher counts it is not likely that the handloom industry will be at all seriously prejudiced. . . . when you get to the really high counts of yarn the price will be more than Rs. 1-14 a pound and in that case the yarn will be subject as before to the 5 per cent. *ad valorem* duty and not to the specific duty, that is to say, there will be no increase in the cost of yarn at all. As regards the counts a little bit lower down the scale but higher than 40s, it is quite possible that the specific duty may be a little higher than the 5 per cent. duty but probably not very much". The extent to which the fall in prices since 1927 has upset this forecast is illustrated by the following table compiled for us by the Piecegoods Sub-Committee of the Bengal Chamber of Commerce, which compares the average *ex-godown* prices at which sales were effected in the first eight months of 1927 with the average prices obtained in the first eight months of 1932.

TABLE XLIV.

	Average selling price January to August, 1927.	Percentage of duty at Re. 0-1-6 per lb. or 5% introduced in 1927 (September, 1927).	Average selling price January to August, 1932.	Percentage of duty in 1932 on the basis of Re. 0-1-6 or 5% (January to August, 1932).
40s grey	Annas per lb. 14-875	10-08	Annas per lb. 10-833	13-85
44s "	14-031	10-68	11-237	13-35
44/40s coloured	20-718	7-24	11-375	13-19
60/40s "	18-425	8-14	12-812	11-70
50s grey	23-625	6-85	13-5	11-11
70s "	29-218	5-13	17-830	8-41
80s "	30-67	5	19-91	7-63
90s "	33-812	5	22-25	6-74
100s "	35-625	5	24-562	6-11

It will be seen that, apart altogether from the increase of duties in 1931, at present prices yarns of counts up to 100s are now liable to the specific duty, while the specific duty on yarns of counts 50s and 70s is very considerably higher than the *ad valorem* duty. All these yarns are used almost entirely by the handloom industry, and, though the actual quantities imported are small, it is clear that the industry has been subjected to a burden which was not foreseen.

CHAPTER III.

Progress of the Indian Industry.

32. In Chapter II we have examined the achievement of the Indian industry in expanding and improving its production and in securing a larger share of the Indian market. In this Chapter we shall investigate the conditions which have enabled the industry to secure these results or prevented its more rapid development. The Tariff Board in its report of 1926-27 suggested various remedies the adoption of which might assist to remove the depression which had overtaken the industry particularly in Bombay. And it will be convenient for our purpose to examine each of these recommendations in turn, to see how far the industry has acted upon them and how far the improvement in the quantity and the quality of the output has been furthered by their adoption. The remedies were suggested with the object of securing economies in production both by a reduction in cost and by improvements in organisation. In order to reduce costs, it was suggested first that there was room for improvement in the methods of purchasing the raw material, secondly that in respect of fuel, power and water it was desirable if possible to secure a reduction of charges, thirdly that there was scope for considerable economy in reducing the wages or improving the efficiency of labour and lastly that "overhead charges" might be reduced by a modification of the arrangements for insurance. The suggestions put forward with the object of improving the organisation of the industry were first an extension of the corporate activities of the Bombay Millowners' Association such as the maintenance of a record of samples and prices of the varieties of goods imported and the introduction of a system of registration of Trade Marks and numbers, secondly changes in the system of management, thirdly the writing down of capital, fourthly attention to the diversification of production more especially in the direction of spinning higher counts of yarn and establishing in Bombay a combined bleaching, dyeing and printing factory, fifthly an improvement in the quality of production, sixthly organisation of more efficient methods of sale, and finally the development of the export trade.

33. In the cotton textile industry the cost of the raw material represents a large proportion of the cost of the finished product and though the manufacturer has no control over the market prices of cotton which he buys it is of supreme importance that he should be able to make his purchases in as economical a manner as possible. We shall first consider how far the quantity and quality of the Indian cotton available have

(1) Raw Material :
Quantity of cotton grown
and exported.

supplied the needs of the mills and how far they have had to depend upon imported supplies. We shall also examine the extent to which there has been improvement in the quality of cotton grown in India. And we shall see how far the changes in the system of hedge contracts recommended by the Tariff Board in 1927 have been brought into operation. The following Table shows for each year from 1926 onwards the quantity of raw cotton exported and the quantity consumed in the country and compares with the total so obtained the estimated forecast of the crop for each year:—

TABLE XLV.
Raw Cotton—Production.

(Thousands of bales—400 pounds each.)

12 months ending 31st August.							
—	1926.	1927.	1928.	1929.	1930.	1931.	1932.
Exports to United Kingdom.	153	85	215	233	286	274	125
Exports to Continent	1,034	832	1,277	1,429	1,505	1,002	423
„ China	2,550	1,872	1,614	466	555	626	243
„ Japan				1,722	1,409	1,753	757
„ Other countries	38	41	34	93	113	74	34
Total exports	3,775	2,830	3,140	3,933	3,868	3,729	1,582
Home consumption—							
Mills	1,983	2,044	1,771	1,993	2,373	2,271	2,345
Extra-factory or local (a).	750	750	750	750	750	750	750
Total home consumption.	2,733	2,794	2,521	2,742	3,123	3,021	3,095
Total commercial crop (b).	6,508	5,624	5,661	6,675	6,991	6,750	4,677
Estimated in forecast.	6,250	5,003	5,963	5,782	5,243	5,224	4,064
Excess (+) or Deficit (—) neglecting carry over.	+258	+621	—303	+893	+1,748	+1,526	+613

(1) A conventional estimate adopted in consultation with the trade.

(2) Total of exports, mill and extra-factory consumption.

The first forecast for the season is published in August and it is revised with reference to the latest reports of the acreage sown and the state of crop in October, December, February and April. The first and second forecasts give the acreage only; the later three give estimates both of acreage and yield. During the years 1925-26 to 1930-31 the acreage varied between 23,616,000 and 28,491,000 acres. The average yield per acre varies greatly with the different varieties of cotton, the limits being 42 pounds in the case of Westerns and Northern and 152 pounds in the case of Bengals and Cambodias. The average yield for all kinds of cotton and all parts of India varied in the last six years between 79 and 96. This is a lower yield than is reported by any other cotton growing country in the world, and the reasons are alleged to be the less favourable climatic conditions and the less generous use of fertilisers in India than in other countries. The year 1925-26 was a record in the history of Indian cotton, the final estimate of production being 6,215,000 bales, 127,000 bales more than the previous record. That year both the short staple and all varieties of long staple crops fared well; but since then there has not been a year in which one or other of the long staple varieties has not suffered from the vagaries of the season. Low prices in 1925-26 led to a decline in the area sown from 28.4 million acres to 24.8 million acres in 1926-27. This level was maintained in 1927-28 and improved to 27.1 million acres in 1928-29; in 1929-30 it fell to 25.9 million acres; and the low prices of that year led to a further decline to 23.8 million acres in 1930-31 and 23.5 million acres in 1931-32. The fall in exports in 1927 and 1932 is attributed to shortage of the Indian crop and to a break in the parity of prices in those years.

34. Over a period of ten years previous to 1931-32 long staple cotton (cotton with staple $7/8''$ and above) has on the average formed 26.7 per cent. of the total crop. The value of long staple cotton is that it is necessary for the spinning of yarn of the finer counts. But not all the long staple cotton grown in India can be used for this purpose; much of it is uneven in staple or lacking in strength and some of it is rendered unsuitable by admixture in marketing with short staple cotton. The Indian Central Cotton Committee estimate that in 1931-32 about 56 per cent. of the long staple cotton grown in India is capable of spinning the finer qualities of yarn, though for various reasons it will not all be available for spinning yarn of higher counts in the Indian mills; some of it is exported and some is used for hand spinning; while some of it may be used in the mills for spinning lower counts of yarn. Without however attempting to make an estimate of these in calculable factors, we may say that the proportion of effective long staple cotton to the total Indian crop has risen from 6 per cent. in 1925-26 to 18 per cent. in 1931-32, though the value of this comparison is to some extent vitiated by the fact that in 1931-32 there was a considerable failure of the short staple crop

in India. In a normal year the percentage of effective long staple cotton (*i.e.*, cotton suitable for spinning 24s to 40s in warp and weft together) to the total crop may be taken approximately at 15 per cent.

35. The next Table shows the imports of raw cotton in each of the last six years. To facilitate comparison with the statistics of production in Table XLV, the imports are shown in thousands of bales of 400 pounds each.

TABLE XLVI.

Imports of raw cotton.

(In thousands of Bales—400 lbs.)

Imports from	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
United Kingdom	28.00	3.70	5.10	1.90	13.83	2.91
Egypt	1.46	3.14	1.62	2.86	119.50	83.22
Kenya and Tanganyika	75.38	74.70	85.29	109.82	132.05	183.40
United States of America	140.22	279.50	66.02	9.46	54.66	160.29
Others	10.75	8.80	3.70	10.25	7.34	14.39
.. Total	255.81	369.84	161.73	134.29	327.38	444.21

The large imports of American cotton in 1926-27 and 1927-28 are ascribed by the East India Cotton Association to the shortage in 1926-27 of the crop in certain districts in India, while in America the largest crop on record was marketed. In the following years imports were checked by larger crops in India and by the labour troubles in Bombay which reduced the demand for raw cotton and led to the accumulation of exceptionally large stocks. The increased imports in 1930-31 and 1931-32 are again attributed to the low level of the price of foreign cotton, and to a growing tendency, particularly on the part of the Ahmedabad mills, to import long staple cotton in order to spin yarn of finer counts. The cotton imported from Egypt and East Africa all has a staple length of an inch or over. Of the American cotton imported between September 1929 and May 1932 we are informed that 75 per cent. had a staple length of an inch and below and may thus be said to compete with Indian cotton.

36. We have made an attempt to see how far the production of yarn of counts 24s and above in the Indian mills corresponds with the quantity of long staple cotton, Indian and imported, which has been at their disposal. The Indian Central Cotton Committee has supplied us with information regarding the quantity of long staple cotton grown in India; from

Quantity of Indian long staple cotton consumed in Indian mills.

this we deduct the quantity exported and 15 per cent. to allow for cotton used outside the mills, and we add the quantity imported. We have also ascertained the quantity of yarn spun of counts 24s and above, the quantity of cotton required to spin this quantity at a conversion rate of one pound yarn=1.18 pound cotton, which is the waste percentage calculated from the ascertained cotton consumption and yarn production over the last nine years. The result for the last three years works out as follows:—

TABLE XLVII.

Quantities.	Measure..	Average for the years 1929-30, 1930-31 and 1931-32.
1. Quantity of Indian staple cotton capable of spinning yarns of counts 24s. and above.	Thousands of bales of 400 pounds each.	714
2. Deduct (1) 15 per cent. for cotton consumed outside the mills.	Thousands of bales of 400 pounds each.	107
(2) Exports	Thousands of bales of 400 pounds each.	249
		356
3. Balance available for consumption in mills .	Thousands of bales of 400 pounds each.	353
4. Add nett imports (excluding re-exports) .	Thousands of bales of 400 pounds each.	299
5. Total	Thousands of bales of 400 pounds each.	657
6. Quantity of yarn of counts 24s. and above spun in Indian mills.	Millions of pounds .	237
7. Cotton required for spinning above quantity of yarn at 1 pound yarn=1.18 pound cotton.	Thousands of bales of 400 pounds each.	699

These calculations show that 699,000 bales of staple cotton were required to spin the yarn produced in the mills. 299,000 bales of imported cotton were available, leaving a balance of 400,000 bales to be made up by Indian cotton. The quantity of Indian cotton actually available for consumption by mills according to the table was 358,000 bales leaving a balance of 42,000, which suggests that the quantity of staple cotton consumed outside the mills must be considerably less than 15 per cent. of the quantity grown.

37. The main recommendation made by the Tariff Board of 1926-27 with regard to raw cotton had reference to the system of hedge contracts. *These are contracts for the future purchase or sale of cotton employed as a method of insurance against a

* Mainly extracted from the article written by Mr. Charles Stewart for the British Association and published in the Textile Mercury Annual.

rise or fall of prices. They are employed to cover all transactions in respect of cotton from the sale of raw cotton by the cultivator who grows it to the sale of manufactured cloth. A cultivator need not wait to sell his crop till it is actually harvested, when prices are likely to be depressed by congestion in the market. At any time when prices are at a level which gives him what he considers an adequate return he can contract to sell his crop for delivery in the month when it is ready at the price current at the time when he makes the contract. An importer who buys cotton at a certain price f.o.b. can protect himself by simultaneously selling future contracts at a rate sufficient to cover the price he pays, all charges he is liable to incur and a commission for his profit. If prices fall before the cotton arrives so that the bales have to be delivered to the consumer at less than cost price, the apparent loss will be made good by buying back the 'futures' which will have fallen in price to the same extent. Similarly, the manufacturer can sell cotton futures to protect himself against unsold and accumulating stocks of yarn and cloth. As the value of his yarn and cloth declines so does the value of the futures which he has sold; and to some extent at any rate he is enabled to make good his loss. Cotton futures may thus be sold as hedge both against stocks of raw cotton either in the fields or on shipboard or in the warehouse, and against stocks of manufactured cotton goods. They may also be purchased by suppliers as hedges against sales of forward deliveries, to protect them against a rise in prices while they are collecting the material for the fulfilment of their contracts. And in the same way a manufacturer entering into a contract which will keep his mill running for months together, by purchasing futures sufficient to cover all the requirements for his engagements can secure himself against a rise in the market, which, while it necessitates his paying more for the material which he buys, also increases the value of his futures.

38. The Tariff Board in 1926-27 considered in some detail the advantages of purchasing cotton in the Bombay market as compared with the practice adopted by an increasing number of mills of sending their own agents to the cotton growing districts to buy the cotton on the spot and arrange for it to be ginned, pressed and transported to the mill. It is claimed for the latter practice that it saves middlemen's profits and enables the mills to secure the exact quality which they need. On the other hand the Bombay market offers a wide range of choice and middlemen's profits are kept low by competition; mills moreover which purchase cotton direct have to carry larger stocks for the greater part of the year than those which buy in the market as they need it. But the most serious objection to the practice of direct purchase is that outside the Bombay market there is no organised system of hedge contracts and transactions tend to become speculative. The regulation of the Bombay futures market is in the hands of East India Cotton Association between which body and the Millowners' Association there has, ever since the previous Tariff Board reported, been an

Tariff Board's recommendation.

acute difference of opinion regarding the working of the hedge contract system. The question whether any change is desirable in the conduct of forward business and the existing system of hedge contracts was one of the issues before the Cotton Contracts Act Committee appointed by the Government of Bombay in 1930, and this Committee's recommendation on the subject was as follows:—

“ 16. This is a question which has greatly exercised the minds of all interested in the cotton trade in Bombay for a considerable number of years. It may be said that there are two extreme schools of thought: the one represented by the Millowners' Association which favours a single hedge contract on the lines of Liverpool which would include most of the cottons of India, and the other by the Brokers' Association which recommends a considerable number of contracts on a narrow basis. We do not consider it necessary to go into great detail or to discuss the merits and demerits of the extreme schools of thought. On the one hand the Millowners' Association have admitted that the time has not arrived for the introduction of a single hedge contract; on the other hand it is conceded by the more reasonable representatives of the other school that it is improbable that what is known as “ the bazar ” would be willing and able to trade in a very considerable number of hedge contracts. There is a reasonable consensus of opinion among all sections of the trade that there should be three hedge contracts to cover the three main divisions into which the cottons of India can be distributed. Our discussions have therefore been confined to the composition of these three contracts. We have had before us the evidence of the Millowners' Association who would include within the scope of these three contracts most of the growths of cotton in India. In this they are supported by a number of the Associations representing growers who are reported to feel the need of a contract against which they can tender their own cotton. Representing the opposite view we have the evidence of what we may call (without any derogatory meaning) the speculative element of the trade, who desire narrow contracts on the ground that they appeal more to the investor and are therefore bullish contracts: and they hold that this must be for the benefit of the grower.

17. We hold that it is desirable to steer between these two extremes. The contracts must be broad enough to give the growers an opportunity and at the same time to prevent the possibility of a corner. On the other hand it is not possible to force on the trade something that will not function: and if it is made evident that the inclusion in a contract of any particularly valuable cotton or a cotton which for any reason has become unacceptable to the market or is liable to great fluctuations in class or staple, will make the contract unpopular with investors, then it is clearly advisable for the present to exclude that cotton. We do not accept the contention of the Brokers' Association that the existing Broach contract has tended to depress prices. The figures of trading and tender against this contract in particular indicate that it has been successful as a hedge contract, and we think it will be inadvisable to make great changes in any of the contracts, which experience shows have

been acceptable to the bazar and on the whole afforded reasonable hedge contracts for the general trade. We propose therefore to retain the Broach contract as it is, with the addition only of the Kumpta and Upland growths of the Dharwar district and to leave the existing two contracts in fine Oomra and Bengal untouched."

"The demand for the inclusion in the Broach contract of the Kumpta and Upland growths, in which great improvements have recently been introduced by the Agricultural Department, has been forcibly expressed by the growers' association of the district and has been supported by the Agricultural Department and by the Millowners' Association. We have agreed by a majority that this cotton, with a minimum of $\frac{7}{8}$ " staple, may properly be included in the contract."

These recommendations were placed before the general body of the East India Cotton Association in April last when several members raised "vigorous opposition to them, both on the ground that the proposed widening of the Broach contract would tend to depreciate the price of the contract, and also because of the dissimilarity of the varieties of cotton which it was proposed to include". In view of this difference of opinion consideration of the scheme has been deferred till October 1933. Meanwhile the Association informs us that the feeling in the cotton trade against revising the hedge contracts has been steadily hardening. In the light of these facts, we do not think that any considerable changes in the system of hedge contracts on the lines proposed by the Tariff Board in 1926-27 are likely to be made. It must be assumed that for the period for which we have made proposals for assisting the industry, no improvement as regards methods of marketing cotton can be expected. The subject has received considerable expert attention since the Tariff Board reported, and it does not appear that further investigation will lead to any practical results.

39. A matter which finds no mention in the previous Tariff Board's report, but which is stressed by Mr. Arno Pearse in his review of the Cotton Industry in India is the continuance of the practice of watering cotton in order to increase the weight, and the constant mixing of different kinds of cotton specially in the Punjab American district and frequent introduction of oil or dirty cotton, waste, and even seed. Administrative difficulties have prevented the introduction in British India of legislation making the watering of cotton a penal offence, though the Hyderabad State has introduced a system of licensing all ginning and pressing factories and making the license liable to cancellation in case of such malpractices as watering or false packing. False packing and mixing are especially prevalent in Sind, though Mr. Arno Pearse quotes instances from his own experience of complaints regarding cotton from places as far apart as Amritsar and Bellary. In view of the serious harm which may be caused by these malpractices to the grower as well as to the user of Indian cotton, we consider that increased attention should be given by both the East

Adulteration of Indian cotton.

India Cotton Association and the Indian Central Cotton Committee to the question of investigating the most suitable means of preventing them.

40. Though the Tariff Board saw no possibility of the Bombay mill industry being able to effect economies in respect of fuel and power, the Millowners' Association, by demonstrating that the mills could achieve substantial savings by installing their own power units instead of taking power from the Tata Hydro-Electric Companies has been able to secure an appreciable reduction in the rates charged by these power supply companies. In 1926 the charges varied according to the dates of the contracts from .485 of an anna per unit (paid by two mills only) to .725 of an anna, which in some cases includes and in others excludes the charge for transformers and meters. A new schedule is now in force, under which the charge consists of a maximum demand charge of Rs. 3.8 a month per kilowatt of maximum demand, which payment entitles the consumer to use 35 units for each kilowatt up to 1150 kilowatts and 70 units for each kilowatt in excess of 1150 kilowatts, and an energy charge of .50 anna per unit for the next 200,000 units used each month and .40 anna per unit for all additional units used each month. This change of tariff has resulted in a saving to the Bombay mills of between Rs. 9 and Rs. 10 lakhs a year. Commenting on the very high charges made by the Bombay Municipal Corporation for water supplied to the mills, the Tariff Board in 1926-27 urged a reduction of the rate of 16 annas per 1,000 gallons. The charges have since been reduced first to 12, and in 1928 to 10 annas per 1,000 gallons. The industry feels even this rate to be excessive and a serious handicap to the development of further bleaching establishments. But there is little likelihood of any further reduction of the rates, for an attempt, though unsuccessful, was made in November 1930 to restore the rate of 12 annas per 1,000 gallons. It may be pointed out that in estimating the fair selling price of the Indian industry we have based our figures on the costs of 1931 and therefore any increase in these charges over those of 1931 will handicap the industry.

41. As an alternative to a reduction in wages the Tariff Board in 1926-27 put forward several proposals for increasing the efficiency of the labour employed in the mills. These may be summarised as measures designed to reduce the percentage of absenteeism, measures designed to secure increased output by the operatives in the various departments, the standardisation of wages as between mill and mill, the introduction of automatic machinery and double shift working, and measures designed to improve labour conditions, such as the fixation of regular periods of rest, the removal of abuses in recruitment, the remedy of grievances in the matter of fines, the improvement of housing conditions and the extension of welfare work and of facilities for technical education.

42. Taking first the question of absenteeism among the operatives in Bombay, the Tariff Board emphasised the loss of efficiency caused by it and by the consequent engagement of casual and often inefficient labour.

Absenteeism. It therefore suggested the universal adoption of a practice which obtained in a few mills of employing a certain number of spare hands in each department, except the weaving department, who would be available to take the place of absentees. This suggestion has not been adopted. It would appear from the evidence of the Bombay Millowners' Association that there were special reasons for the adoption of this practice in the few mills where it was in force, but it was felt that the extension of the practice might lead to an increase of slackness. They regard the suggestion as inconsistent with the recommendation that more spindles and looms should be put in charge of each man than is, at present done. And it would be a further obstacle to the introduction of standardisation and efficiency schemes which have for their object the elimination of superfluous labour. In spite of the rejection of this proposal there has been a slight improvement in the percentage of absenteeism in Bombay. As compared with 12.25 per cent. for Bombay and 2.74 per cent. for Ahmedabad in October 1926, the figures for March 1932 were 10.04 per cent. for Bombay and 3.86 per cent. for Ahmedabad.

43. Though the introduction of measures designed to increase the efficiency of labour and plans to standardise wages between one mill and another are really separate and distinct, their histories are bound up with one another and it will be convenient to discuss them together. The history of what is known as the efficiency system is described in detail in a paper prepared by the Bombay Millowners' Association for the Bombay Strike Enquiry Committee and published as Appendix XII to that Committee's Report. The object of the scheme, which was originated by Messrs. E. D. Sassoon and Company, is to increase the operative's wage by getting him to tend more machines and at the same time to assist him by introducing better methods of working. The principal features of the scheme are that a man tends two roving frames instead of one, in ring spinning a side-boy looks after two sides instead of one, and in weaving a weaver tends three or four looms instead of two. The Tariff Board's recommendation for the increase of the output of the operatives ran upon the same lines. And it was soon after the publication of the Tariff Board's report that various portions of the scheme were introduced into several mills under the management of Messrs. E. D. Sassoon and Company and also into the Finlay group of mills and into the Kohinoor Mill. Almost every attempt to introduce these measures of economy resulted in a strike, and between August 1927 and May 1928 there were no less than sixteen strikes in Bombay mills, all except one of which ended in favour of the management. On April 16th, 1928, a strike broke out in 10 mills under the management of Messrs. Currimbhoy Ibrahim and Sons; it began without any warn-

ing and by the 26th April had spread to all the mills in the city except one. On May 3rd the Joint Strike Committee, representing the various Labour Unions in the city, published a list of 'seventeen demands' to be conceded by the millowners, to which the millowners on May 12th published categorical replies, followed on the 17th May by a statement of the terms upon which they would re-open the mills. These terms were grouped under six heads:—

- (1) Standardised rates of wages.
- (2) Revised and standardised muster rolls.
- (3) Full ten hours work for all male operatives.
- (4) Standardised rules and regulations to enforce discipline.
- (5) Uniform system of calculating wages.
- (6) Fines to be credited to a welfare fund.

The strike however continued until October 4th when a settlement was reached on the basis of the appointment by the Government of a Committee of Enquiry and an undertaking to resume work on October 6th. The Committee's terms of reference were to include the questions whether the millowners' standardised schedule of rates and muster rolls was fair and reasonable, whether the Strike Committee's seventeen demands were fair and reasonable and whether the millowners' standing orders for operatives were fair and reasonable. This Committee found that the chief reason for the commencement and continuation of the strike for a period of nearly six months was the fear of unemployment created by the new methods of work introduced by Messrs. E. D. Sassoon and Company in their mills. The Committee also came to the conclusion that the millowners' proposals for standardisation of wages, duties and numbers of operatives in a mill and for standing orders for the operatives about the conditions of their employment were in the main fair and reasonable. While they found that there was justification for the proposal to cut weavers' wages by $7\frac{1}{2}$ per cent., there were reasonable objections against its adoption, and they recommended that the proposal be dropped on condition that the labour leaders undertook to co-operate in working the standardisation scheme. Of the Unions' 'seventeen demands' twelve were found to be fair and reasonable, two to be unreasonable, and three partly reasonable and partly not. The Committee also examined the 'Efficiency' system, the attempts to introduce which had created the general fear of reduction of wages and loss of employment which had been the original cause of the strike, and found that the objections to the system had not been sustained. The Committee's report was published in March 1929, and during April representatives of the millowners and of labour were sitting in a Conference convened by the Chairman of the Millowners' Association to reach a settlement on the issues arising out of the report. Suddenly the leaders of the Girmi Kamgar Union, a body which had been started in May 1928

with the help of some leaders of the Peasants and Workers' party, alleged to be a communist organisation, brought certain grievances before the Conference and demanded that they be remedied before the Fawcett Committee's report was further considered. At a meeting on April 24th a difference arose regarding the method of investigating the grievances; and the Union's representatives, declining to proceed further, by noon on the 26th called out a general strike of the entire textile labour in the city. In July this dispute was referred to a Court of Enquiry under the Trade Disputes Act, 1929, for a finding as to the nature of the dispute, the responsibility for it, the causes of its prolongation and the difficulties in the way of a settlement. The Court's findings published in September were that the Girni Kamgar Union was solely responsible for the state of affairs which prevailed in March and April and resulted in the general strike; that the causes of the prolongation of the strike were the aggressive and mischievous propaganda of the officials of the Girni Kamgar Union and inflammatory appeals made by them to the workers, and picketing and intimidation by the strikers and acts of violence committed by them on non-strikers; that the main difficulty in the way of a settlement also was the uncompromising attitude of the Union officials, though there was an undercurrent of discontent among the workers due in part (1) to the proposed cut of $7\frac{1}{2}$ per cent. in weavers' wages, (2) to fear of unemployment in consequence of the proposed introduction of the efficiency scheme, and (3) to the non-payment of April wages; and that other difficulties were lack of contact between millowners and employees and the lack of such machinery as an Arbitration Board to settle disputes as they arose. In consequence of persistent misrepresentation on the part of this Union, the millowners in November decided to withdraw recognition from it. One result of these strikes was the collapse of the Labour Unions in Bombay, which have not yet been restored to activity; and the absence of any organised representation of labour has prevented further discussion of the schemes for the standardisation of wages and muster rolls or the extension of "Efficiency Schemes" to more mills. As the millowners succeed in regaining the confidence of their labour, the experience gained of "Efficiency Schemes" in the Sassoon and Finlay groups and in the Kohinoor Mills should facilitate their extension to other mills; and the schedule of standardised rates of wages printed in Appendix VIII to the Fawcett Committee's report represents a substantial measure of agreement achieved between the representatives of millowners and labour in 1928-29 which could probably be adopted with little or no modification as soon as proper representation of labour can be organised to discuss it.

44. Ahmedabad has been more fortunate in respect of wage disputes and labour troubles generally than Bombay. Spinners' wages have been standardised in all mills.

Labour disputes at Ahmedabad. During the period of depression in 1923 wages in Ahmedabad had been reduced by $15\frac{1}{2}$ per cent. all round. In 1929 the Labour Union applied for

The restoration of the original scale, and in accordance with the principle of compulsory arbitration in cases of dispute between masters and men, which has been accepted both by millowners and by labour in Ahmedabad, this application was referred to arbitration. Under this arrangement the mill authorities must first try to settle the dispute. If they fail, a Union official and the mill authority make a joint attempt. If these two are unsuccessful the union and millowners meet and try to arrive at a solution. If they do not succeed the dispute goes to the two permanent arbitrators, one nominated by the operatives and the other by the masters. If the arbitrators fail to find a settlement they appoint an umpire whose decision is final and binding on both parties. In this case, the two permanent arbitrators agreed that the mills were not earning such profits as to justify the restoration of the original scale of wages; but they differed on the question whether the workers did or did not get a living wage. The whole question therefore went to an umpire for adjudication, who after hearing both sides awarded an increase of 5 per cent. to the weavers and 8 per cent. to the spinners. This award has been loyally accepted by both parties. The following statement, compiled by the Bombay Labour Office, illustrates the loss caused to the industry in the principal centres in the Bombay Presidency by industrial disputes.

TABLE XLVIII.

Industrial Disputes in the Cotton Mill Industry since 1926.

	Bombay.			Ahmedabad.			Sholapur.		
	Number of disputes.	Number of		Number of disputes.	Number of		Number of disputes.	Number of	
		Workpeople involved.	Working days lost.		Workpeople involved.	Working days lost.		Workpeople involved.	Working days lost.
1927 .	17	16,297	104,172	17	2,103	1,967	...	...	...
1928 .	78*	289,977	22,983,066	17	4,464	13,252	1†	16,928	897,012
1929 .	29‡	162,086	8,153,919	17	3,645	7,592	3	3,203	5,202
1930 .	27	36,407	154,640	22	11,077	19,010	...	...	...
1931 .	14	22,015	208,955	22	4,632	9,464	1	15,000	170,959

* One dispute affected 71 mills and another eight mills.

† Affected five mills.

‡ One of the disputes affected 64 cotton mills, another seven cotton mills and a third five cotton mills.

45. As a means to secure reduction in the cost of manufacture the industry in Bombay has definitely preferred measures designed to increase the efficiency of labour, rather than a reduction of wages. Though labour has opposed the measures intended to increase its efficiency, and though the collapse of labour organisations after the strikes of 1928 and 1929 has created a situation in which it is impossible for the millowners to discuss with representatives of labour the extension of the efficiency schemes or the introduction of the standardised scale of wages and muster rolls, the millowners have not given up hopes that it may one day be possible to resume these discussions, and in the meanwhile they have not reverted to the alternative plan of reducing wages. Thus there has been no material alteration in the level of wages since 1926, when the last investigation into wages and the hours of labour in the cotton mill industry was made by the Labour Office of the Government of Bombay, the results of which enquiry are examined in paragraph 49 of the Tariff Board's 1926-27 Report. The lack of statistical material regarding industrial wages has been noticed by the Royal Commission on Labour in India, who observe at page 445 of their Report that "so far as wages are concerned practically nothing has hitherto been achieved with the exception of the enquiries made by the Bombay Labour Office into wages in the cotton mill industry of that Presidency"; and even this office has made no detailed enquiry since 1926. The standardised scale of wages prepared by the Bombay Millowners' Association and largely accepted by labour organisations in 1929, but not yet introduced owing to the breakdown of the negotiations in that year and the subsequent lack of responsible representatives of labour, is published as Appendix VIII to the Report of the Bombay Strike Enquiry Committee 1928-29. Mr. Arno Pearse collected a certain amount of information regarding wages paid in mills in different parts of the country. For the Bombay Presidency he quotes a statement of average daily wages paid as follows:—

TABLE XLIX.

—	Men.	Women.	Big Lads.	All workers.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Bombay City	1 7 2	0 12 5	0 12 3	1 4 2
Ahmedabad	1 6 2	0 12 9	0 11 4	1 3 10
Sholapur	1 0 0	0 6 4	0 9 1	0 12 9
Baroda	1 0 6	0 10 10	0 8 0	0 15 3
Other centres	1 0 1	0 8 2	0 8 8	0 14 0
Bombay Presidency	1 5 9	0 11 7	0 11 4	1 3 0

We have seen that in Ahmedabad wages were raised in 1930 by 5 per cent. for weavers and 8 per cent. for spinners. An increase of 5 per cent. on the Ahmedabad figures in the Table above will result in wages of Rs. 1-7-3 for men, Re. 0-13-5 for women, Re. 0-11-11 for big lads and for all workers Rs. 1-4-10 and thus bring the Ahmedabad level above that of Bombay. The information which we have received for other parts of the country is extremely meagre, and all we can say is that it indicates that both in Madras and in Bengal (outside Calcutta) wages are on a somewhat lower scale than in Bombay or Ahmedabad.

46. No progress has been made in installing automatic looms on a large scale though experiments have been carried out in several mills in different places. The general conclusion is that the adoption of automatic looms will not reduce costs unless a weaver will agree to work a larger number of looms than he does now. This conclusion is supported by the following statement of the results attained in one of the mills in which automatic looms have been tried:—

TABLE I.

Warp yarn made from	Quality of cloth.					Automatic Looms 41 R. S.					Ordinary Looms 40 R. S.				
	Warp.	Weft.	Reed.	Pick.	Speed of looms (RPM).	Calculated production per loom in 10 hours.	Actual production per loom in 10 hours (exclusive of time for loom repairs and beam renewals, etc.).	Efficiency.	Average number of warp breakages per hour.	Speed of looms (RPM).	Calculated production per loom in 10 hours.	Actual production per loom in 10 hours (time for loom repairs and beam renewals, etc., not deducted).	Efficiency.	Average number of warp breakages per hour.	
Indian cotton . . .	24s	20s	56s	52	159	Yards. 61	Yards. 85	Per cent. 68.6	4	191	Yards. 61	Yards. 40	Per cent. 65.5	3	
	23s	20s	56s	52	159	61	41½	81.8	1.58	188	60	45½	75.8	1.70	
Uganda cotton . . .	24s	20s	56s	52	159	61	85	68.6	4	191	61	40	65.5	3	
	23s	20s	56s	52	159	61	41½	81.8	1.58	188	60	45½	75.8	1.70	

The opinion is also widely held that the kinds of cloth required for the Indian market are not sufficiently standardised to justify the installation on a large scale of automatic looms. And the reluctance to change over to automatic looms has been confirmed by the results of the tests conducted by the Lancashire Cotton Corporation of the comparative costs of weaving by automatic looms and Lancashire looms; for they find that the advantage secured by automatic looms on wage costs is more than off-set by additional expenses, mainly the much greater interest and depreciation charges. On the other hand Mr. Arno S. Pearse, who visited India at the beginning of 1930, has observed that the goods produced on the 2,300 automatic looms in the Buckingham and Carnatic Mills in Madras—the only mills in India equipped on a large scale with automatic looms—were the most perfect which he saw on his journey through India; “they are mostly high class cotton suitings as well made as in any country”.

47. The Tariff Board in 1926-27 expressed the opinion that “from every point of view Bombay is a most unsuitable centre for

Double shift working. the adoption of the double shift system” the main objection being the extent to which the presence of the additional labour force required would increase congestion in an already very congested city. During the last year or two however the closing of a number of mills in Bombay has enabled others to work considerable portions of their plant on a night and day shift, without experiencing difficulty in obtaining labour; nor has the housing problem of the city been aggravated, for at no time have the numbers employed on night shifts in Bombay been of such a magnitude as to make up for the number thrown out of employment by the closing of mills. The following Table, compiled by the Bombay Labour Office, shows the extent to which night shift work has been adopted in the mills in Bombay and in Ahmedabad. Some of the mills in Bengal are also working a night shift; but we have no detailed information regarding them.

TABLE LI.

Night shift work in cotton mills.

Month.	Bombay.		Ahmedabad.	
	Total number of mills working night shift.	Total number of hands employed.	Total number of mills working night shift.	Total number of hands employed.
1930.				
November . . .	13	2,686	19	6,114
December . . .	16	3,592	18	6,954

Month.	Bombay.		Ahmedabad.	
	Total number of mills working night shift.	Total number of hands employed.	Total number of mills working night shift.	Total number of hands employed.
1931.				
January	17	5,951	15	5,571
February	17	5,539	16	5,871
March	18	6,826	20	7,244
April	21	10,807	23	7,912
May	24	10,817	21	8,373
June	30	14,547	19	6,884
July	33	14,347	19	6,302
August	28	13,051	16	5,095
September	26	11,168	18	5,355
October	22	6,796	15	5,046
November	22	7,244	18	5,619
December	29	15,327	20	5,954
1932.				
January	30	17,118	21	6,870
February	29	18,417	20	6,796
March	33	20,070	22	7,833
April	32	21,246	25	9,785
May	25	13,620	23	8,649

48. The usual hours of work in Bombay are from 7 to 12 and 1 to 6. The recommendation of the Tariff Board was the fixation of a definite period of rest to enable the operatives to take their morning meal, in order to prevent the loss of efficiency caused by the practice of numbers of the workers taking food in the mill compounds an hour or two after the commencement of work. It was suggested that work should start at 6-30 and that half an hour's rest be granted from 9 to 9-30 or 9-30 to 10. Recognising the difficulty of getting the workers to come half an hour earlier than before, the millowners proposed to keep to 7 o'clock as the starting hour, and to provide for the half hour's recess by cutting down the mid-day recess by a quarter of an hour and changing the closing hour from 6 o'clock to 6-15. The labour representatives would not agree, and demanded not only a morning recess of half an hour, but an afternoon recess for tea, both within the present limits of 7 A.M. to 6 P.M. thus reducing the working hours from 10 to 9½ hours. To this the millowners objected; nor did they agree to the Fawcett Committee's recommendation that an experiment should be tried in one mill of a morning recess and a working day of 9½ hours. It may be noted that the Royal Commission on Labour has recommended the reduction of the weekly hours of

work from 60 to 54 and that there should be an hour's interval in the 10 hours' working day distributed by agreement between the management and the operatives. This recommendation is now under consideration by the Government of India. Unless a reduction in hours of work is accompanied by a reduction in wages, the increased cost to the employer at the outset may prove serious. On the other hand a reduction in wages may result in a fresh unsettlement of labour conditions which we should regard with grave misgiving.

49. The Tariff Board recommended that the system of recruitment through jobbers should be given up and that all labour should

(b) Recruitment. be engaged directly by the officer of the mill in charge of the department which requires it or by a responsible assistant. The Royal Commission on Labour considered this subject at length and recommended the appointment of a special labour officer to work directly under the General Manager and to be responsible for all labour questions. The Bombay Millowners' Association informs us that an experiment on these lines has been made, but has not yet been working long enough to establish its success. This is one of the most urgently needed reforms in the Indian industry, since we believe that closer personal contact between the management and labour will help greatly in improving the labour situation.

50. The Fawcett Committee came to the conclusion that it would be inadvisable to abolish fining under present conditions, and that

(c) Fines. the time had not yet come when the management of a mill could safely rely entirely on mere supervision and cautioning as a substitute. They also found that there was no reliable evidence that the power of fining employees in the Bombay mills was generally abused. In 1925 the Government of Bombay published a report of an enquiry into deductions from wages or payments in respect of fines. Some of the results of this enquiry are tabulated below:—

TABLE LII.

	Number of mills submitting correct returns.	Proportion of instances in which fines were imposed for bad or negligent work.		Incidence of fining per offence.			Proportion of total amount of fines to total wages bill.
		Men.	Women.	Men.	Women.	Child.en.	
				As. p.	As. p.	As. p.	%
Bombay . .	31	80·73	61·16	4 6	2 10	1 5	0·20
Ahmedabad . .	7	98·13	55·31	4 2	5 1	5 6	1·04
Other centres . .	7	90·83	66·08	2 2	1 9	1 10	0·31

These figures appear to support the conclusion of the Fawcett Committee. The Royal Commission on Labour made several recommendations on this subject, the most important of which are that the fining of children should be prohibited, and that a limit should be imposed to the amount of fines, that the payment of a fine should not be spread over a longer period than a month, and that a fine should not constitute more than 2 per cent. or half an anna in the rupee of a worker's monthly wages. They also suggested a provision requiring employers to specify the acts or omissions which are liable to be punished with fine. The main recommendations of the Tariff Board on this subject were first that all fines levied should not be credited to the mill but should be used for the benefit of the operatives, and secondly the abolition of the practice of compelling a weaver to take over cloth spoilt by defective workmanship at its full value. The first recommendation has been adopted by the Millowners' Association in Bombay and is provided for in a standing order which has been in force since March 1931. The second recommendation was considered at length by the Fawcett Committee, who agreed that the practice was liable to abuse, and decided that it should be restricted to cases in which the weaver agreed to take over the damaged cloth, provision being made for the levy of a fine to compensate the mill for the loss caused by damage in cases where the weaver did not agree to take over the damaged material. The Bombay millowners have adopted this suggestion which is embodied in the following standing order, which is now in force in all the mills in Bombay:—

“ The Company shall not be entitled to debit a weaver's wages with the cost of cloth damaged by his negligence, unless he elects to take it over on those terms. Otherwise the Company may deduct from his wages an amount corresponding to the estimated loss caused to it by such negligence, provided that, if the proposed deduction exceeds the sum of Rs. 5 or the weaver disputes the damage being due to his negligence, the deduction shall not be made by an officer of the Company lower in rank than an Assistant Weaving Master. If the latter officer directs a deduction of Rs. 5 or over, and the weaver disputes his liability to pay the same, there shall be a joint examination of the damaged cloth by such officer of the Company as the Manager appoints and a representative of the weavers who may be either an employee of the Company or an official of a registered Trade Union. If they agree in their decision, the Manager shall accept their decision. If they disagree, and there is no independent person to whom the Manager and the weavers' representative agree to refer the dispute, the Manager shall decide what amount (if any) shall be deducted from the weaver's wages.”

The Royal Commission on Labour has made a further recommendation that no deduction on account of damaged cloth should exceed the wholesale prices of the goods damaged.

51. There has been no material change in the situation in Bombay since 1927 when the Tariff Board observed that out of

(d) Housing. 16,544 tenements constructed by the Development Department 11,484 were still empty. About half the tenements are now occupied, the number empty in September, 1932, being just under 7,600. Attempts to arrange for mills to lease complete chawls have failed owing to the difficulty of persuading a sufficient number of workmen to agree to live in them. Twenty two of the mills in Bombay provide tenements which house about 20 per cent. of their employees. Thirty-five mills in Ahmedabad house 16 per cent. of their employees. At Sholapur 12 per cent. of the mill workers live in quarters provided by the mills. Ten mills in other parts of the Bombay Presidency provide accommodation for 42 per cent. of their operatives. We have seen workmen's quarters provided by a mill in Bengal; and it is well known that facilities are afforded in this direction by some mills in other parts of the country.

52. The Royal Commission on Labour has pointed out many directions in which welfare work is called for; they notice the poor

(e) Welfare work. physical condition of the average Bombay millhand—his low average weight, due to poor constitution and deficient diet, and they urge the provision of sanitary markets, workmen's stores, better sanitary and medical facilities and the development of other activities including insurance schemes. Something has been attempted in Bombay since 1927. The Millowners' Association has appointed a lady with experience of welfare work in Lancashire to advise on welfare work in the mills. Progress has been made in the provision of creches, and facilities for medical treatment are being improved. Measures have been introduced designed to inculcate habits of thrift, and the prevention and treatment of accidents have received attention.

53. The Tariff Board in 1926-27 recommended that students at the Victoria Jubilee Technical Institute should have a practical

(f) Technical Education. course spread over two years instead of six months. The Millowners' Association took this up with the Institute in 1929 and the course has been modified on the lines suggested by the Board. It does not appear that any trade schools have been established in Bombay since 1927; but the scope of the Textile Technical School at Parel has been greatly extended; the number of students has risen to over 100; the Millowners' Association has made contributions and individual millowners have awarded scholarships to their operatives who attend the classes. The provision of technical books and pamphlets in the vernacular has been the subject of correspondence between the Millowners' Association and the Government of Bombay which has not yet had tangible results, though the Millowners' Association admit the value of the suggestion. The Royal Commission on Labour regards illiteracy as a more formidable evil than the lack of

technical education and would be inclined to concentrate all efforts on primary education as the first step to technical efficiency.

54. The main recommendation made by the Tariff Board in 1926-27 with reference to overhead charges was that millowners might introduce a scheme of mutual insurance for fire similar to their system of insurance for workmen's compensation. The Bombay Millowners' Association points out that this was no new suggestion; it had long been under discussion and a number of alternative schemes had been considered. It has not, however, been found possible to accept any of these schemes, partly owing to the difficulty of arranging satisfactory re-insurance, partly through fear that insurance companies might combine and start a premium rate war, but chiefly on account of the difficulty of providing the initial funds necessary for the introduction of such a scheme. Further the Millowners' Association has during the last five years managed to secure such substantial reductions in premium rates that it is now doubtful whether a mutual insurance association for fire could quote lower rates than those now charged by the various companies. The value of the reductions secured is illustrated by the following actual figures of a typical Bombay mill:—

TABLE LIII.

	Rs.
Total value of specification, 1927-28	61,17,150
Total value of specification, 1931-32	62,27,250
Nett premium paid, 1927-28	17,151
Nett premium paid, 1931-32	12,126

The difference represents a reduction of the average rate for the whole mill from $4\frac{1}{2}$ annas to $3\frac{1}{4}$ annas per Rs. 100. The Bombay rates are now lower than in any other part of India and they compare not unfavourably with those obtaining in England or the Continent and in Japan.

55. The Bombay Millowners' Association is the most important body representative of the cotton mill industry in India. Its membership includes 101 mills situated in different parts of the country. All except eight of the mills in Bombay City and Island belong to it, as do several mills situated in other parts of the Bombay Presidency, and among its members are also included mills in the Presidencies of Bengal and Madras and mills in Delhi, the Central Provinces, His Exalted Highness the Nizam's Territory, Central India and Ceylon. Its chief activities have been of a political character in connection with the abolition of the excise duty and the introduction of protective duties: it collects and compiles useful statistical tables regarding various matters which concern the industry; and it has also devoted considerable attention to matters connected with strikes. It conducts correspondence on behalf of the industry with the Central and Provincial Govern-

ments, with Municipal Corporations and with public utility companies such as the Hydro-Electric Power Companies which supply most of the mills in Bombay. The Ahmedabad Millowners' Association includes among its members most of the mills in Ahmedabad, a few other mills in Guzarat and also a certain number of factories connected with industries other than the textile industry. Its great achievement has been the introduction of compulsory arbitration in industrial disputes. There is also a Millowners' Association in Baroda; while in Cawnpore and Calcutta Chambers of Commerce have sub-sections of cotton millowners. In the following paragraphs we shall indicate the extent to which the suggestions made by the Tariff Board in 1926-27 for improvements in the organisation of the industry have been taken up and acted upon by those representative bodies.

56. In 1926-27 the Tariff Board recommended that the Bombay Millowners' Association should take immediate steps to obtain a

Improvements in organisation : Record of imports.

full range of samples and to maintain a full record of prices of all imported cotton manufactures which compete with Indian goods. The Association is now maintaining

a weekly record of the prices of such goods; while market correspondents in Bombay, Madras and Delhi send regular information regarding the state of trade and supply samples of new lines as they become popular; the samples are made available to mills interested in attempting the production of competitive qualities. Special attention has been paid to the markets in South India and in Calcutta.

57. In 1926 the Bombay Millowners' Association believed that there were insuperable difficulties in the way of the establishment

Registration of trade marks and maintenance of the quality of particular brands of Indian piecegoods.

of cloth sold under

a particular number. The Association now informs us that the difficulties have been overcome so far as its own members are concerned, that a system of registration has been evolved and will shortly be introduced. It remains now to extend the system to mills which are not members of the Bombay Association by getting other Millowners' Association to undertake to tabulate the numbers used on various types of cloth by their members as has been done by the Bombay mills.

58. In the course of this enquiry we have received a number of complaints against the present organisation of the industry under

System of management.

the management of agency firms. This aspect of the enquiry has aroused so much public interest and is indeed of such importance to the future progress of the industry that we have decided to devote a separate Chapter of our report to a detailed discussion of the problems connected with the system of management.

59. The Tariff Board in 1926-27 observed that one of the most obvious ways in which the defective organisation of the industry, particularly in Bombay had manifested itself was in over-capitalisation during the boom period, and pointed out the need for further drastic writing down of capital to which little attention had then been paid. Much has been done in this direction since 1925; eleven mills have reduced their capital from Rs. 8.82 crores to Rs. 4.6 crores; eleven more mills, which have undergone reconstruction or sale to new concerns, have incidentally reduced their capital from Rs. 2.52 crores to Rs. 1.30 crores and six more companies with a capital of 1.46 crores are either in liquidation or have been dismantled. Thus the paid up capital of 68 mills in 1931 stood at Rs. 13.18 crores as compared with Rs. 18.96 crores, the paid up capital of 77 mills in 1926. The mills in Bombay have evidently not failed to pay adequate attention to this recommendation of the Board.

60. A scheme for the re-organisation of the industry in Bombay on the lines of the Lancashire Cotton Corporation was put forward by some of the most prominent millowners in the city early in 1930. Under this scheme no less than thirty-four mills under seven managing agency firms were to amalgamate with the objects of:—

- (i) standardisation of products;
- (ii) reorganisation of qualities so that single types or ranges of yarn or cloth might be allotted to individual mills;
- (iii) concentration of purchase and sale by single well defined units;
- (iv) avoidance of duplication of work; and
- (v) elimination of uneconomic machinery.

Each mill was to be valued and taken over by the merger corporation at its present day price paid in ordinary shares; its unsold stocks were to be paid for in cash, and nothing was to be paid for goodwill. The control of the corporation was to be vested in a Board of Directors with working committees to carry out the following duties:—

- (1) Purchase of cotton.
- (2) Sale of yarn and cloth.
- (3) Purchase of machinery and stores.
- (4) Management of mills.
- (5) Arrangement of finance.
- (6) Organisation of research and statistics.

The corporation was to be financed by a loan from the Imperial Bank of India to the full extent of its liquid assets and by debentures. An expert valuer from Lancashire was engaged and the mills were all valued and discussions took place with the Finance Member of the Government of India and the Imperial Bank with the object of arranging the financial assistance required. But the

scheme was ultimately abandoned on account of the difficulties felt by some managing agents in handing over the mills at the valuation fixed, owing to the indebtedness of the mills, and also the difficulty experienced by the Imperial Bank in lending money for working capital without a collateral security. The liability for stamp duty amounting to Rs. 17 lakhs for transfer of the properties from the various mill companies to the new corporation was felt as a further difficulty. In the circumstances of the Bombay industry an amalgamation scheme on these lines was perhaps too ambitious a venture and it is not surprising that it did not materialise. Nor has the experience of the Lancashire Cotton Corporation been an encouragement to such merger schemes. We refer to this subject again in paragraph 78.

61. We have already mentioned the progress made by the industry in the spinning of higher counts of yarn and in increasing the proportion of bleached goods produced. We have also seen that nothing has yet been effected towards the establishment of a combined bleaching, dyeing and printing factory in Bombay. An interesting illustration of progress achieved in the diversification of production is to be found in the following extract from the Report of the Indian Stores Department for 1931-32:—

“The mills with whom important orders for textile goods were placed maintained a high standard of production. The most noticeable development in the cotton piecegoods trade is the new venture in the production on a large scale by several mills in India of printed goods with block and machine printing. A leading firm of textile manufacturers in Bombay has recently installed a mercerising plant and a roller printing machine, and has introduced aerograph and block printing.”

Among the textile goods for which the Stores Department was for the first time in 1931-32 able to place orders in India were Khaki Twill, Khaki Helmet Pugrees, Khaki Pugree Cloth, Polisher Cloth, Waterproof hoods for turbans and Yellow Lace.

62. The points stressed by the Tariff Board in 1926-27 regarding improvement in quality were the practice of spinning finer counts of yarn than are justified by the quality of the cotton which results in inferior qualities of yarn and cloth, the practice in Ahmedabad of stamping yarn with double numbers which facilitates the passing off as yarn of a higher count yarn which is actually of a lower count, and slackness in the folding departments of mills where the standards for rejection varied greatly. We are informed that improvement has been effected in many of these directions, that as a rule finer counts of yarn are not spun than are warranted by the quality of the cotton, that the system of stamping double numbers on yarn has been discontinued in the Ahmedabad mills as the result of pressure from the Association there and that the inspection of cloth in the folding departments is now very strict.

63. While hesitating to make a recommendation for or against the system of sales by the mills through their own shops as compared with the system of sale through commission agents, the Tariff Board urged the importance of representatives of the mills visiting the chief consuming centres from time to time and of their employment of trade correspondents in the principal markets. The Bombay Millowners' Association has taken up these suggestions and now employs trade correspondents in Delhi and in Madras. They have advertised their goods in exhibition trains, and by show rooms at the principal stations in Bombay and elsewhere. Besides these efforts on the part of the Association individual mills have opened their own selling agencies and retail shops; and several mills send their representatives out periodically to upcountry centres to report on the state of trade. As an instance of the success which has attended such efforts the case of a mill is quoted which formerly sold all its goods in Bombay but now sells from 40 to 50 per cent. of its production in upcountry markets direct. With the increased internal competition which will result if our proposals are accepted further progress in the direction of maintaining touch with consuming centres is essential if Bombay mills are to hold their present position.

64. The Tariff Board in 1926-27 laid great stress upon the importance of developing the export trade in cotton manufactures as a means of relieving the depression in Bombay, and as a first step to that end recommended the appointment of Trade Commissioners in Basra and Mombasa and the despatch of a Mission to Survey the potentialities of other markets in Egypt and the Levant, Aden, Somaliland, South Africa and the Straits Settlements. In accordance with this recommendation the Indian Trade Mission made a survey of some of these countries in 1928. This Mission recommended the appointment of three Trade Commissioners at Alexandria, Mombasa, and Durban. Financial considerations have so far prevented any appointment to these ports. It is observed even in the Trade Mission's Report that while the annual consumption in India of mill manufactured piecegoods is 3,800 million yards of which 1,800 million yards are imported from other countries, the imports into all the countries which they visited total only 1,100 million yards and the additional market for Indian goods was estimated at not more than 80 to 90 million yards. The primary need of the Indian industry is to establish its position more firmly in the home market. It is evident that so long as India is unable to protect its own markets against Japanese imports, she will have serious difficulties in extending her market abroad in competition with Japan. It is only through reduction in costs resulting from increased output and economies in production that the Indian industry can ultimately hope to recapture any substantial portion of the export market.

CHAPTER IV.

The Management of the Industry.

65. The managing agency system under which the cotton textile industry like other Indian industries is carried on has been the subject of a great deal of criticism during the present enquiry. Several aspects of that system were brought under review in the course of the evidence submitted by important witnesses. It is therefore necessary to examine in some detail the main features of the system and the extent to which the criticisms levelled against it, particularly with reference to the management of cotton mills, are justified. The efficiency with which an industry is managed is not merely a relevant but an important issue in enquiries into the question of granting protection. When definite allegations are made regarding the management of an industry which applies for protection, it is necessary to examine whether the allegations are well founded and if so how far it is possible to suggest remedies for the defects alleged.

66. When the Tariff Board enquired into the cotton textile industry in 1926, several witnesses complained of the unsatisfactory working of the managing agency system. The Board stated its conclusions on the subject in Chapter VI of its report, but did not consider it necessary for its purpose to discuss the merits of the managing agency system as compared with other systems. It confined its attention to criticisms dealing with specific aspects of the working of the system in the cotton textile industry. The managing agency system as such had previously been examined by the Indian Industrial Commission who arrived at the conclusion that "the system is in many ways well adapted to present conditions in India and has a far greater list of successes to its credit than can be shown by ordinary company management under individual managing directors". The main criticism of managing agents to which the Industrial Commission gave expression was that they showed undue conservatism by their reluctance to embark on new ventures and their tendency to develop commerce rather than industries. This criticism was generally endorsed by the Tariff Board from its observation of the working of the system in the cotton industry. Since the Board reported, the system came under review in connection with the investigations of the Indian

Banking Enquiry Committee. The Committee necessarily concentrated its attention on the financial aspects of the managing agency system. On a detailed review of the financial arrangements prevailing in different provinces it came to the conclusion that "attempts should be made to make industrial enterprises in India less dependent on this system for future development". The minority report of the Committee took a stronger view of the disadvantages of the system and expressed the opinion that it was "old fashioned and had outlived its utility" and that although "the weaker and less desirable side" of the system was not necessarily of universal application, it could not be denied that it was "inherent in the system". The essential advantages and disadvantages of the managing agency system as compared with other systems of management raise much larger issues than can be considered in this enquiry. We shall deal only with those aspects of it regarding which specific criticisms have been made and refer to the wider issue only in so far as it is essential for our immediate purpose.

67. In discussing the system with reference to the criticisms directed against it during the present enquiry, we think it desirable at the outset to present a connected account of the main features of the system as it appears from Articles of Association and agreements executed by Companies with managing agents in different parts of India. For the purpose of this survey we propose to take Bombay, Ahmedabad and Calcutta as typical industrial centres and base our findings on a comparison of the system as it obtains at these three centres. We have been supplied with copies of representative agreements and Articles of Association by several well-known managing agency houses. Those received from Bombay and Ahmedabad are concerned exclusively with the cotton mill industry while those from Calcutta represent a large variety of industries mostly other than the cotton industry.

In Bombay and Calcutta a managing agency agreement is usually fixed for a specified initial period at the end of which the discontinuance of the agreement is dependent on an extraordinary resolution of the company to that effect. The usual period in Bombay is 30 to 40 years while in Calcutta it is 10 to 20 years. The majority required for an extraordinary resolution is invariably three-fourths in Calcutta while in Bombay it is often as high as four-fifths and sometimes five-sixths, including in some cases a provision to the effect that a specified minimum of paid up share capital should be represented. In Ahmedabad with hardly any exception, the agreements are subject to no time limit and are generally described as being "permanent and non-changeable".

The payment due to a managing agent in Bombay and Calcutta consists of an office allowance fixed on a monthly basis at a rate which is somewhat higher in Calcutta than in Bombay and also of a commission

(1) Period of agreement.

(2) Payment of Agents.

based generally on a certain percentage of the profit. The office allowance is intended as a contribution by the constituent company towards the expenses incurred on its behalf at their head office by the managing agents. While this is the declared intention in both places, it appears that in Bombay in several cases the office allowance exceeds actual out of pocket expenses and assumes partially the form of an additional remuneration to the managing agents. In Bombay invariably, and in Calcutta generally, the profit on which commission is calculated is taken to mean gross profit in the sense of profit before depreciation is set aside. In Ahmedabad there is no office allowance and the payment due to the managing agent consists entirely of a commission based on sales and in some cases on production which may be fixed according to the option of the agent at a certain percentage of the value or at a definite amount per unit. It is, however, generally laid down in Ahmedabad agreements that when in any particular year the company does not earn enough to pay a dividend of 6 per cent., the managing agent shall forego his commission up to a maximum of one-third. A similar condition sometimes occurs in Calcutta agreements also but no particular percentage of the commission to be foregone in such cases is specified. Although there is general similarity in respect of the system of remuneration between Bombay and Calcutta, individual cases occur at both centres where the general practice described above is not observed. There are still a few cases in Bombay where the commission is based on sales and in Calcutta too we have observed in the case of a very well-known managing agency house that in several agreements commission is similarly based on sales. In the latter case, no office allowance, however, is charged. In one respect there is a marked difference between Bombay and Calcutta practice. In Bombay in many cases the commission due to the managing agent is subject to a prescribed minimum which ranges from Rs. 6,000 to as much as Rs. 1,20,000 a year. We have come across hardly any case in Calcutta among those we have examined of an agreement which lays down a minimum commission.

It is an invariable feature of managing agency agreements at all the three centres that the managing agent is entitled to work for and contract with the company in
 (3) *Subsidiary Services.* respect of various services such as purchase of materials, the sale of finished goods, the insurance of building, plant and stock, etc., and for these services he receives such additional payment as may be arranged between the agent and the directors.

In respect of the work of managing the business of the company and performing any other services to the company, the managing agent is subject to the control and supervision of the directors of the company.
 (4) *Control by Directors.* The duties and obligations of the managing agents are stated in detail in the agreement and the residual power is vested in the directors.

In the case of some new companies at Ahmedabad, however, the relevant clause in the agreement is so worded as to have the effect of conferring the residual power on the managing agent. In some cases it is also laid down that where concurrent powers are vested under the agreement in both the directors and the managing agent, it is to be understood that the powers will be exercised by the managing agent.

The managing agent in all cases has the right of nominating one or two or in some cases three persons
 (5) Nomination of Directors by Agents. of for appointment on the Board of directors of the company.

If the business of the company is transferred during the pendency of the agreement to another party, the managing agent has the right of continuing in office in
 (6) Agent's claim to compensation. spite of the change of ownership. He is entitled in case of refusal to claim compensation. In Bombay when a company is wound up, the managing agent is entitled to claim compensation according to the general practice on a scale equivalent to the commission earned by him during the previous five years, although we have heard of individual cases in which a much higher rate of compensation has been claimed. At Ahmedabad the general practice is to claim compensation at a rate ranging from five to seven times the average annual commission earned by the managing agent over a period of five to ten years. We have noticed also in Ahmedabad that in some cases the managing agent is entitled to compensation if the agency is terminated by mutual agreement. We have come across no agreements in Calcutta containing a provision for the payment of compensation on the same lines as in Bombay and Ahmedabad. The nearest we have seen is one in which it is laid down that where the business of a company is transferred to another party and the managing agent's right to continue in office is not accepted, the latter may claim compensation at a rate to be fixed by an independent firm of Chartered Accountants.

In Bombay and Ahmedabad the agreements generally provide that the managing agent may assign to a third party his interest or his duties under the agreement and for
 (7) Assignment of interests and functions. this assignment no specific sanction by the directors is required. It is only seldom in Bombay that provision for the assignment of duties as distinct from interest is to be found. We have come across a case of a Bombay agreement in which the managing agent may assign not merely his interest in the profit of the company but the agreement itself to a different party. This agreement is executed by one of the most important managing agency houses in Bombay. In Ahmedabad on the other hand it is not unusual in agreements to provide for the right of the managing agent to assign at his will not only his interest in earnings but also the whole agreement. A usual feature of the system in Ahmedabad is that the right

to the commission earned by the managing agent is divided among several persons holding fractional shares, these persons generally being those who helped the managing agent in the promotion and financing of the company in the early stages. The right of assignment of the managing agent's interest in payments due to him or of the obligations laid on him under his agreement with the company to some other person or association without the sanction of the company is as far as we are aware unknown on the Calcutta side although there are certain types of agreements in Calcutta in which the powers conferred on the managing agents appear to be vested in their 'assigns' as well as successors.

68. In the preceding account we have attempted to bring out the main features of the system as it prevails in different parts of India. This account is based on an analysis of typical agency agreements and Articles of Association. Although it is probable that in individual cases at each centre the account we have tried to present may be found inapplicable, we believe on the whole that it correctly represents the general features of the system as outlined in legal documents. It is however necessary to point out that a description of the managing agency system based on agreements and Articles of Association does not necessarily correspond with the system as it is found in actual operation and that unless the account given above is qualified with reference to its actual working, the impression conveyed may be misleading. Since the principal criticisms directed against the system during the present enquiry refer rather to its actual working than to its technical features, it is to this aspect of the question that we desire mainly to devote our attention. In doing so, it is necessary first of all to refer to the functions performed by or attributed to managing agents in the industrial economy of India.

69. The three chief functions usually associated with the managing agency system are first, the pioneering of new industrial enterprises in the sense of prospecting, research, etc., secondly the provision of the finances required for industries in respect of both fixed and working capital and thirdly the day-to-day management of industries. As regards the first of these functions, it is true that, leaving alone the great industrial enterprises organised by or under the auspices of the State in India, nearly every important Indian industry has been brought into existence by the enterprise of managing agents. The leading managing agency houses in India through whose efforts the development of these industries has been brought about have established and on the whole still maintain a tradition of healthy and cautious development of industries, which is one of the most important influences favouring the continuance of the managing agency system in India. Not every managing agent in India can claim the ability, prudence or resources of the great business houses by whom the

Functions of Managing Agents: (i) Pioneering.

system was founded, but every agent, whatever his capacity for fulfilling the functions of managing agents, benefits by the tradition and to a large extent owes his existence to it. Taking the cotton textile industry with which we are primarily concerned, the industry has been sufficiently long in the field and its potentialities such as they are have been sufficiently evident for new mill companies not to require any longer the services of a special agency for the work of pioneering and initial development. The first of the three functions attributed to managing agents has therefore little application under present conditions to the cotton textile industry. With the exception of some of the more prominent managing agency houses few of the existing managing agents of cotton mills in India can claim credit for having pioneered or assisted in the initial development of the cotton industry. It is therefore to the other functions of the managing agency system that we must look for its justification in the cotton mill industry and with reference to which its actual working should be judged.

70. The provision of the finances required by the industry in respect of both fixed and working capital is the principal service which is claimed for the managing agency system in regard to the cotton mill industry.

(ii) Finance.

Under existing circumstances it cannot be denied that the claim is in the main justified. The report of the Indian Banking Enquiry Committee contains a statement of the various sources from which the capital held by cotton mill companies in Bombay and Ahmedabad is drawn and the proportion of the total capital represented by each source.

TABLE LIV.

	Bombay (Figures for 64 mills).		Ahmedabad (Figures for 56 mills).	
	Rs. (in lakhs).	Per cent. of total.	Rs. (in lakhs).	Per cent. of total.
Loan by Managing Agents	532	21	264	24
Loan by Banks	226	9	42	4
Public Deposits	273	11	426	39
Share Capital	1,214	49	340	32
Debentures issued	233*	10	8	1
		100		100
* Made up of— 46 from Managing Agents. 53 from Banks. 139 from the Public.				

The amount directly loaned by managing agents forms a substantial proportion of the total capital both in Bombay and in Ahmedabad. Loans by banks are almost invariably secured on the signatures of managing agents. The practice of requiring two signatures for loans advanced by banks is so general that on this account alone the services of a managing agent are rendered essential to industrial companies. Public deposits which form so large a proportion of the total capital at Ahmedabad depend for their inducement partly on the earning capacity of the company and partly also on the standing and reputation of the managing agent. As regards share capital, in the early stages at any rate, the extent to which it is taken up depends a great deal on the reputation held by the managing agent and the personal influence exerted by him on prospective investors. Moreover, a considerable part of the share capital, in several cases the greater part of it, is held by the managing agent himself. It will be seen, therefore, that taking conditions as they are, in the great majority of cases the managing agent plays so important a part and holds so large a stake in the provision of finance that his presence must be regarded as indispensable to the industry.

71. It may be argued that the conditions which render the managing agent indispensable for the financing of the industry will lose their importance if the banking system of the country is so reorganised as to meet more adequately the financial requirements of industries or the cotton industry is granted sufficient protection by the State so that investment in it will be more attractive than it has been in the past. Both these are for the present hypothetical conditions and their possible re-action on the usefulness of the managing agency system it is impossible to forecast. It has been suggested that if before a new company is allowed to be started, it is laid down as an obligatory condition that a reasonable proportion of capital against working expenses should be provided in the form of subscribed capital, the services of a managing agent will become of much less importance to a company. This is undoubtedly so. But the proposition assumes either that the necessary proportion of working capital in addition to fixed capital can ordinarily be provided by means of share capital or that it is better to restrict industrial development than to permit the formation of more companies on the present lines. Neither of these assumptions can be accepted as valid under present conditions. In our experience of Indian industries, we have seldom come across a case in which sufficient funds for working as well as fixed capital have been found in the form of paid up share capital, even where a firm is started under the auspices of a reputed managing agent.

72. A more valid objection requiring careful consideration is that the financial methods of managing agents in the cotton textile industry are essentially unsound, that if they provide finance, they provide it on wrong lines. The principal element of unsound

Replacement of Managing Agents in respect of finance.

Financing capital expenditure by short term funds.

ness in the system, in the opinion of those who criticise it, consists in the fact that the proportion of short term funds in the total capitalisation of the companies renders their finance exceedingly unstable. There can be no doubt that under normal conditions the financing of fixed capital expenditure by means of short term loans renders the financial position of a company precarious. We have shown in a previous paragraph the proportions in which various forms of capital are held by cotton mill companies in Bombay and Ahmedabad. It will be seen from these figures that the criticism applies particularly to the finances of mill companies in Ahmedabad. We estimate that on a reasonable computation of the fixed capital required by a mill of normal size and capacity, the proportion of share capital and debentures as indicated by these figures to the total fixed capital (as distinct from working capital) in a Bombay mill is about 80 per cent. On the other hand the proportion in an Ahmedabad mill is generally less than 50 per cent.* The bulk of the fixed capital in an Ahmedabad mill is supplied in the form of deposits. It is to this aspect of the finances of a cotton mill that the criticism to which we have referred seems to apply with particular force. It must be remembered, however, in the case of Ahmedabad mills that although the deposits received by a mill company are generally for a period of a year, there has been little difficulty hitherto in getting the deposits renewed as often as the companies may require. In practice Ahmedabad mills have seldom experienced any difficulty during the past 30 or 40 years owing to the bulk of their fixed capital being composed of deposits. This circumstance is to be attributed to the tradition of prudent and careful management which the managing agents in Ahmedabad have built up and have succeeded in maintaining. Although theoretically the system is from a financial point of view unsound, it seems to have effectively stood the test of experience up till now. The evils of the system will not be apparent so long as the management is in careful and competent hands and is able to show successful results. But once this condition ceases to apply, the system will inevitably break down. Where the management does not inspire general confidence, it may become necessary to offer special inducements to depositors such as a buying or selling agency for the company to merchants who are in a position to help the company with deposits. The offer of an interest of this kind to a depositor is apt to re-act on the efficient working of the company and render its position worse. Like many other aspects of the managing agency system the success of its financial arrangements depends largely on the personal factor. Unless this is borne in mind no judgment regarding the managing agency system can be other than misleading.

73. Another feature of the system of finance associated with managing agents of cotton mills to which our attention has been

* This statement refers to the finances of new mills and does not take into account the reserves in old established mills.

drawn, is the practice of inter-investment of funds among concerns under the same management. Surplus funds, or funds raised on the credit, of one company may be invested in other companies under the same managing agent. Debentures issued by one company may be subscribed to entirely or mainly by other companies in the same group or in which the managing agent has an interest. Practices of this kind have occurred in individual cases in recent years. The result of such a practice is that although the financial position of an individual company may be strong, the company and its shareholders are often deprived of its benefit by being called upon to assist weaker sister concerns which are managed by the same managing agent. The Tariff Board in 1926-27 referring to this practice stated that only one instance of this character came to its notice although where it occurred the criticism in its opinion was justified. The practice is not so rare as the Tariff Board supposed. The difficulties of cotton mills during recent years have been so great that a larger number of individual managing agents than would appear from the statement of the Tariff Board in 1926-27 have been compelled to adopt this questionable method of finance. There is in our opinion little justification for a practice of this kind. Not merely does it involve serious unfairness to shareholders in the concerns whose funds are thus transferred but the practice often tends to the perpetuation of thoroughly insolvent concerns which it would be to the interest of managing agents and of the industry as a whole to have closed down.

74. It is generally found that the managing agent besides supplying short term funds to the company is interested substantially in the share capital of the company. The extent to which the company's share capital may be held by the managing agent consistently with the interest of the company is a question which has been frequently raised before us but to which it is impossible to give a categorical answer. The proportion of the total share capital held by Ahmedabad agents is generally 40 to 50 per cent. and appears to be considerably higher than in Bombay. In estimating the true value of these figures, it is necessary to remember that since the proportion of share capital in the total finances of Ahmedabad companies is much lower than in Bombay, a higher proportion may often mean a smaller amount of capital. It is difficult on the figures to come to any conclusion regarding the relative extent of share capital held by Bombay and by Ahmedabad agents. In answering the general question raised in this paragraph, two considerations may be urged. First, the larger the holding of a managing agent in the share capital of the company, the closer the identity of his interests with those of the company. On the other hand, where the bulk of the capital is held by the managing agent, the rest of the shareholders are left with hardly any effective voice in the management of the company the control

of which remains entirely with the managing agent. The dilemma thus presented is not easy of solution. Where the management is in inefficient hands, the preponderant holding of a managing agent may prove disastrous to the company since the only cure for the inefficiency of a managing agent is more watchful and effective control on the part of shareholders. On the other hand, where the managing agent represents a high standard of ability and sense of responsibility, it may make little difference to the company to what extent the managing agent is interested in the share capital of the company. The better class of managing agent both in textile mills and in other concerns works partly for the remuneration which is fixed for him under his agreement but partly also out of regard for his reputation and out of a sense of pride in the tradition of management associated with his concerns. This is another of those aspects of the managing agency system in which the personal element exerts a determining influence on its working.

75. We now proceed to consider the third function associated with the managing agency system, namely, the day to day management of the industry. Most of the criticisms directed against the system refer to the manner in which the current management of cotton mills is carried on. The principal aspect of the current management of mills which has come under criticism is the way in which managing agents have discharged their obligations in respect of various subsidiary services undertaken by them. We have pointed out in paragraph 67 that it is an invariable feature of the managing agency system that the agent may contract for the performance on behalf of the company of such services as the purchase of materials and machinery, the sale of finished goods, the insurance of fixed and liquid assets, etc. We have come across no managing agency agreement in any industry in India in which the managing agent is not vested with the right to undertake these services on behalf of the company. It has been objected that provision for the managing agent to render these services to the company creates a conflict of interest between the company and the agent which in practice may result in the interests of the company being subordinated to those of the agent. The abuses of the system to which our attention has been called largely arise from the fact that the managing agent in such cases has a financial interest in the supply, sales or insurance agency as the case may be. We have come across individual cases in which such interests are held by managing agents. It has not however been possible for us to ascertain to what extent the financial interest of the managing agents in such cases has adversely affected the interests of the companies concerned. An investigation of the measure of loss sustained by individual companies in cases of this kind would involve a more detailed and prolonged enquiry than the time at our disposal and the nature of the issues referred to us would justify. It is however a legitimate inference that a situation in

which a managing agent is financially interested in services performed by him for his company is one which may lead to serious abuse. The abuse may occur in various directions. In purchases of materials, stores and machinery, it may take the form of purchases at unseasonable times, in excessive quantities and without due regard to quality, suitability and comparative cost. In sales of finished goods, where the selling agent is required to guarantee the mill against losses on outstandings, it may lead to slackness in enforcing the obligation of the selling agent and consequent accumulation of outstandings. In respect of insurance, it may prevent the mill from taking advantage of the low rates of premia which may prevail at times of intense competition among insurance companies and in cases where the managing agent is interested in a foreign insurance company, it may prevent the mill company from supporting Indian enterprise if it wishes to. The correct practice in all these cases is for the managing agent to obtain for his company the most economical service consistently with quality and efficiency. The benefit of any discount, rebate or commission which the managing agent may receive on account of purchases, sales or insurance on behalf of the company properly belongs to the company and should be credited to its accounts except to the extent of the out-of-pocket expenses which may be incurred by the managing agent in performing these services, or unless, as has been stated, the transfer of the payment to the company, as in the case of insurance companies, is definitely forbidden. To accept such payments as an additional form of remuneration for the managing agent is in our opinion unjustifiable and is in fact regarded so by the better class of managing agent. It is not denied that in the hands of a good managing agent the system under which the agent is empowered to make purchases and sales or to effect insurance for all the concerns under his management without being financially interested, directly or indirectly, in the agencies through which such services are rendered may result in substantial economies to the companies. Such a system in fact is potentially calculated to achieve many of the advantages of co-operation and we know of several cases in which the activities of agents in this direction have been of considerable assistance to the companies.

76. Another aspect of the system of management which has been criticised is the method by which managing agents are remunerated for their services. We have already

Agents' Commission. referred to the methods of remuneration which prevail in different parts of India. We generally endorse the views expressed on this subject by the Tariff Board in 1926-27 at page 87 of its report and agree with it in considering that payment by commission on profits is the most satisfactory method of remuneration. Taking managing agents in India as a whole we believe that the prevailing practice as well as opinion among them favours this system of payment except in cases where a specialised sales service is required or where the maintenance of

output happens to be a factor of primary importance. Neither of these considerations however applies to the cotton textile industry. A point in this connection which has been debated before us a great deal is whether the profit on which commission is calculated should properly include depreciation or not. We believe that the general practice both in Bombay and in Calcutta is to calculate the commission on profit before depreciation is set aside, the rate of commission generally ranging from 10 per cent. to 15 per cent. The ideal practice is to regard profit strictly as nett profit and to estimate the managing agents' remuneration with reference to it. We have heard only of one managing agency house in India which has adopted this practice in the bulk of its agreements. It would be more in harmony with the true nature of depreciation as a charge on production to exclude it from profit before the latter is divided between the managing agent and the shareholders. The point, however, does not appear to us to be of any great practical significance since it is generally admitted that if profit were taken to mean nett profit, it would be reasonable to allow the managing agent a higher rate of commission than is allowed under existing agreements.

77. A more controversial point in connection with methods of payment is that of office allowance. From our description of the system in paragraph 67 it will be seen that office allowance as a separate item of payment does not generally occur where the remuneration of the managing agent is based entirely on sales or production. It occurs mostly where the remuneration is calculated as a commission on profit. The contention that office allowance should be regarded as the phrase implies as an allowance towards expenses incurred in maintaining the office and not as a form of remuneration is entirely correct. We have known of instances where the office allowance is regarded as an additional remuneration for the managing agent while all expenses in connection with the head office are separately debited to the company. The correct conception of 'office allowance' is that it "is usually meant to cover head office accommodation, rent and taxes thereon, lighting, fans, Managing Agents' establishment (clerical), share of services of despatch, enquiry and cash departments in several instances, part time services of a senior Accountant and the Secretariat staff, and in several cases also all postages, stationery, telegrams and menial staff. Office allowance accordingly is a recovery by the Managing Agents of their estimated out-of-pocket expenditure on behalf of the Company* ". This definition represents the best practice regarding office allowance and should, we think, be observed in every case. The idea which prevails among some managing agents that the office allowance or some portion of it may be regarded as an additional remuneration for the agent is to be deprecated.

* Extract from a valuable memorandum submitted by Messrs. Martin and Company, Calcutta, through their representative, Mr. K. C. Mahendra.

78. It has been mentioned as a weak point in the system of management particularly in Bombay that a managing agent is often in charge of more mills than he can effectively control and is consequently unable to give sufficient attention to the details of management. Several witnesses have pointed out the contrast in this respect between Bombay and Ahmedabad. In Ahmedabad the number of mills under a single managing agent is as a rule fewer than in Bombay and the agent is generally in closer personal touch with the affairs of his mill. We agree with the observation of the Tariff Board in 1926-27 that in this characteristic of Ahmedabad is to be found one reason why that centre has fared so much better than Bombay. It is, however, hardly reasonable to blame the managing agency system for this result since in both centres the same system is in operation. The question raises a point which is altogether independent of the managing agency system and may arise under any system of management. We are aware of the danger of dogmatising on a matter of this kind, but from all that we have heard and observed in the course of this enquiry, we can not help thinking that in the circumstances of the cotton textile industry in India at present better results are likely to be attained by economies resulting from close personal attention than from large scale production or management. The latter requires for its successful working and for the realisation of its potential economies either a very high level of organising ability and driving force among those in ultimate control or an equally high level of reliability and intelligence among the rank and file. These conditions are not easily satisfied and where they fail, large scale operations instead of resulting in economies lead to further waste. It is partly for this reason that we have found ourselves unable to recommend the adoption of a scheme of amalgamation such as was attempted in Bombay. The personnel required for such a scheme will not be readily forthcoming and there is further the danger inherent in most merger schemes of excessive capitalisation. Moreover, the exceedingly heterogenous character of the demand for cotton piecegoods in India will render specialisation, which is one of the chief objects of amalgamation, difficult of achievement on any considerable scale. We believe that the economies which may be derived from intensive personal control and watchfulness on the part of managing agents have not by any means been fully exploited and that it is in this direction that Indian mills particularly in Bombay should turn their attention in the immediate future. The greater part of the individual irregularities which have been brought to our notice have apparently occurred in mills which are included in large groups. This is a significant fact and conveys its own warning.

79. We have pointed out that it is a feature of managing agency agreements that the agent can generally assign his interest in his earnings and in some cases the agreement itself without the specific sanction of the directors or the company. Although the

Assignments by Agents-

provision in the former form occurs in most agreements in Bombay and Ahmedabad, we believe that it is only occasionally that the provision has been actually availed of. We have referred to the practice in Ahmedabad of the right of the managing agent to the commission due to him being divided between the agent and other persons who helped him in the promotion and financing of the company. Where the existence of the rights of other persons besides the managing agent to the commission was known to the shareholders at the time of the formation of the company, no objection could be reasonably raised against it. Where such rights are transferred subsequently to the formation of the company it seems to us but fair to shareholders that their approval should be obtained. A right to share in the commission does not necessarily imply any right to interfere in the management of the company, but in practice we believe it will be difficult especially if the company is faced with bad times, to resist the interference of outsiders interested in the earnings of the managing agent. As regards the right conferred on the managing agent in certain cases to transfer the agreement itself, there can be no doubt that the exercise of such a right without the consent of the company is totally against the public interest. We are not aware of any case in the cotton mill industry in which such a right has been actually exercised. But we think that the very existence of such a right in agreements should be condemned. We are also of the opinion that the provision for the grant of compensation to the managing agent in case of the company being wound up has little justification at least in the case of cotton textile mills. The principal ground on which in our opinion a provision of this kind may be justified is that the expenses or losses incurred by the managing agent in connection with preliminary investigations and research in the pioneering stage of an industry should be made good to him at least partially if the company is wound up. But no question of pioneering in this sense can arise in the case of the cotton textile industry, in which the service performed by a managing agent in the early stages is that of promoting the company rather than pioneering the industry. The expenses and risk incurred in promoting a company do not at any rate warrant so large a scale of compensation as is provided in certain agreements we have examined.

80. We have indicated in our discussion of those aspects of the managing agency system to which objection has been taken that the personal factor is of cardinal importance. Voluntary action for prevention of abuses. The mere fact that objectionable features are present in an agreement is not by any means a necessary indication that the system operates badly in that case. Agreements are often drafted by lawyers who by nature are tempted to make extravagant provision for the safety of their clients in legal documents. We have throughout this discussion refrained from mentioning names of individual managing agents. But since it has been necessary to refer to the existence, if not to the names, of individual managing agents whose practices in matters affecting their companies deserve serious condemnation, it is but fair to

managing agents as a class to point out that equally on the other side there are agents who in spite of unparalleled difficulties and temptations have maintained the highest standards of business rectitude and probity. It is to the extent that opportunities can be provided for the influence of the better class of managing agent to make itself felt throughout the industry that the situation can be most effectively remedied. The Millowners' Associations can do a great deal by creating a strong public opinion among those engaged in the industry to counter the unhealthy practices to which we have drawn attention. The public criticism which has been directed against the abuses of the managing agency system among the investing public by the Bombay Shareholders' Association will also assist in the same direction. We believe that the activities of the Association have been of considerable public advantage inasmuch as they have stimulated among investors a keen consciousness of their rights as against managing agents. Increased co-operation between managing agents and organised bodies representing the interests of shareholders will be a valuable means of checking abuses and of inspiring confidence among investors.

81. Although we believe that in the last resort the most effective means of checking the abuses of the managing agency system is organised voluntary action on the part of those who are concerned with it, it is necessary that it should be supported to such extent as may be possible by legislative action. The unduly long periods for which in many cases managing agents are entitled to hold office unconditionally may render them for practical purposes free of control. It is true that the managing agent in the discharge of his duties is subject to the control and supervision of the directors, but a control which lacks the sanction of removal from office in case of serious incompetence or misbehaviour is likely to be ineffective. The close sense of personal identity between the managing agent and his company which still actuates the best type of agent is disappearing and unless an effective system of external control takes its place, it is conceivable that abuses may multiply and the interests of investors may suffer. The sense of personal identity to which we have referred is partly a survival of the family tradition associated with many managing agency firms and partly also the result of the substantial extent to which the managing agent is generally interested in the assets of the company. But the family tradition is not so strong or so widespread as it once was, while the holdings of managing agents in their companies have in many cases diminished. Meanwhile the rights and obligations which attach to the managing agent under agreements fixed for long periods still persist. It is not a sufficient answer to this criticism that shareholders have the right of appointing the directors. Allowing for the number of directors nominated by managing agents and of special and debenture directors and also for the fact that only a limited number of vacancies occur each year, the extent to which the shareholder can actually exercise this right is restricted, particularly in view of the short period generally allowed for nominations to vacancies in the

Directorate. We do not suggest that all directorships should be thrown open for election at the same time or that due provision should not be made for continuity of policy and management. Restrictions in matters of this kind are even of greater importance in business than in public administration. What we do suggest is that the necessity for restrictions of this kind deprives the contention that the shareholder can exercise sufficient influence over the management through the directorate of a good deal of its force. The managing agent as such appears to find no place in the Indian Company Law. It is obvious at the same time that he fills a very large place in the industrial system of the country. Voluntary restraints and standards of conduct among managing agents which did duty for statutory control are giving way. These circumstances clearly point to the necessity for bringing the system of managing agency under scrutiny with a view to such amendment of the Company Law as may be required.

82. We have explained that the most important service rendered by managing agents under present conditions is the supply of finance to industries. In examining what changes may be required in the Company Law so as to bring the managing agency system under better control, the essential connection between that system and the conditions of industrial finance in the country should be kept in view. An extensive survey of the problem of industrial finance in India is contained in the Report of the Indian Central Banking Enquiry Committee which, we understand, is under consideration by the Government. It will therefore be a convenient procedure if the materials required for ascertaining what changes may be necessary in this regard in the law relating to company management are placed before the Government at the same time. We consider that a Committee representative of the various interests concerned should be appointed as early as possible to enquire into the necessity for amending the Company Law in this regard. We recognise that a good deal of preliminary investigation will be required before final decisions are arrived at. Whatever view may be taken regarding the advisability of amending the law while the constitutional question is pending, we think that it is important that the necessary preliminary investigation should be taken in hand as soon as possible. The State has an inherent duty in every country to safeguard the interests of investors and this duty is rendered more imperative wherever a policy of protection is in force. Unless reasonable steps are taken to ensure that the investor shares the benefits of protection, the progress of industries which is bound up with the confidence felt by the investor will be necessarily hampered. We therefore think that there should be no avoidable delay in instituting the enquiry we have proposed.

83. We desire in conclusion to state that in estimating the costs of the industry for the purpose of determining the measure of protection we have excluded from consideration the costs of individual mills regarding which specific irregularities have been alleged. It

Early enquiry regarding legislative action suggested.

Duties not based on costs of ill-managed mills.

is necessary to make this clear since it may be supposed that the duties we have estimated represent at least partially the higher level of costs prevailing in such mills. We have, as pointed out in Chapter V, based our estimates of costs and our conclusions regarding the measure of protection on the figures of mills representing a reasonable standard of efficiency. Even in these cases we have made substantial allowance for all such economies as in our opinion may be regarded as immediately possible. No part of the individual irregularities to which we have referred in this Chapter is included in the burden which our proposals may place on the country. Nor do such irregularities represent the normal conditions now prevailing in the industry. In the majority of the mills whose costs we have examined and which may be regarded as representing a normal standard of efficiency, it cannot be said that the expenditure incurred under those items of cost such as insurance charges, office expenses and supervision which directly reflect the efficiency of the managing agent are unreasonable as compared with similar expenses in the cotton textile industry in other countries. The proportion borne by the funds held in stocks of materials and finished goods, stores and outstandings to the total works expenditure in these mills is in fact lower than we have observed in most other industries which have been investigated by the Board. Our reason for calling attention to the individual irregularities noticed by us is that unless timely steps are taken, the evil may spread and the objects of protection be defeated. When protection is granted to an important national industry, it is essential that every precaution should be taken to ensure its successful working.

CHAPTER V.

The Extent of Assistance required.

84. In Chapter VIII of the Report of the Indian Tariff Board in 1926-27 is contained a statement of the costs of production of the Indian cotton textile industry at Bombay, Ahmedabad and other upcountry centres. It is explained that the figures of costs obtained from Bombay and Ahmedabad

Costs based on those of mills of reasonable efficiency.

“ may be regarded as representative as special care was taken to select mills of varying degrees of efficiency ” and also that “ the upcountry average is not so satisfactory from this point of view as the average efficiency of the mills which returned our forms must be considered high ”. Since the main object of the Tariff Board in 1926-27 was to present a general picture of the conditions of the cotton textile industry it was regarded rightly that a statement of costs compiled on this basis would be sufficient for its purpose. Our object in this enquiry is primarily to determine the measure of protection required by the industry and not merely to indicate the general level of efficiency attained by Indian mills. The assistance required by the industry in 1926 was estimated entirely with reference to the disability arising from inferior labour conditions in Japan. The measure of this disability was calculated by the Board on the basis of the costs of production in a mill of “ average efficiency ” in Bombay. While as a means of determining the assistance required against one particular form of unfair competition, this method of calculation may be considered adequate, it would be entirely inadequate as a method of determining the measure of substantive protection required by the industry. Neither an average of the costs of several mills of varying efficiency nor the costs of a single mill of average efficiency would afford a suitable basis for this purpose. The costs on which the measure of protection is based must be those of mills representing not an average but a reasonable standard of efficiency, and the mills selected for the purpose must be sufficiently representative within the limits indicated by such a standard.

85. It is necessary to emphasise at the outset that in an industry represented by over 300 different units situated in different localities and working under widely varying conditions, it is impossible to arrive with any degree of accuracy at an estimate of standard costs. The equipment of mills necessarily shows a vast range of variation both in the character of the machinery employed and in capacity and actual output. They also differ greatly in the standard of efficiency attained in the various processes. Further the classes of goods produced represent an enormous degree of variation

in respect of dimensions, texture, design, finish and quality. These difficulties which are inherent in the conditions of the industry are greatly accentuated by the differences in the systems of costing followed by mills and in many cases by the absence of any system of costing at all. Mr. Arno Pearse in his report on the Indian cotton industry mentions the fact that "few cotton spinners and manufacturers can swear to the exactness of their cost calculations" and this is in the main borne out by our experience. Again the distances of mills from the centres of cotton cultivation and from the coal fields, the varying rates of wages and conditions of labour in different parts of the country, the differences in climatic conditions, the marked divergences as regards the character and accessibility of the principal markets and other differences arising from the local environment of the industry militate still further against any assumption of uniformity in the conditions of the Indian cotton industry. The task of restricting the field of investigation to manageable proportions and at the same time of making it sufficiently representative has been one of extraordinary difficulty.

86. The method adopted by us in estimating the costs of the industry for the purpose of determining the measure of protection may be explained as follows. As part of our questionnaire we issued two forms for the tabulation of costs, one showing the total annual works expenditure of each mill during the past five years and the other showing the works cost at each mill during the same period per unit of each typical kind of cloth. It was explained that the term "works cost" was meant to exclude the cost of raw cotton and also such charges as depreciation, commission of managing agents and interest on working capital. Income and super taxes were also to be excluded. The statement showing the total works expenditure over a period of five years was required in order to ascertain the progress made by the mill in respect of its production as a whole. The average cost per unit of the whole output, making allowance for changes in the production of finer counts, would offer a general indication of the progress made by the mill during the period. Making allowance again for the same factor, the variation from year to year in the total expenditure under each head in relation to the variation in the total output would explain the particular directions in which progress was attained. Under such items as repairs and maintenance, supervision and office establishment, insurance, rent, rates and taxes and selling expenses, the statement of total expenditure would give a clear indication apart from any changes in the quality of the output of the reductions or economies which have been found possible. An examination of the statement of total expenditure during the past five years would thus help in arriving at a suitable selection of mills on whose costs an estimate of the measure of protection might be based. The statement of the works cost per unit of each typical kind of cloth would offer the material by which the rate of protective duty applicable to each class of cloth might be determined. The cost of raw cotton was excluded for the obvious reason that it varied from time to time.

Since market prices of yarn and cloth varied correspondingly the cost of raw cotton to be included in the price estimated for the Indian industry should be taken at the rates corresponding to the market prices of cloth at given dates. The prices of cotton we have taken are not however the standard market quotations but those actually paid by the mills for delivery in the mill at periods corresponding to the prices of cloth. Since mixings vary from mill to mill as well as conditions of forward purchase, etc., and since other charges such as brokerage, transport to mills, cotton cess, town duty, etc., have to be added we have decided to base our figures on the average costs of the mills whose figures have appeared to us reasonable. Depreciation, commission of managing agents and interest on working capital were excluded from the forms circulated by us, since the amounts actually disbursed by particular mills under these heads would depend so largely on the conditions of each mill that no use could be made of them for the determination of a standard cost. It was therefore thought desirable that the Board should use its own judgment on an examination of the conditions of the industry as a whole, as regards the allowance which should be made normally under each of these items of cost.

87. It will be noticed that the statement regarding the works cost per unit of each class of cloth would involve a somewhat

Allocation of total costs among individual classes of goods.

arbitrary allocation of the total expenditure among individual classes of cloth. Since the rates of duty would be to a large extent determined by the works cost of each class

of cloth, it is important to explain the method of allocation followed by the mills on whose costs our proposals have been based. The total works expenditure incurred by a mill is first divided into two groups—spinning and weaving. Spinning includes all the expenses incurred by the mill from the mixing point up to the ring frame, and weaving includes the expenses from the winding stage up to the grey finishing stage. Dyeing and bleaching charges are entered separately. These departments where they exist in connection with a mill are treated separately for costing purposes, and where dyeing and bleaching are done outside the mill, the expenses debited are those actually charged. The spinning expenses are then divided among the total number of spindles actually at work (*i.e.*, excluding the spindles idle during the period) multiplied by the number of working days. Similarly the weaving expenses are divided among the total number of looms actually at work. The cost per spindle and per loom per day is thus arrived at. The next stage is to divide the cost among the quantity of yarn or cloth of any particular class which in the experience of the mill may be produced per day per spindle or per loom under normal conditions. Considerable variations will naturally occur in the output of each class of yarn or cloth per spindle or per loom from mill to mill according to the general level of efficiency attained by each mill, and also according to the period for which and the scale on which a particular product has been manufactured by a mill. For instance, in the case of a mill whose spindle or loom efficiency is

considerably below the normal the average output would be correspondingly less than in other mills. Similarly where a mill has manufactured a particular class of goods only for a short period on an experimental scale its output of that product per spindle or loom would be proportionately less than if the same product had been manufactured continuously in commercial quantities. In both cases the works cost per unit of product would be higher. We have taken these factors fully into account and have made due allowance for them in arriving at our estimates of standard costs.

88. In selecting the mills whose costs may be regarded as representative we laid down as an essential condition that the mills should be of reasonable capacity, output and equipment and further that the mills selected if situated at the same centre should as far as possible represent different groups or managing agencies. As regards capacity, we have, except in the case of Ahmedabad mills, accepted as a reasonable economical standard a capacity corresponding to not less than 1,000 looms and 35,000 to 40,000 spindles. In Bombay this represents approximately the average size of a spinning and weaving mill. It is obviously impossible to lay down any rigid standards as to the minimum economical capacity of a mill. Where several mills are under the same management, the possibility of common services being performed for the mills by a central organisation renders the size of the individual mill a matter of relatively smaller moment. At the same time a great deal will necessarily depend on the personal character of the management. A small mill under a management which gives minute and careful attention to the affairs of the mill may show far better results than a large mill under a slack or routine management. Further the nature of the products turned out by a mill should be taken into account in determining whether the capacity of the mill is economical or not. Where the bulk of the output consists of fairly coarse goods capable of standardised production, a large unit undoubtedly makes for economy in costs. On the other hand where the output consists of a variety of goods and many of these are goods of special quality, a small mill not merely labours under no disadvantage but may on the contrary possess decided advantages over a large mill. It may perhaps be stated as a general proposition that in few countries is the demand for cotton goods so variegated as in India. The existence of marked preferences and tastes of a local or sectional character which has hitherto characterised the Indian market, on the whole favours the organisation of small or moderate sized mills. One other factor may also be mentioned. The supervisory staff engaged by the cotton textile industry in India is at present with rare exceptions recruited in India and the scale of salaries being considerably lower on the average than in other countries, the burden of overhead charges represented by this item is less heavy and consequently the saving per unit of output by increasing the scale of production is smaller.

Selection of mills for the purpose of estimating costs.

should be of reasonable capacity, output and equipment and further that the mills selected if situated at the same centre should as far as possible represent different groups

89. An analysis of the average costs in cotton textile mills in India of manufacturing cloths of medium counts shows that on the average the cost of raw cotton may be taken as 76 pies per lb. of cloth or 40 per cent. of the total works costs, while the average manufacturing cost amounts to 115.5 pies per lb. of cloth or 60 per cent. of the total works costs. These manufacturing costs are distributed among the individual items of expenditure as shown in the following Table:—

TABLE LV.

—	Bombay.	Ahmed- abad.	Cawn- pore.	Delhi.	Calcutta.	Nagpur.	Baroda.
No. of mills considered.	11	4	2	2	3	1	2
Items.	%	%	%	%	%	%	%
Labour . . .	49.40	53.80	40.75	51.60	42.40	38.60	52.65
Fuel and Power . . .	10.80	8.70	15.45	7.46	8.20	9.28	} 6.21
Water . . .	0.60	0.53	0.14	0.04	..	0.46	
Stores . . .	13.40	18.50	17.30	24.34	18.50	} 13.61	} 17.70
Repairs and main- tenance.	2.50	2.64	4.14	5.78	0.70		
Supervision . . .	7.50	8.10	11.60	Included in Labour.	7.70	14.99	8.85
Insurance . . .	0.90	0.90	1.56		0.67	1.60	2.38	1.33
Rents, rates and taxes	1.90	0.23	0.96	0.44	1.50	0.41	0.85
Packing . . .	2.50	1.60	2.55	..	2.20	3.24	1.66
Selling expenses . . .	7.00	1.10	..	8.35	11.10	14.75	7.97
Other expenses . . .	3.50	3.90	5.55	1.32	6.10	2.28	1.77
Total . . .	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Profit, interest, depreciation and managing agents' commission have been excluded from the above calculation.

90. The consumption of raw cotton and stores per unit of product will not be smaller in a large than in a small mill and these account together for approximately 51 per cent. of the total works cost. The employment of labour being regulated according to the number of sides in the spinning sections and the number of looms will also not be necessarily smaller per unit in a large mill. The premium charged for fire insurance is

Considerations determining economical size for a mill.

generally fixed according to the capital value of the mill and the reduction, therefore, if any, in the cost per unit in a large mill as compared with a small mill will be negligible. The cost of repairs and maintenance being mainly composed of the cost of materials and of labour will also show little difference. It is under power, supervision and office establishment and rent, rates and taxes representing in all 12.5 per cent. of the total works cost that the larger size of a mill will result in a correspondingly smaller cost per unit of output. Of these the most important item is power. It may be stated, therefore, that the determining factor in fixing the size of a mill in India is mainly the extent of economy which a large sized mill may bring about in the cost of power. Where, as in Bombay, power is derived from an outside central source of supply, a larger load will mean on the average a smaller cost per unit of power. On the other hand, where power is generated by the mills themselves, as in Ahmedabad, it is found by experience that the maximum economy is attained where the size of the mill is between 600 and 700 looms. If the size is larger than this, it will be necessary to extend the power plant and such extension will not be justified unless a very large increase in the capacity of the mill is contemplated. The standard size of a mill in Ahmedabad is therefore 600 to 700 looms with a total spindleage of 20,000 to 25,000. In selecting the mills required for our purpose at Ahmedabad, we have therefore assumed this as the normal economical capacity.

91. In considering whether the equipment of the mills selected is reasonably efficient, we have taken into account the dates at which the principal items of plant and machinery in the mills were originally installed, and in cases where the original equipment is unduly old whether substantial extensions and renewals have been made since then and the amounts spent on such extensions and renewals. In determining whether by extensions, renewals and repairs the machinery and plant have been kept in reasonably good working condition, we have relied mainly on the percentage figures of efficiency attained by the mills taken in conjunction with the speed at which each class of machinery was worked. The data given below will indicate the minimum standard of efficiency which we have regarded for our purpose as reasonable under existing conditions in India:—

Output per loom per day—11.4 lbs. average counts 40s.

Output per spindle per day—3.85 ozs. average counts 40s.

Waste of raw cotton—12½ per cent.

Waste of yarn—2½ per cent.

Complement of labour including preparatory stages per working day of 10 hours:—

per 1,000 spindles—15

per 100 looms—80.

Total output in 1931—79 per cent. of total capacity (single shift).

Where the actual figures in the case of any mill whose costs we have considered have been less efficient than those set out above, we have approximately adjusted the costs so as to bring them into line with the minimum standard adopted by us.

92. We have received statements of costs from 11 mills in Bombay, 4 mills in Ahmedabad, 3 mills in Calcutta, 2 mills each in Cawnpore, Delhi and Baroda and 1 mill in Nagpur. The mills have been selected with reference to the tests already mentioned and may be taken as representing a reasonable standard of efficiency. They are representative also of the more important centres of the cotton textile industry in India. In view of the very acute external competition and of the equally acute internal competition to which the industry is exposed, we gave an undertaking to the Associations and bodies to whom we issued questionnaires that if they so desired neither the identity of the mills whose costs are supplied to us nor any of the figures shown in the cost statements would be disclosed in our report. All the mills which have supplied us with information have intimated their desire that the names of the mills as well as the information supplied should be kept strictly confidential. In accordance with the undertaking given by us, we have therefore decided to refrain from publishing the names of the mills or the figures furnished by them. Our reason for adopting this procedure which was followed by the Tariff Board in 1926-27 is that the conditions of the cotton textile industry are in this respect entirely different from those of every other industry which has been investigated by the Board. In no industry which has come under examination by the Board has foreign competition been nearly so acute as in the cotton industry and at a time of intense trade depression like the present, the methods adopted by competitors for estimating the relative position of the home industry are apt to be more searching and less mindful of restraints than in normal times. We have some reason to fear that the publicity hitherto given to costs of manufacture in the reports of the Tariff Board has unwittingly done harm to Indian industries which are exposed to severe competition from abroad. In the case of the cotton industry, however, not merely is foreign competition unusually severe but internal competition, as regards at any rate the bulk lines of goods, has reached a stage which is without parallel among Indian industries. It seems to us in the highest degree undesirable that the results of our enquiry should be the means of rendering any unfair assistance to stronger units or groups at the expense of weaker ones with whom they are in competition. In view of these facts we have decided to make no reference whatever in this report to the costs of individual mills or centres of production. We have explained in detail the method which we have adopted in this enquiry for ascertaining the costs of individual mills and for estimating the costs required for determining the measure of protection. The conclusions we have arrived at regarding the industry as a whole are summarised at the end of

Undertaking given by the Board to keep costs confidential.

the Chapter and the basic figures in the calculation by which the average works costs have been arrived at are shown in Appendix IV.

93. In estimating the charges to be added to the works cost in order to arrive at the fair selling price, we have adopted the following scale of allowances. Depreciation has been allowed at the usual income-tax rates, namely, 5 per cent. on the bulk of the machinery, $7\frac{1}{2}$ per cent. on the bleaching and dyeing plant and $2\frac{1}{2}$ per cent. on building. Taking the proportions in which these items generally occur in the block, the average rate on the whole block has been fixed at $3\frac{3}{4}$ per cent. The amount of working capital required has been taken at a figure corresponding to one-third of the year's works expenditure. This is based on the statements of the average value of stocks of materials (including cotton) and of finished goods and outstandings submitted by the majority of the mills whose costs we have examined. It will be noticed that this is lower than the figure adopted by the Tariff Board in other industries where a proportion of working capital equivalent to half the year's expenditure has been generally allowed. Interest on working capital has been fixed at 6 per cent. which is regarded as reasonable by the Bombay and Ahmedabad Millowners' Associations. The commission of the managing agents has been fixed at 10 per cent. of the profit including depreciation. This is the usual rate at Bombay and is more or less the rate allowed in previous enquiries by the Tariff Board. Profit has been allowed at 8 per cent. on the fixed capital which is the minimum return which the Board has always regarded as necessary under Indian conditions for stimulating investment in industrial enterprises.

94. In order to fix the amount of capital expenditure required for a spinning and weaving mill in India, we asked for estimates from the Bombay and Ahmedabad Millowners' Associations. The figure suggested by the Bombay Millowners' Association for a mill with 1,000 looms and 40,000 spindles spinning average 40s counts and using the whole of its yarn production in weaving cloth is Rs. 46.12 lakhs at current prices of machinery, building materials, etc. The average annual production of a mill of this size in 40s counts is estimated at about 30 lakhs of pounds of cloth, giving an average capitalisation of about Re. 1-8 per pound of cloth. The figure given by the Bombay Millowners' Association is lower than that accepted by the Tariff Board in 1926-27. For a loom with 30 spindles, the latter adopted a capital cost of Rs. 5,450 against an average figure of Rs. 4,612 for a loom with 40 spindles in the present estimate of the Bombay Millowners' Association. Although in comparison with the figure adopted by the Tariff Board and allowing for the fall in prices of machinery, etc., since then, the estimate of the Bombay Millowners' Association appears reasonable, we have decided to adopt a lower figure in accordance with the estimate submitted by the Ahmedabad Millowners' Association. The Ahmedabad Millowners have estimated for a mill

with 600 looms and 25,000 spindles a total capital expenditure of Rs. 24.75 lakhs. Assuming an annual production of 27 lakhs in 28s counts which is the normal quality assumed in this estimate by the Ahmedabad Millowners, we get an average capitalisation of about 14 annas per pound of cloth. If the average quality is taken at 32s, which is the range in which generally speaking external competition is now keenest, a capitalisation of 1 rupee per pound of cloth would appear to be sufficient. We have preferred to base our calculations on this figure for two reasons. In the first place we think that an estimate of capitalisation based on the production of counts approximating to 32s would be in closer accordance with Indian requirements than an average of 40s. In the second place, although building expenses are less in Ahmedabad than in Bombay, machinery will cost more at Ahmedabad on account of freight. Balancing the two factors, we see no reason why a higher capitalisation than that suitable for Ahmedabad should be adopted.

95. One of the most difficult features of the cotton textile industry from the point of view of a tariff enquiry is the fact that no exact comparison of Indian mill made goods with imported goods is possible. The varieties of Indian goods as well as of imported goods are so numerous that it is true to say that no two classes of cloth are really alike. In the circumstances of the cotton industry, it has therefore been impossible for us to adopt the usual method by which the Tariff Board has in the past determined the measure of protection required for an industry. This method consists in estimating a fair selling price for the Indian industry and then comparing it with the duty free price at which a corresponding imported article is sold in the country, the difference between the two, subject to certain necessary adjustments, being taken as the measure of protection required. Since no comparison is really possible between particular classes of Indian cloth and of imported cloth, this method necessarily fails. We have therefore decided in this enquiry to compare the fair selling price estimated for Indian cloth, not with the duty free price of imported cloth, but with the price actually realised by the Indian mill ex-mill less duty. A given class of cloth made by an Indian mill competes with a variety of imported cloths of similar and of different qualities, designs and dimensions. The price actually realised by the Indian mill may be presumed to reflect the competition which arises from every class of cloth likely to be considered by the purchaser more or less equally suitable for his purpose. If the rate of duty applicable to this class of cloth is deducted from the realised price, the resulting figure will give the price at which the Indian cloth is required to compete in the market. In determining at what rate the import duty should be deducted from the realised price, we have been generally guided by the evidence we have received as to whether the main source of competition as regards particular classes of cloth is British or non-British, and have deducted the duty at corresponding rates. Generally it may be

Fair selling price compared with realised prices.

stated that if in calculating the average protection required for a certain class of cloth we have taken into account any cloth in that class of average counts 45s or above, the duty on this cloth has been deducted from the corresponding realised price at British rates and in the other cases at non-British rates.

96. One objection to this method of basing the duty on the difference between the fair selling price and the realised price is that the realised price may reflect not merely

Objections to realised prices as basis of comparison considered.

external but also internal competition and therefore to this extent the resulting measure of protection may prove to be larger than is required to meet merely external competition which is the real object of protection. In the way in which the method has been actually adopted by us, we do not believe that the objection can be held to apply so as to vitiate its general validity. We have in almost every case confined our examination to the costs and realised prices of cloth of counts 24s and above since it is in respect of cloth of this kind that external competition is keen. The bulk of the cases we have examined are of cloths of 30s and above. It may therefore be safely concluded that the determining factor in the realised price we have taken into account is external competition since it is generally admitted that in medium and higher counts internal competition is less severely felt. On the other hand, it may be pointed out that in cloths of medium and higher counts on which we have based our examination, the effect of the swadeshi movement has helped rather to raise than to depress the prices of Indian cloth in comparison with those of imported cloth. An incidental advantage of taking realised prices as our basis of comparison is that it automatically discounts the factor of railway freight disadvantage on finished goods. Where the realised prices ex-mill are taken into consideration in fixing the measure of protection, the question of freight disadvantage is to a large extent eliminated.

97. The following Table summarises the average fair selling prices and the average realised prices on which our conclusions regarding the extent of assistance required have been based:—

Summary of assistance required.

TABLE LVI.

Summary of costs and prices.

Class of cloth.	Approximate average counts.	Average reed and pick.	Average sizing per cent. of grey weight.	Average cost of border—per cent. of works cost excluding raw cotton.	Average cost of colouring material—per cent. of works cost excluding raw cotton.	Average cost of bleaching—per cent. of works cost excluding raw cotton.	Average works cost (including raw cotton at average rate of 1931)—pies per pound.*	Interest, depreciation, managing agents' commission and profit—pies per pound.	Average fair selling price—pies per pound.	Average realised price less duty (taken at average of 1931)—pies per pound.†	Measure of assistance required. Pies per pound.
Plain grey .	30s	44 × 38	13·3	...	...	...	142	28	170	118	52
Bordered grey .	40s	42 × 48	14·5	15·5	...	..	168	23	196	141	55
Bleached goods .	40s	60 × 64	4·0	...	...	18·5	225	28	253	189	64
Dyed and coloured woven and printed goods.	40s	60 × 48	5·0	...	31·4	...	231	28	259	190	69

* See Appendix IV.

† The figures of prices shown in the Table are the average realised prices of a large collection of representative goods in each class at different centres of production corresponding in quality, dimensions, etc., to those for which costs have been estimated. The duties have been deducted from the gross realised prices at the average rates of duty prevailing in January-December, 1931. These have been taken as follows:—

Specific duty on plain grey including coloured woven	3·79 annas per pound.
<i>Ad valorem</i> —British	20·83 per cent.
„ —Non-British	26·25 per cent.

98. Our attention has been drawn by manufacturers to the increase in the cost of manufacture since 1931 as the result of duties on raw cotton, dyeing materials and machinery introduced in connection with the emergency revenue measures adopted in September 1931. These duties were not in force sufficiently long in 1931 to affect the general level of costs since the greater part of the consumption of these materials was met from stock. Since the duty on imported cotton affects directly the cost of cloths of medium and finer counts on which our estimates are based, it is reasonable to make full allowance for it. The following are the new duties which have been introduced:—

- (1) an import duty of 6 pies per pound on raw cotton;
- (2) an import duty of 10 per cent. on dyes, and
- (3) an import duty of 10 per cent. on machinery.

To these must be added the duty of 15 per cent. on starching materials which we have proposed in Chapter X of this report. Taking the additional amount payable for raw cotton and dyeing materials and starch in proportion to the average expenditure under each head and calculating the new duty on machinery on 5 per cent. of the total capital invested in machinery which represents the rate of depreciation, we estimate that the additional expenditure involved will not exceed on an average 7 pies per pound of cloth. Adding this to the estimates in the preceding paragraph we get the following figures:—

TABLE LVII.

Class of cloth.	Measure of assistance required. Pies per lb.
Plain grey	59
Bordered grey	62
Bleached	71
Dyed and coloured woven and printed goods	76

Approximately the measure of assistance required may be fixed at 5 annas per pound for plain grey, $5\frac{1}{4}$ annas for bordered grey, 6 annas for bleached and $6\frac{1}{2}$ annas for dyed, coloured woven and printed goods.

CHAPTER VI.

The Claim to Protection examined.

99. We now proceed to consider how far the claim of the Indian cotton textile industry to protection has been established. When the Tariff Board enquired into the condition of the cotton textile industry in 1926-27, the claim to assistance was urged by the Bombay Millowners' Association on the ground of the unfair competition due to depreciated exchange and inferior labour conditions in Japan. The Board's examination of the need for assistance was consequently confined to this aspect of the case. Of the various forms which unfair competition might assume, the Board held that the element of unfairness involved in inferior labour conditions in Japan was the only factor which justified the grant of assistance to the Indian industry. Its proposals therefore were so framed as to enable the Indian industry to meet the disadvantage arising from unfair competition in this respect. The specific duty on imported yarn which was introduced in 1927 was based on this view of the case. The scheme of protection embodied in the Cotton Textile Industry (Protection) Act of 1930 was wider in character and was intended to afford temporary shelter to the industry, particularly to the Bombay section of the industry. Its object was explained on behalf of the Government as being the preservation of the industry and not its ultimate development. It was stated that the latter aspect of protection was reserved for subsequent consideration by the Tariff Board. Our task in this enquiry is to examine the case for assistance not merely from the point of view of unfair competition from countries exporting to India, nor of the temporary difficulties experienced by one important section of the industry, but as a question of substantive protection relating to the industry as a whole.

100. In all enquiries held by the Tariff Board in the past, the question whether a claim to substantive protection is justified or not has been judged in accordance with the principles stated in the Report of the Indian Fiscal Commission. Broadly speaking, the Fiscal Commission considered that the claim of an industry to protection should be examined with reference to the conditions laid down in paragraph 97 of their Report. These conditions embody the tests by which on purely economic grounds a claim to protection may be established. In the case of most enquiries referred to the Tariff Board in the past, it was specifically stated in the terms of reference that the conditions in paragraph 97 of the Fiscal Commission's Report should form the basis of the Tariff Board's examination of the claim to protection. In the terms of reference under

which the present enquiry has been referred to the Board, no mention is made of these conditions, although this is the first time that the Board has been asked to consider the grant of substantive protection to the cotton industry. It is therefore to be presumed that it is the intention of the Government that the examination of the claim of the cotton textile industry to protection should not be confined to the purely economic grounds on which applications for protection have been generally considered. It was recognised by the Fiscal Commission that even in cases where the conditions laid down in paragraph 97 were not satisfied by an industry a claim to protection might still arise if the industry was one of sufficient national importance. Briefly the difference between the two cases is that where the claim to protection is based on purely economic grounds it is essential to establish that the industry will be able eventually to dispense with protection, in other words that protection will not prove a permanent burden on the country. On the other hand where the claim to protection rests on the national importance of the industry the burden involved in the protection of the industry derives its justification from the fact that the establishment of the industry is essential to important national interests, and therefore the burden is a necessary contribution by the country to the safeguarding and promotion of these interests. We propose in this Chapter to examine the case for the grant of protection to the cotton textile industry from both these points of view. We shall first examine the question in the light of the conditions laid down in paragraph 97 of the Fiscal Commission's report and then proceed to consider how far the claim to protection may be justified on the ground of national importance.

101. The first condition laid down by the Fiscal Commission requires that the industry in question should possess sufficient natural

<p>First condition of the Fiscal Commission— Short and medium staple cotton.</p>	<p>advantages in respect of materials, labour, power and the existence of a home market. The most important material required for the cotton textile industry is raw cotton. As</p>
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regards short staple cotton India produces not merely enough for her own requirements but is the chief exporting country in the world. India has a virtual monopoly of this class of cotton, for although large quantities are grown in China and the United States of America the supply in these countries is not more than is required to meet the demand in the home and adjacent markets so that the world's requirements of short staple cotton are generally supplied from India. The claim to protection put forward by the Indian industry, however, applies not merely to goods produced from short staple cotton but also to those produced from long staple cotton. The distinction which is generally drawn between short and long staple cotton is that all cotton having a staple of $\frac{7}{8}$ " and above is classed as long staple and the rest as short staple. According to the figures supplied to us by the Indian Central Cotton Committee, out of a total Indian crop of approximately 4 million bales in 1931-32, about 1.32 million bales were long staple cotton in the sense of cotton having a staple of $\frac{7}{8}$ " and above. It has been

pointed out earlier in the report that the whole of this is not suitable for the spinning of yarn of higher counts, since evenness of staple and tensile strength besides length of staple are essential for the production of fine yarn. The Indian Central Cotton Committee have estimated that in 1931-32, out of 1.32 million bales of cotton with a staple of $\frac{7}{8}$ " and above, only 735,000 bales had the required degree of evenness and strength. The Punjab-American crop represents the largest proportion of long staple cotton in India, but 85 per cent. of this is sold by the cultivator mixed with Desi cotton up to a maximum proportion of 10 per cent. Only a small proportion of the total crop is therefore available for the spinning of higher counts of yarn. Taking warp and weft yarn together India's long staple cotton may be taken generally as being suitable for the manufacture of yarn of counts 24s to 40s. Taking the average of the three years 1929-30, 1930-31 and 1931-32 the quantity of long staple cotton in India capable of spinning counts 24s and above works out at 714,000 bales, or 285.6 million pounds. The average consumption of yarn in India of counts 24s to 40s during these three years including imported yarn was approximately 250 million pounds. Taking 118 pounds of cotton to 100 pounds of yarn this represents 295 million pounds of cotton. It will be seen therefore that allowing for wastage there is a sufficient quantity of cotton in India suitable for the manufacture of yarn up to counts 40s. It is estimated by the Indian Central Cotton Committee that not less than 40 per cent. of the long staple cotton in India is now being exported and that perhaps 15 per cent. is likely to be used for domestic purposes other than mill consumption. Actually therefore the nett quantity used by Indian mills is considerably less than the total quantity grown. For the purpose of the present argument however it is enough to establish that a sufficient quantity of this class of cotton is now grown in India to meet the country's requirements, although the whole of it may not at present be available for mill consumption.

102. For the production of yarn of counts higher than 40s it is admitted that no suitable raw cotton is now available in India;

Absence of long staple cotton no bar to protection.

nor does there appear to be any definite prospect of such cotton being grown in India. It has therefore been suggested that there is no case for the grant of protection to the manufacture of yarn of higher counts than 40s or of cloth woven from such yarn. In 1931-32 the quantity of yarn of counts above 40s consumed in India was approximately 40 million pounds including both yarn produced in the country and yarn imported. If it is assumed that in higher counts about 8 yards of cloth represent a pound of yarn, this will correspond to 320 million yards of cloth. The total import of cloth into India in 1931-32 was 776 million yards. Allowing for the fact that a considerable proportion of this is of counts not above 40s. and that some portion of the Indian production is exported, we shall be justified in fixing the total consumption in India of cloth woven from counts above 40s at not more than 1,000 million yards. The total consumption of cloth in

India in 1931-32 including mill and handloom production and imports was approximately 5,000 million yards. The consumption of cloth represented by yarn of counts higher than 40s is therefore not more than 20 per cent. of the total. It is to this extent that India as far as we can foresee will be dependent on imported cotton. We are definitely of the view that, when an industry is able to obtain its raw material up to 80 per cent. of its total requirements in India, it fulfils substantially the first condition of the Fiscal Commission. It is misleading under the conditions of manufacture prevailing in India to regard the cotton textile industry as being composed of entirely separate branches according to the class and kind of cloth woven, and to look upon each branch as a separate industry as regards the claim to protection. The immense variety of piecegoods required in the Indian market renders specialised production by Indian mills a matter of considerable difficulty. If the existing Indian mills are enabled to increase their output by undertaking the production of finer classes of cloth from imported cotton, the resulting reduction in overhead charges will operate to the benefit of the whole industry. If it is granted that there is a case for protecting medium and coarse counts which represent 80 per cent. of the aggregate Indian market, then, to the extent that the production of finer counts will help to reduce the cost of manufacturing medium and coarse counts in the same mills, the extension of protection to the former must be regarded as a logical result of granting protection to the latter and as a necessary step towards shortening the period of protection and reducing the burden on the country. We do not feel justified in any case in applying to the Indian industry a condition which is not fulfilled by her two chief competitors since both the United Kingdom and Japan depend on imported cotton for the whole of their requirements. There is also a further consideration which it is important to bear in mind. Unless Indian mills are helped to undertake the production of finer counts, there will be little inducement for carrying out experiments regarding the possibility of growing cotton of superior grades in India. It is rash to conclude that no cotton of the kind suitable for finer counts can ever be grown in India, for unless experiments are undertaken to this end, no satisfactory conclusion can be reached and such experiments are not likely to be undertaken if there is no demand from Indian mills for superior cotton. We find that since 1925-26, the amount of long staple cotton in India having the qualities necessary for spinning yarn of counts 24s to 40s has very nearly doubled,* and we cannot help concluding that the progress made by Indian mills in the diversification of their production has provided some incentive for the increase in the quantity of long staple cotton now available in India. The possibilities of growing improved varieties of cotton on the new lands under the Sukkur Barrage are also an important factor in the situation and it is not unlikely that in point of both output and quality, very considerable changes may take place in consequence of this in the position of Indian cotton.

* See Report of the Indian Tariff Board, 1926-27, Volume III, pages 204-205, for 1925-26.

103. A list of the principal classes of mill stores in use in Indian mills will be found at pages 181-182 of the report of the Tariff Board of 1926-27. Some of the most important of these are now being produced in India such as China clay, magnesium chloride, zinc chloride, starch, Epsom salts, belting and lubricating oil. Three of these are protected articles, namely magnesium chloride, zinc chloride and Epsom salts and the development of their manufacture is mainly dependent on the maintenance and progress of the cotton textile industry. Of the others a considerable part consists of iron and steel articles used as parts of textile machinery. Many of these or articles similar to them are in use also in jute mills, and several engineering firms in India are engaged in their production. The Indian Merchants' Chamber of Bombay have drawn our attention to several kinds of cotton mill accessories such as bobbins, reeds and healds which are now made by Indian manufacturers and of which the Chamber recently made a detailed survey. We have little doubt that if the cotton industry is able to survive its present difficulties, subsidiary industries for the production of the more important classes of mill stores will be established in India sufficient to meet the bulk of the industry's requirements.

104. One of the principal advantages possessed by the Indian industry is the extent of the home market. Its importance will be realised from the fact that, taking the two countries from which India draws almost the whole of its imports of piecegoods namely the United Kingdom and Japan, India represents in spite of the big reduction in the import trade in cloth since 1929 the largest single export market for each country. The quantity shipped to India and Burma from the United Kingdom in 1931 represented 23 per cent. of the total export trade in piecegoods and was more than twice the quantity shipped to Australia, which is the next biggest customer for British piecegoods. In 1929 the quantity exported to India was nearly eight times that to Australia and constituted 36 per cent. of the total. Judged by value, exports to India were 15 per cent. in 1931 and 26 per cent. in 1929 of the total. From the figures published by the Japan Cotton Spinners Association we find that, out of a total value of cotton piecegoods exported by the members of the Association of 198·73 million yen, 49·86 million yen worth of goods was exported to British India, representing approximately 25 per cent. of the total. China which is the next largest market absorbed 43 million yen worth of goods in 1931. Up to 1930 China had been Japan's largest customer, but the recent shrinkage in the exports to China leaves India as the largest single export market for Japan, although the value of exports to India in 1931 was less than half that of the exports in 1929. A vivid idea of the enormous extent of the Indian market will be gathered from the fact that, although imports into India in 1931 did not represent in quantity more than 15 per cent. of the total consumption of cloth in the country, they represented for each of the two greatest exporting countries of the world, which divided

the Indian import trade almost equally between them in 1931, the largest single line of export.

105. As regards power, the Tariff Board in 1926-27 noted the fact that, under the contracts entered into by the great majority of the mills in Bombay with the hydro-electric supply companies, the ordinary rate charged for electricity was 0.725 anna per unit against a rate of 0.54 anna at Osaka at the then rate of exchange. We have pointed out in paragraph 40 that considerable reduction in the cost of power has been effected in Bombay since the Board reported. Under the schedules in the existing agreement with the Electric Supply Companies the average cost of electric power works out at between .53/.54 anna per unit for large mills working double shift and .68/.69 anna per unit for smaller mills. Mills at other centres in India mostly generate their own electricity and the cost varies necessarily according to the distance from the coal fields. The cost of power per loom and per spindle is higher in Indian mills than in Japan. One estimate we have seen fixes it at Rs. 6.85 per 400 pounds of yarn in Japan against Rs. 8 in Bombay, and Rs. 10.96 per loom in Japan against Rs. 20 in Bombay, both figures being calculated at gold parity. This is due partly to the higher price of electricity but mainly to the lower efficiency attained in the mills. Since the cost of power is generally less than 8 per cent. of the manufacturing charges, the disability involved in this factor is relatively less important. The cost of power per unit of output is largely a question of efficiency in production, of which the determining factor is the efficiency of labour.

106. Judged by relative costs, the greatest disability of the Indian industry as compared with Japan is in respect of its labour.

Labour disability as compared with Japan. In the evidence which he submitted to the Fawcett Enquiry Committee, Mr. Sasakura of the Toyo Podar Mills in Bombay estimated that the production of cloth per weaver in Japan was about $3\frac{1}{2}$ times as great as in Bombay. Wages are lower in India than in Japan; a women weaver in Japan gets approximately Rs. 2.4 a day as against Rs. 2 which is the average daily rate of wages for a male weaver in Bombay. The difference in the cost of labour per loom is accounted for mainly by the fact that, while the average number of looms attended to by a woman weaver in Japan is six, the average number in Bombay is two, and partly also by the fact that the loom efficiency attained in Japan is as high as 95 per cent., whereas in Bombay it seldom exceeds 80 per cent. Similarly in the spinning department Mr. Sasakura stated that in Japan a sider attended to 600 spindles for a wage of Rs. 1-14-6 a day with an efficiency of 90 per cent., while a spinning boy in Bombay looked after 181 spindles for a wage of Re. 1 a day with an efficiency of little over 80 per cent. The output therefore on the same expenditure was twice as great in Japan as in Bombay. Similar figures showing the difference in the efficiency of labour between India and Japan were given by Mr. Sasakura for all the more important

processes in the cotton textile industry. From information obtained by us which we believe to be fairly accurate and representative, the total labour cost per pound of yarn of average count 16s including both fixed and piecework wages, in a Bombay mill exceeds the cost in a Japanese mill by over 60 per cent. Similarly the labour cost per loom per day on plain grey cloth in a Bombay mill is over 3 times the cost in a Japanese mill. In both cases exchange has been taken at gold parity. It is this enormous disparity in labour cost which makes the position of the Indian industry not merely difficult but almost precarious in competition with the Japanese industry.

107. In the report on the cotton industry of India by Mr. Arno S. Pearse a detailed statement is given showing the cost of labour

<p>Labour costs in Mills in England and America.</p>	<p>in some up to date Bombay mills as compared with the cost in a mill in the Southern States of America and with that in a mill at Oldham in England. The information was in both cases obtained in Bombay, the former from a Bombay millowner who had made a close study of conditions in America as well as in Bombay and the latter from a manager of a Bombay mill who was formerly employed in Oldham mills. In both cases the cost is calculated on an average count of 15s. The labour cost of weaving per pound in the Bombay mill is 15 per cent. lower than in the American mill, while in the other case the labour cost per pound of yarn in the Bombay mill is nearly half the cost in the Oldham mill. The relative cheapness of Indian labour, in spite of its low efficiency, appears to give India a considerable advantage over Lancashire and the United States of America. But in the case of Japan, while the level of wages is perceptibly higher than in India, especially if it is taken to include all expenses incurred by mills for boarding, recruiting, etc., the difference in efficiency far outweighs the higher wages paid in Japan. While it must be admitted that in respect of the labour cost per unit of output the position of the Indian industry is inferior to that of Japan, it must at the same time be recognised that it is not inferior to that of other important textile manufacturing countries. It would be unreasonable in our opinion to reject the claim of the Indian industry to protection when, in comparison with the Japanese industry, its position is not worse in this respect than that of other countries.</p>
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108. In the report on the cotton industry of Japan and China which Mr. Arno Pearse prepared during his visit to these countries,

<p>Comparative labour efficiency—Japan, England and India.</p>	<p>there is an excellent summary of the conditions which enable Japan to wield this immense advantage over Lancashire in respect of the cost of labour. It is estimated that, taking into account the facts that Japanese mills are now working a morning and an afternoon shift of $8\frac{1}{2}$ hours each and that there are no stoppages on Saturdays and only two to four rest days per month in place of Sundays against a 48 hour week in England, the working week in Japan is at least two and half times as long</p>
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as in Lancashire. The advantage of the larger number of hours which machinery can be run in Japan is not merely that the earning power of the machinery is correspondingly increased, but it becomes possible to renew it at much shorter intervals. The result is that in Japan by the time a machine is worn out it has also become obsolete, but in Lancashire a machine may get obsolete long before it has reached the end of its running life. The number of persons employed on the spinning side of a Japanese mill is little inferior to the normal English complement, while in weaving it is considerably smaller than in English mills. The average in Japan for the whole industry is 5.5 looms per weaver, while in the case of the Toyoda automatic looms one weaver looks after 50 looms with an efficiency of 95 to 96 per cent. Against this the number in Lancashire of looms per weaver is 4 with an average efficiency of 85 per cent. On the other hand, the average approximate earnings of different classes of operatives in Lancashire amount to two to three times those in Japan, including the amount spent on welfare work by the Japanese industry. The general picture which this summary conveys of conditions in Japan as compared with Lancashire enables us to understand more clearly the relative position of the Indian industry. In India, while single shift working is the rule, the number of hours per week is 25 per cent. higher than in Lancashire. The complement of labour employed in each department is larger in India where the ordinary rule is 2 looms per weaver, while the efficiency of loom and spindle is lower, being not above 80 per cent. on an average. As against these factors the rates of wages in India are considerably lower than even in Japan, and this in the aggregate enables the labour cost in India per unit of the staple lines of goods to be generally not higher than in Lancashire.

109. It is necessary to point out that in this discussion comparison between India and other countries has been made on the basis of efficiency in the production of low

Efficiency in production counts. Efficiency in this connection is of finer counts.

determined largely by the quantity produced per unit of cost. In higher counts however efficiency is reflected not merely in output but also in quality. It has been stated by some witnesses, particularly by the Bengal Chamber of Commerce, that Indian mill made cloth of finer counts is inferior in quality to similar cloth made in Lancashire largely as the result of lack of skill and experience on the part of Indian labour. On the other hand the representatives of the Marwari Chamber of Commerce in Calcutta, who have considerable dealings both in Indian and in imported piecegoods, told us that as far as dhutis of finer counts are concerned the Indian product is not inferior in quality or appearance to imported goods. Considering the fact that the production of finer classes of piecegoods is a relatively recent development in India, it cannot be expected that the standard of quality will be uniformly as high as that of imported goods. In certain mills of Bombay and Ahmedabad we believe that a high standard of quality has already been attained and that

the market opinion regarding the quality of their goods in the finer lines of production is favourable as compared with that of imported goods. Our experience of labour in Indian industries generally is that while the Indian labourer lacks endurance and stamina, he does not lack the power of acquiring skill, and that given time and experience the Indian workman is capable of acquiring as high a degree of skill in new industries as artisans in any country. The extraordinary success achieved in the past by the handloom industry in India in the production of fine goods justifies the hope that in the production of similar classes of machine made goods a high level of workmanship will in time be attained.

110. As regards the possibility of effecting any substantial increase in the output per labourer, as compared with the present level of production, it is not possible to speak with any assurance. It must be assumed for the time being that the disability of the Indian industry as compared with the industry in Japan is likely to persist, although by better organisation and the introduction of ameliorative methods it may be remedied partially. Whether this disability will make it impossible for the Indian industry to dispense with protection is a matter which cannot be determined except in relation to the costs of the Indian industry. Efforts to reduce the disadvantage of the Indian industry in this respect were made, particularly in Bombay, by the introduction of 'Efficiency' schemes in 1927-28 to which reference has been made in paragraph 43. This however failed to materialise and has been held up for the present. The opposition of organised labour in Bombay to the introduction of the 'Efficiency' scheme as outlined by the millowners was the principal reason for its failure, and until the co-operation of labour is secured it seems doubtful whether any such scheme will have a reasonable chance of being carried out. This is a matter on which we should have welcomed the opinion of labour representatives, but none of the associations or individuals connected with labour whom we addressed sent any representation or offered to give evidence. The group of Bombay mills on whose initiative the scheme was taken up supplied the Fawcett Committee with a detailed estimate of the economies which might be brought about if the scheme were accepted. The scheme itself is explained in Appendix XII of that Committee's report. Briefly it aimed at "increasing the number of spindles looked after by each sider and the number of looms looked after by each weaver and similar economies in the other departments". Although similar measures in particular departments had been in force in certain mills in Bombay, Ahmedabad and Madras previously to 1926, the general adoption of the measure by the industry was a novel experiment which if successfully worked out might have assisted in substantially reducing the cost of labour. From statements supplied to the Fawcett Committee we find that on a fairly conservative estimate, assuming 2 men to 3 scutchers in the blow room, 1 man to 2 machines in the roving frames, 2 men to 3 sides

in the spinning frames and 1 man to 3 looms in the weaving shed and with suitable provision for high draft spinning, a total reduction of 17 per cent. in the labour cost per unit of plain grey sheeting could be obtained. With one man to four looms the reduction would reach 20 per cent. Although we express no opinion regarding the accuracy of these estimates, we regard them as affording sufficient indication of the economies which may result, conditions permitting, from a suitable re-organisation of labour and of the principal direction in which the chief comparative disability of the Indian industry may be remedied.

111. The question of raising the standard of efficiency of Indian labour and enlisting its co-operation in schemes intended for the general improvement of an industry raises large issues which cannot be dealt with here. It has been discussed thoroughly by the Royal Commission on Labour in India in their valuable report, and it is to be hoped that, when the main body of the recommendations contained in that report have been given effect to, a marked improvement in the general level of efficiency of Indian labour and in the relation between labour and its employers will result. Such improvement is bound to lead to the removal in time of several of the elements which at present constitute the chief disability of the Indian Cotton industry, apart altogether from any definite 'Efficiency' schemes. In the report by Mr. Arno Pearse on the Japanese cotton industry to which we have already referred, there is a suggestive discussion of the social background of the industry which appears to give to Japanese labour some of its distinctive qualities. This background is composed mainly of two factors. The first is the general prevalence of a marked group spirit which springs from, and is still sustained by, the social and religious traditions of the country, and the second is the compulsory system of education and the provision of extensive facilities for physical and technical education. If education working on a traditional group spirit has contributed to the striking results attained in Japan, there is good reason to hope that in India also there is material which, if suitably handled, may in time yield results not far inferior. The village community and joint family traditions are still strong in the country and the loyalties and restraints which are associated with them may, by the aid of a general diffusion of the right sort of education, be used for bringing about a radical change in the quality of Indian labour. Meanwhile every effort made by the management of Indian mills to establish closer personal contact between them and labour, by the elimination of unnecessary intermediaries and the encouragement of a more sympathetic attitude towards labour on the part of subordinate employees, will help the creation of a better spirit of loyalty and co-operation.

112. The second condition of the Fiscal Commission is that "the industry must be one which without the help of protection

is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country ”.

Second condition of the Fiscal Commission. From our examination of the costs of the Indian industry we find that, in the case of every important class of piecegoods manufactured in India, the majority of the mills will find it impossible, without the aid of protection, to realise any return on capital or to find adequate sums for depreciation and in several cases to meet even the whole of their out of pocket expenses. We have based our examination of costs on the data supplied by representative mills at Bombay and Ahmedabad and at several upcountry centres. These mills are not the most efficient in the country but have been chosen as representing what may be regarded as a reasonable level of efficiency and equipment having regard to existing Indian conditions. The majority of Indian mills, we believe, fall short of this standard. It may also be pointed out that in estimating the costs which are to serve as the basis of a scheme of protection, we have allowed for considerable reductions under several items of cost in view of probable economies which may be attained in the near future. We are therefore justified in thinking that, if on these costs, the greater part of the industry is unable to meet foreign competition unaided, the second condition laid down by the Fiscal Commission is substantially satisfied. The consolidated balance sheets published by the Bombay and Ahmedabad Millowners' Associations represent the general financial position of the cotton textile industry at these centres. The Bombay Millowners' Association has supplied us with provisional figures for 68 mills for the year 1931 which show that, if allowance is made for depreciation at income-tax rates, there is a nett loss of Rs. 106·8 lakhs excluding commission and interest surrendered by managing agents, as against a similar loss of Rs. 237 lakhs for 71 mills in 1930. The latest year for which figures have been supplied by the Ahmedabad Millowners' Association is 1930 which show on a similar computation a nett loss of Rs. 24·9 lakhs for 61 mills as against Rs. 43·6 lakhs in 1929. We desire to emphasise that, for the purpose of determining the claim to protection, consolidated balance sheets showing the average position of the units engaged in an industry are not necessarily conclusive evidence. If losses are incurred on a large scale by obviously inefficient mills, the average position of the industry may appear in a worse light than is justified by the facts. From the detailed analysis of the financial position of 68 mills for 1931 submitted to us by the Bombay Millowners' Association we find that 36 mills made profits before setting aside depreciation, of which in the case of 24 the profit was insufficient to cover depreciation at income-tax rates. In the case of the remaining 12 the total profit after depreciation amounted to Rs. 16·7 lakhs, of which three mills belonging to one group accounted for Rs. 11·1 lakhs. The position at Ahmedabad as judged by the figures of 1930 is a great deal better. 49 out of the 61 mills showed profits before setting aside depreciation. Allowing for depreciation at income-tax rates, 38 mills made profits amounting of Rs. 34·29 lakhs. These mills

however surrendered during the year managing agents' commission totalling Rs. 2.57 lakhs. Taking the nett profit of the 38 mills at Rs. 31.72 lakhs, it represents an approximate average return per mill of less than $4\frac{1}{2}$ per cent. on the paid up capital *plus* the reserves invested in the block. On the paid up capital only it represents a return of approximately $12\frac{1}{2}$ per cent. Since in the case of Ahmedabad mills only a small proportion of the fixed capital expenditure is financed by share capital, the rate of return calculated on paid up capital will not accurately represent the position. These financial results, in a year in which for 9 months protective duties were in force, show that even at Ahmedabad the withdrawal of protection will have serious adverse consequences, which may however be mitigated if there is a general rise in the level of wholesale prices. Our conclusion as regards the second condition of the Fiscal Commission is based primarily on our examination of the costs of representative mills, and we refer to the consolidated balance sheets only for the purpose of showing that the conclusion we have arrived at independently appears to be confirmed in the main by the general statement of the financial results at the two most important centres of production. If there were no protective duties, even assuming the continuance of the swadeshi movement, it seems to us a valid deduction as regards the bulk of the industry that no surplus would be forthcoming for financing extensions and improvements.

113. It was observed by the Tariff Board in 1926-27 that the depression in the cotton textile industry was felt more acutely in

Position of Bombay as affecting other centres of production.

Bombay than in other centres. This statement is as true now as when the Board reported. Although the demand for protection has been pressed before us by other centres besides Bombay, it is obvious that the need for assistance is greater in Bombay than elsewhere. The protective measures introduced by the Cotton Textile Industry (Protection) Act of 1930 had in view particularly the condition of the industry in Bombay and were meant to provide a temporary shelter for the Bombay mills. In deciding whether a claim to protection has been established by the Indian cotton textile industry, it is necessary to take into account the fact that the need for assistance is not felt equally keenly in all the centres where it exists. We feel however that, even if it were established that the need for assistance was confined to the Bombay mills, the case for protection would still require consideration. Bombay is the largest single centre of production and represents nearly 40 per cent. of the total production of piecegoods in India. The usual practice with regard to sales in Bombay is to sell large quantities of their bulk lines of piecegoods at intervals through their selling agents, which are then distributed amongst dealers from the different consuming centres upcountry. It necessarily follows that any reductions in prices which Bombay mills may be compelled to make will have an immediate reaction upon the level of prices throughout the main consuming centres.

The effect of continued depression in Bombay will, therefore, not be confined to Bombay but will be felt at every centre of production. The unique position of Bombay in the Indian cotton textile industry make its difficulties a matter of concern to the whole industry. Apart from the influence which the prices at which goods are sold by Bombay mills necessarily exert on the general level of prices in the market, it must be borne in mind also that if a serious decline in the production of Bombay mills occurs as the result of withdrawing the protective duties, the immediate result will be a substantial increase in imports, especially from Japan. Indian mills are not in a position to adapt the scale of their production to the varying requirements of the market with the flexibility and quickness which characterise the Japanese industry. The practice of double shift working which is universal in Japan is one of the most important causes of this difference. An interesting illustration of what may happen under such circumstances is afforded by the figures of Indian production and of imports from Japan during and immediately after the strike of 1927-28 in Bombay. The average production of Bombay mills in 1928-29 and 1929-30 was 713 million yards as compared with 1131 in 1927-28. There was thus a reduction in output of 418 million yards as the result of the strike. During the same period there was an average increase of 218 million yards in the production of other Indian centres, while the average increase in imports from Japan was 137 million yards, as compared with 1927-28. Other Indian centres therefore supplied 52 per cent. and Japan 33 per cent. of the deficiency in the production of the Bombay mills. The figures stated in this form do not, however, bring out the significance of what took place. The increase in the production of other Indian centres represented only 18 per cent. of their production in 1927-28; while the increase in the imports from Japan represented 42 per cent. of its imports in 1927-28, suggesting a much higher degree of adaptability in the case of Japan. The position would probably have continued to develop even less favourably to Indian mills but for the protective duties introduced in 1930 and the influence of the swadeshi movement.

114. Under the policy of protection outlined in the Fiscal Commission's Report industries for which a claim to protection can be ordinarily established are young and relatively undeveloped industries which cannot be fully developed in face of competition from well established industries in other countries.

Recent advances in technical progress in Japan. But the Fiscal Commission recognised that an industry may, also stand in need of assistance "as a result of some temporary deterioration or atrophy", and that an industry might receive protection at any stage provided the second condition is fulfilled. The causes of the deterioration which has occurred since the war in the position of the cotton textile industry in India have been ably analysed in the report of the Tariff Board in 1926-27. Since then two developments have occurred. The first is the rapid advance made by the Japanese industry in recent years in technical

efficiency. This is partly the result of the general adoption of the warp stop motion on looms by the mills represented by the big combines, resulting in a large reduction in the number of hands per loom. It is partly also the result of the more extensive use of automatic looms, rendering mass production of standardised goods a growing feature of the industry. The difficulties which have beset the Indian industry since the war, for some of which it is itself responsible, have seriously curtailed its competitive power, in face of the rapidly increasing efficiency of the Japanese industry. This development cannot, however, in one sense be regarded as "a temporary deterioration or atrophy" because, as we have already pointed out, the general conditions which differentiate India from Japan in respect of labour efficiency are likely to persist. But, although it is not essentially a temporary factor, we think that the comparative suddenness with which its later phases have occurred deserves to be considered in examining the claim to protection. If the Indian industry is granted protection so as to enable it to set aside sufficient sums for depreciation, the present severity of the competition arising from this factor may be mitigated.

115. The other cause which has affected the position of the industry since the Tariff Board reported is the general economic depression which began in the latter part of 1929 and has adversely reacted on nearly all industries. The purchasing power of the consumer has been so seriously reduced that demand has fallen off and prices have had to be cut substantially. From the history of yarn prices published recently by the *Manchester Guardian Commercial*, we find that price of 20s water twist on October 1st, 1929, was 15 pence per pound while on September 1st, 1931, it stood at 7½ pence showing a fall of 52 per cent. The price of cotton (American Middling) at Liverpool in the same period fell from 10.07 pence to 4.02 pence, showing a fall of 60 per cent. Assuming the price of cotton as a rule to be not in excess of 60 per cent. of the cost of yarn, the fall in the price of yarn indicated by this figure appears to be considerably more than is justified by the fall in the price of cotton during the period. In India taking the figures in the Calcutta wholesale index number we find that during the period October 1929—August 1931 cotton manufactures fell from 158 to 118 registering a fall of about 25 per cent., while raw cotton fell from 139 to 71 or 49 per cent. As far as may be judged from these figures, the fall in the price of cotton manufactures in India during the period of depression approximately corresponded to the fall in the price of cotton. The introduction of protective duties early in 1930 appears, therefore, to have had the effect of preventing the general depression from being reflected in the prices of cotton goods except indirectly through the price of raw cotton. The average index number of all commodities declined from 140 in October 1929 to 92 in August 1931 or 10 per cent. more than cotton manufactures. The drop in the prices of agricultural commodities has been considerably greater than this. This disparity between the fall in the purchas-

ing power of the population and the fall in the prices of cotton manufactures should in the ordinary course of things be reflected in a reduced demand for cotton goods. The combined demand for Indian and imported mill made piecegoods fell from 3,992 million yards in 1929-30 to 3,453 in 1931-32. The production of Indian mill made goods however showed an increase from 2,419 million yards to 2,990. The fall in demand, therefore, was confined entirely to imported goods and was much greater in respect of imports from the United Kingdom than from Japan. The former fell from 1,248 million yards to 383 against a fall in the latter from 562 to 340. It follows, therefore, that the fall in purchasing power as compared with the prices of cotton goods had no effect on the demand for Indian made goods. This is explained partly by the fact that the general fall in purchasing power naturally led to a diversion of demand from high priced to low priced goods, thus favouring the Indian industry, and partly also by the intensity of the swadeshi movement during the period. The nett effect was, therefore, that the influence of the general depression in respect of the fall in prices as well as in demand was felt comparatively less by the Indian industry. The protective duties played an important part in this and if the duties are withdrawn before the period of depression is past, there will be a serious setback as far as the Indian industry is concerned.

116. Apart from these two factors making for a "temporary deterioration or atrophy" in the position of the Indian industry,

Unfair competition. there is also the factor of unfair competition to which many applicants have referred.

We do not think that as far as labour conditions in Japan are concerned, the allegation of unfair competition can now be justified. Night work has been abolished in Japan since the 1st of July 1929 and as a matter of fact it had been given up by many mills before that period. The main basis of the present allegations regarding unfair competition is the recent depreciation in the exchange value of the yen. This question has been dealt with in our report last August regarding the grant of additional protection to the cotton industry. Whether this factor will continue to operate to the disadvantage of the Indian industry is a matter which we reserve for discussion in the Chapter dealing with our supplementary proposals. Here we are concerned mainly with the claim of the Indian industry to substantive protection and will therefore confine ourselves to matters relevant to that issue.

117. The third condition of the Fiscal Commission requires that an industry which claims protection must be one which will

Third condition of the Fiscal Commission. eventually be able to face world competition without protection. It will be apparent from our discussion of the comparative disabilities

of the Indian industry that unless under such items as the cost of labour very substantial reductions are effected, there is little hope of the Indian industry being able to dispense with protection in the near future. In making this statement we have in mind the majority of the Indian mills under existing conditions.

Taking the average extent of assistance which we have estimated for each principal class of cloth in Chapter V the *ad valorem* equivalent as calculated on nett realised prices works out at 50 per cent. for plain grey, 43.9 per cent. for bordered grey, 37.5 per cent. for bleached and 40 per cent. for coloured piecegoods in those lines in which foreign competition is now keen. These figures are the averages of several mills conforming to the minimum standard of efficiency assumed by us. In the case of the large number of mills which fall below this standard, the degree of assistance required will be much greater. If a reduction of 15 per cent. in labour cost and of $7\frac{1}{2}$ per cent. in the various standing charges is estimated, which we should regard as reasonably possible under existing conditions, and further if the additional cost on account of recent duties on materials and machinery is left out, the duty required for plain grey goods will be reduced by 14 per cent., for bordered grey by 13 per cent., for bleached by 15 per cent. and for coloured by 7 per cent. If a normal revenue duty of 15 per cent. is assumed, the excess of duty required will be 21 per cent., 16 per cent., 8 per cent. and 18 per cent. respectively. It is unnecessary to labour the point that unless there is greater progress than we can foresee, it is impossible to state definitely at what period the bulk of the industry will be able to dispense with protection.

118. Before, however, a final decision on this question is arrived at, there is another aspect of the case which it is necessary to consider. The average costs which we have taken into account are of those mills which may be described as good second class mills.

A high standard of efficiency already attained by individual mills.

The first class mills which we have excluded from our investigation of costs represent about 10 per cent. of the mills in Bombay and a larger proportion in Ahmedabad. As far as these mills are concerned, we believe that while a few are even now in a position to dispense with protection, in the majority of cases sufficient progress can be made before the expiry of the period of protection to enable the mills to dispense with any assistance other than that afforded by a moderate revenue duty. There is also a certain number of mills even in the class we have investigated whose costs are considerably lower than the estimated average. For example, we find that there are three mills, all of them situated at Ahmedabad, whose costs of plain grey cloth will enable them on the economies we have indicated to earn a normal return on capital with a revenue duty of not more than 15 per cent. Similarly, in bleached goods there is one Bombay mill which with probable economies should be able to dispense with any assistance other than that of a normal revenue duty. Again, in coloured goods the cost of another Bombay mill and of one of the upcountry mills are sufficiently below the estimated average to justify us in considering that protection may become unnecessary within a reasonably short time.

119. Our examination of the position of the cotton textile industry leads us to think that the real purpose that protection

will serve is by ensuring a stable return and security from foreign competition to enable the more efficient mills in the country to undertake further development and extension and thereby create more active competition within the country. The sense of insecurity which results from existing conditions of trade prevents such development or extension. The stimulus to improvement which arises from external competition, especially when it takes so acute a form as at present, is nullified by the feeling of insecurity which it brings with it. The existence and progress of the Indian cotton textile industry, which as we explain later, are matters of national importance, require not that competition should be removed but that foreign competition should be replaced by internal competition. The efficiency already attained by a small number of mills in the country will, if sufficient security is granted, gradually raise the general standard of the industry partly by stimulating the average mills to further effort and partly by the weeding out of the less efficient ones by means of internal competition. The fact that within a definite and measurable period of time we cannot predict that the Indian cotton textile industry will be able to dispense with protection is not a sufficient ground for rejecting the claim made by the industry, for the possibilities of improvement under internal competition safeguarded by protection may be greater than it is possible to calculate on existing data. It is necessary in a matter of this kind to take long views and to consider the question in the light of the national interests which are bound up with it.

120. In discussing the third condition, we have assumed that the level of prices will remain as at present. The future course of prices is a matter regarding which no forecasts can be made in view of the complexity and uncertainty of the factors involved. If, however, it is assumed that the general level of wholesale prices will be restored to the level which prevailed in the middle of 1929, there will be an increase in the prices of cotton piecegoods in India by 40 per cent. as compared with present prices.

Cotton manufactures—	
July, 1929	160*
August, 1932	114*
Under the same conditions the increase in the price of raw cotton will be 34 per cent.—	
July, 1929	141*
August, 1932	105*

If the prices of stores and other materials rise in proportion indicated by "Other raw and manufactured articles" in the Calcutta index number, the increase will be 40 per cent.—

July, 1929	140*
August, 1932	96*

* Calcutta wholesale index number.

Taking the average cost of cotton approximately at about 35 per cent. of the fair selling price and of stores at 10 per cent., there will be an increase of $16\frac{1}{4}$ per cent. in the average fair selling price on account of the rise in the cost of materials. Setting off against this a rise of 40 per cent. in the price of piecegoods and assuming the present fair selling price on an average to be 43 per cent. higher than the current realised price less duty, we estimate that a general rise in the level of wholesale prices to that of 1929 will enable the industry to dispense with about one-fourth of the measure of protection now proposed. In this calculation we have not assumed any increase in the cost of labour and power, since we consider on a reasonable estimate of probable economies that not merely could an increase be avoided but a reduction in the cost per unit of output might be effected in spite of a rise in the general level of prices.

121. We may now summarise our conclusions regarding the extent to which the cotton textile industry fulfils the conditions laid down by the Fiscal Commission. We consider that the first and second conditions are substantially satisfied by the industry.

Claim to protection upheld.

As regards the third condition we are unable on the present data to state definitely at what period the industry would be in a position to dispense with protection. But we do not consider that this is a sufficient ground for holding that the third condition is not fulfilled. The fact that there is a small proportion of mills which have already reached a high standard of efficiency indicates the possibility of a substantial improvement in the general position of Indian mills. This possibility will be hastened by internal competition following the grant of adequate protection. A rise in the general level of wholesale prices will be another factor which may contribute materially to the improvement of the financial position of Indian mills. In view of these possibilities it will be against the public interest to withhold protection on the ground that no definite estimate can be made at present of the period within which protection will be rendered unnecessary. This conclusion is greatly strengthened by the existence of important national interests which are bound up with the cotton textile industry.

122. We now proceed to examine the important national interests which are dependent on the cotton textile industry and which give it its primary claim to protection. In their representation submitted to us in this enquiry the Bombay Millowners' Association rest their case for protection principally on this ground. We believe there can be no doubt that the cotton textile industry has an exceptional claim to public support in view of the important national interests which it represents. The average daily number of persons employed in cotton mills in India in 1929-30, including mills in British India and in the Indian States, was 614,039.* The jute industry which employs the next largest complement of labour shows in 1929-30 an average daily number of 343,257. Allowing

Grounds of national importance: (i) Employment of labour.

for the proportion of women and children employed, the total number of persons dependent for their livelihood on the cotton mill industry may be estimated approximately at $1\frac{1}{2}$ millions. To this must be added the number of people who are dependent on the handloom section of the industry. It would be seen from the discussion in Chapter VIII that the total population who depend for their livelihood on the handloom industry is not less than two and a half millions and may be as high as ten millions. The external competition to which the textile industry in India is exposed affects the handloom weaver equally with the mill industry and the need for protection arises as much in the one case as in the other. The reports which we have received from Directors of Industries throughout the country emphasise the danger to the handloom industry from the severe competition of imported piece-goods. It is true that nearly 80 per cent. of the cloth woven on handlooms is of counts below 20s of which the proportion of imports is at present negligible. But it is generally admitted that the prices of the different classes of cloth interact upon one another and that a fall in the price of cloth of fine and medium counts exerts a depressing influence on that of lower counts. We estimate that about 40 per cent. of all the cloth produced in India from counts 20s and below is produced on handlooms. The severe internal competition which exists in the production of this class of cloth tends to reduce the prices realised by the handloom weaver to an uneconomic level. This tendency is accentuated when the pressure of external competition on the prices of higher classes of goods reacts on those of the lower. In higher counts the handloom weaver specialises in the production of cloths containing artistic features not easily reproduced on machine made cloth. But although there is in many cases a marked preference for hand made cloth of this description, a large disparity in price between the handloom product and imported machine made cloth with fancy designs considerably reduces the market for the former. This tendency is now seen specially in respect of artificial silk goods, the extraordinary cheapness of which is having a marked effect on the demand for the finer class of handloom products. The tenacity with which the handloom industry has held its ground and the wide field which it still occupies in the rural economy of the country make it a matter of national importance that it should be safeguarded.

123. The amount of capital invested in the cotton mill industry in India is a consideration which is as important as the number of persons employed by it. The figures for (ii) Employment of persons employed by it. The figures for capital. of 1929-30 in the Statistical Abstract for British India show under paid up capital and debentures a total rupee capital of approximately 45 crores, taking both British India and Indian States. This however does not take into account the vast amount of capital invested in the form of loans

* Statistical Abstract for British India, 1932, pages 723-724. The figures shown at page 743 are lower but even on these figures the argument is substantially justified.

and deposits. A rough idea of the value of the total investments in the Indian cotton textile industry may be obtained by taking the aggregate production in Indian mills in 1931-32 and applying to it the rate of capitalisation at present values per unit of production, which we have adopted for determining the fair selling price. On this basis, including working capital, we estimate the total capital invested in the industry at not less than 80 crores of rupees. This represents at current rates of interest a potential contribution of nearly 4 crores a year to the national income.

124. Another factor which contributes to the national importance of the cotton textile industry is its bearing on the interests of the cotton cultivator. To our question whether a decline in the output of the Indian mills will adversely affect the Indian cotton.

(iii) Outlet for Indian cotton. The Indian Central Cotton Committee have replied that it will certainly do so in regard to cotton from $\frac{7}{8}$ " to 1" "because the export demand in regard to such cotton is entirely dependent on its cheapness in comparison with American. What ensures a reasonable price to the grower of such cottons is the Indian mill demand. This was clearly brought out during the season 1926-28 when large quantities of cheap low grade American cotton were imported to replace Indian cotton. The position therefore is that a part of the Indian cotton crop, varying from 1 to 2 million bales will, if not taken up by Indian mills, be dumped on the export market and thus depress it. It can therefore be presumed that a decline in the output of Indian mills will adversely affect the price of Indian cottons of $\frac{7}{8}$ " to 1" staple. Past experience also shows that in time of strike in the mills in Bombay and Ahmedabad, the general tone of the home markets has not been altogether wholesome. In regard to cottons below $\frac{7}{8}$ " there is also a danger of such an adverse effect taking place when a short output of Indian mills coincides with an increase of short staple American cotton due to deterioration". The Committee of the East India Cotton Association, to whom also we addressed this question, have expressed substantially the same opinion. With reference to the danger to the cotton cultivator which may arise when a decline in the output of Indian mills coincides with a disturbance in the price parity between Indian and American cotton, it is worth while pointing out that during the past twelve years such a disturbance has occurred thrice—in 1920, 1926 and 1931. Mr. J. A. Todd in a recent article in the *Times Trade and Engineering Supplement** notes: "the curious fact that since the war there has been a providential tendency for the Indian crop in critical years to go the opposite way to American". The effect of this "providential tendency" however on the Indian cultivator may prove the reverse of wholesome, as pointed out by the Indian Central Cotton Committee. In assessing the importance to be attached to this factor, it is necessary also to bear in mind that in normal times cotton is the most valuable commercial crop in the country.

* May 21, 1932.

125. A fourth factor which gives the cotton textile industry a special claim to consideration apart from the economic grounds on which protection is ordinarily granted is indicated in a letter addressed to us by the Government of Bombay from which we quote the following extract:—

(iv) Connection of Bombay Presidency with the cotton industry.

“Any recommendations affecting the mill industry that may be made on strictly economic grounds are bound ultimately to react on the general position of the labouring classes in cities and particularly in the city of Bombay. The problem of unemployment is closely connected with Questions of public order, and it is certain that no final decision can be taken by the Government of India which does not take full account of this aspect of the question.”

The life of the Western capital and province of India is so closely bound up with the cotton textile industry that any substantial decline in its fortunes will have serious reactions in many directions. We do not ignore the fact that a keener realisation of this obvious truth by persons whose interests are closely identified with Bombay might have saved the industry some at any rate of the troubles from which it has suffered during the past two years. The Bombay section of the cotton textile industry which is perhaps less able than any other section to withstand the losses due to interruption in business has seriously suffered from the constant disturbance which has recently marked the financial and commercial life of the city. If we ask the rest of the country—as we unhesitatingly do—to take into account in considering the claim of the cotton textile industry to protection the very important place which it holds in the economic and social life of Bombay, we do so in the hope that the burden thrown on the country will not be unnecessarily prolonged or rendered, unnecessarily heavy by the action of its own citizens.

CHAPTER VII.

The Scheme of Protection.

126. It is generally admitted that specific duties are a more appropriate form of taxation where taxes are imposed for protective purposes than *ad valorem* duties.

Specific duties more appropriate for protection than *ad valorem* duties. The amount of protection received by an industry under a system of *ad valorem* duties tends to diminish when there is a fall in the prices of imported articles. On the other hand it is when a fall occurs in the prices of imported articles that the need for protection is greater. A simple example will make this clear.

TABLE LVIII.

Indian fair selling price.	Import price at date of protection.	Protection granted.	<i>Ad valorem</i> rate.	Import price at subsequent date.	Protection required.	Protection at 25 per cent.
Annas.	Annas.	Annas.	Per cent.	Annas.	Annas.	Annas.
15	12	3	25	10	5	2½

Similarly when there is a rise in the prices of imported articles, an *ad valorem* duty tends to increase the amount of protection to a level higher than what the industry requires and consequently to place on the consumer a heavier burden than is justified. Generally speaking therefore it is correct to say that from the point of view alike of the industry and of the consumer, specific duties constitute a more suitable form of protection than *ad valorem* duties. *Ad valorem* duties on the other hand are a more equitable form of taxation for revenue purposes since their incidence is higher at a period of rising prices and lower at a period of falling prices. Under the conditions prevailing in India where foreign trade is centred in a few large ports which also contain the most important markets in the country, the administration of *ad valorem* duties presents probably less difficulties than in other countries. The general prevalence of *ad valorem* duties in the Indian Tariff Schedule is explained by the fact that the Indian tariff is mainly a revenue tariff. The practice of fixing a tariff valuation for imported articles as a basis for the assessment of *ad valorem* duties, which is a general feature of Indian customs administration, has the effect of converting *ad valorem* duties into specific duties for the period for which such valuation is fixed. But since tariff valuations are revised annually in accordance with fluctuations in prices, the fixity afforded by this system to a protected industry is too

restricted to be of any practical use. It is noteworthy that the practice of tariff valuation is not adopted with regard to cotton piecegoods, obviously for administrative reasons, and therefore even this limited degree of fixity is inapplicable to a protective tariff for the cotton textile industry if based on *ad valorem* duties.

127. In the case of every industry to which protection is granted, it is necessary, as far as circumstances permit, to provide that the measure of protection is maintained during a period of falling prices. A fall in the prices of imported articles may occur in various ways. It may occur as the result of reductions in the cost of manufacture in the exporting country, due to increased efficiency and economies in methods of production. It may occur also—and this happens frequently when protection is granted to an indigenous industry—as the result of special measures adopted in exporting countries for meeting increased competition. Such measures may take the form of a reduction or elimination over short periods of the overhead charges and profit included in the price of the article. Where the industry in the exporting country is highly organised and operates over a wide field, comprising several export markets, it is usual for the industry to arrange a system of price discriminations according to the intensity of competition met with in each market. In the case of large combines and amalgamations, this is a recognised method of meeting competition in foreign markets. Where the home market in the exporting country is protected by means of high tariffs, it is a general practice for export prices to be fixed at considerably lower rates than the internal market price. In addition to these well known devices for meeting competition, substantial reductions in export prices may occur also as the result of exchange depreciation. Over and above all these factors of an individual or local character, world wide monetary causes may bring about a fall in the general level of prices affecting every industry. The prices of cotton goods in India in recent years have been influenced in varying degrees by most or all of these causes, and to that extent the protective effect of the *ad valorem* duties introduced in 1930 has been curtailed.

128. A decline in the general level of prices affects not merely the prices of finished goods but also those of the materials used in manufacturing them. A reduction in the cost of production due to a general fall in the price of raw materials benefits both the foreign and indigenous industries. It may therefore be supposed that, where a decline in the price of imported goods occurs as the result of a general fall in the price of raw materials; an *ad valorem* duty will not necessarily reduce the protection afforded to the indigenous industry. That an *ad valorem* duty will operate less to the disadvantage of the local industry when the fall in the price of imported goods is due to a general fall in the price of raw materials may be admitted. But although the disadvantage is less than in other cases, it may often be sufficiently great to render the duty ineffective for the purpose of protection. In the case of the cotton

textile industry the principal material is raw cotton, the price of which until recently showed a steady decline in every country. The market price of cotton goods responds instantaneously to the prevailing price of raw cotton, and therefore a decline in the latter exerts a corresponding influence on the prices of cotton piece-goods. In a declining market this involves the manufacturer in loss, because the current price of raw cotton, on which the price of his finished goods is based, is lower than the price at which he purchased the raw cotton from which the goods have been manufactured. The position of the Indian manufacturer however is no worse in this respect than that of the foreign manufacturer, and, since the disability may be presumed to be equally great in the two cases, the balance of advantage may appear to remain unaffected. But the fall in the price of imported goods reduces the amount of revenue payable by the importer under an *ad valorem* duty, and the protection derived by the Indian industry is thus reduced at a time when losses are incurred by the manufacturer in a falling market. The position may be illustrated as follows:—

TABLE LIX.

	Indian fair selling price.	Import price.	Protection granted.	Indian fair selling price at subsequent date.	Import price at subsequent date.	Protection required.	Protection at 25 per cent.
	Annas.	Annas.		Annas.	Annas.	Annas.	Annas.
Cotton . . .	7	7	..	5	5	..	..
Other charges .	8	5	..	8	5	..	..
Total .	15	12	25 per cent. (3 annas)	13	10	3	2½

129. An examination of the figures of imports from Japan since 1929-30 will indicate the relative ineffectiveness of *ad valorem* duties from a protective point of view—
Trade figures illustrating the effect of specific duties.

TABLE LX.

Classes of goods to which the minimum specific duty is applicable.

	1929-30 in 1,000 yards.	1931-32 in 1,000 yards.	Increase + or Reduction —.
Plain Grey . . .	336,113	132,587	—60 per cent.
Coloured Woven . . .	74,110	17,466	—76 per cent.
	410,223	150,033	—63 per cent.

TABLE LXI.

Classes of goods liable only to the ad valorem duty.

	1929-30 in 1,000 yards.	1931-32 in 1,000 yards.	Increase + or Reduction —
Borderd Grey	57,584	52,629	—9 per cent.
White bleached	13,880	59,820	+330 per cent.
Printed	52,549	48,540	—8 per cent.
Dyed	27,611	28,662	+4 per cent.
	151,624	189,651	+25 per cent.

The increase in the imports of artificial silk piecegoods from Japan, in spite of a duty of 50 per cent. introduced in September 1931, may also be cited as evidence of the comparative ineffectiveness of *ad valorem* duties as a method of protection. The quantity of piecegoods made entirely of artificial silk imported from Japan rose from 22.56 million yards in 1930-31 to 73.31 million yards in 1931-32. The figures shown for 1930-31, however, represent only imports for 7 months. Allowing for this, the increase in imports from Japan was nearly 90 per cent.

130. It is obvious from these considerations that if it is decided to grant protection by means of tariffs to the cotton textile industry, it should be given in the form of specific duties if the protection is to be really effective. The question of substituting a system of specific duties for the existing *ad valorem* assessment of cotton piecegoods was examined by Mr. G. S. Hardy in 1929. His report contains a detailed statement of the difficulties which are likely to be encountered in substituting specific for *ad valorem* duties on cotton piecegoods. In our examination of this question we cannot do better than take Mr. Hardy's report as our starting point and consider how far in the light of the difficulties pointed out by him a suitable basis for a system of specific duties may be devised. One of the difficulties mentioned by Mr. Hardy is the possibility that under a system of specific duties the revenue derived by Government from the duties on cotton piecegoods may be seriously affected. Under his terms of reference Mr. Hardy was not required to consider specifically the question of granting protection to the industry, but only to report what changes had taken place since the Tariff Board reported in the volume of imports, the classes of goods imported and the extent and severity of external competition. The question of protection, however, is the main issue before us, and it necessarily follows that, under any system of duties which we may propose, a substantial reduction in the revenue derived by Government must be reckoned with. If a

Objections to specific duties considered—Effect on revenue.

protective duty really serves its purpose, it must result in a curtailment of imports and consequently a reduction in the revenue yielded by it. The objection that revenues may be affected by a system of specific duties does not therefore possess the same validity in an enquiry which is solely concerned with the question of granting protection as it did in Mr. Hardy's enquiry. Nevertheless we cannot entirely ignore this aspect of the case. We are required under our terms of reference to examine our proposals for the protection of the industry in the light of part (b) of the Resolution adopted by the Legislative Assembly on the 16th February 1923. This paragraph which definitely refers to the dependence of Government for its revenues on customs duties requires that the Board's proposals, while based primarily on the requirements of protection, should at the same time prevent any unnecessary loss of revenue to Government. Specific duties result in loss of revenue principally by reason of the fact that, in the class of goods to which a specific duty applies, the more expensive goods might under an *ad valorem* rate be chargeable with a duty higher than the specific duty applicable to the class. In such cases, the loss in revenue is not justified by any considerations of protection. The Board has often been faced by this question in previous enquiries, and the method usually adopted by it for meeting this difficulty is to apply the specific duty as a minimum duty combined with an alternative *ad valorem* duty at a rate not lower than the normal revenue rate. This has the effect of providing the industry with the amount of protection required by it while at the same time safeguarding revenues. If it is decided to grant protection to the cotton textile industry by means of specific duties, this is obviously the most suitable form in which to provide it.

131. An important question regarding specific duties to which Mr. Hardy has naturally devoted a great deal of attention is the probable difficulty in administering such duties at the Custom House. The administration of specific duties is closely connected with the basis adopted for assessing them. Specific duties on cotton piecegoods may be assessed on weight, area, length, count of yarn, reed and pick, kind of weave or piece. The assessment may be based on any one of these factors or a combination of two or more of them. From this point of view, the question of assessment raises principally two points—(i) Is the basis of assessment adopted difficult to determine in the case of important classes of piecegoods? (ii) Is a duty assessed on this basis likely to dislocate seriously the course of trade?

132. As regards the first point, it is obvious that the simpler the basis of assessment, the easier it would be to determine it. A basis of assessment composed of two or more factors would be more difficult to determine and involve more labour than any one of them taken singly. The object of combining different factors is to adjust the incidence of the duty in such a way as to avoid the imposition of an unfair burden on particular classes of goods as compared with others. Taking the various single factors on which the assessment

of specific duties on cotton piecegoods may be based, there is at present only one which is employed in the Indian Tariff Schedule—*viz.*, weight. Plain grey goods are at present liable to an *ad valorem* duty subject to a minimum specific duty based on weight. The system has been in operation for over two years, and whatever its defects in other respects as a basis of assessment, the weight factor has at least the advantage that Custom Houses have had experience in working it for a considerable period. This is a strong argument for extending the system of specific duties based on weight provided its extension will not be open to objections of a decisive character on other grounds. An objection which has been urged against using weight as a basis of assessment is that important classes of piecegoods, especially grey goods, imported into India are packed in bales and the checking of weight for customs purposes would involve in many cases the examination of baled goods by cutting the hoops and opening them. As a matter of fact, plain grey goods which are now assessed on weight are almost invariably packed in bales and the checking of weight in their case should involve the same difficulty. Plain grey goods differ, however, from bordered grey goods in that they are more or less standardised goods, while in the case of the latter a bale may often consist of pieces differing in dimensions and in width and colour of borders. A specific duty based on weight may therefore in the case of bordered grey goods result in loss of revenue, where as often happens the *ad valorem* rate of revenue duty applied to each class of goods in the consignment may yield more revenue. But if the specific duty is combined with an alternative *ad valorem* revenue duty, the calculation of the specific duty on the total weight of the bale after allowing for tare and wrappings will not result in any loss of revenue because any shortage in the specific duty will for all practical purposes be made good by the enforcement of the *ad valorem* rate. If the probable shortage in revenue may be avoided in this way, it does not appear to be necessary to open bales in the case of bordered goods any more than in the case of plain grey goods. It may also be pointed out that a considerable quantity of bordered grey goods is already assessed on the basis of weight, namely, bordered cloths with printed headings which till recently used to be imported in considerable quantities from Japan. Another circumstance which lessens the strength of the objection to the assessment of bordered grey goods on weight is that recent consignments seem to indicate that individual bales do not contain the same variety of dimensions and quality as previously, and consequently the objections to assessment on weight in the case of bordered goods as compared with plain goods have greatly diminished. Owing to the lack of demand and the increased duties, it apparently does not pay the importer now to deal in a wide range of sizes, with the result that the bulk of the imports now fall within the size of 9 to 10 yards in Calcutta and 8 to 11 in Bombay. This is significant inasmuch as it suggests that the conditions of import trade have adapted themselves to the changed situation and that administrative difficulties in regard to specific

duties are probably only transitional. In the case of a long established trade like cotton piecegoods, difficulties of a transitional character cause proportionately greater inconvenience than in other trades and their importance therefore should not be minimised. At the same time if on grounds of public necessity changes in customs regulations are called for, the fact that temporary difficulties may be caused to the trade is not a valid argument against adopting such changes.

133. From the point of view of customs administration, probably the most important difference between plain grey goods on the one hand and most other classes of piecegoods on the other is that in the case of the former, invoices generally state the weight of the goods while in the latter as a rule they do not. Information contained in invoices is not of course conclusive evidence, but it facilitates the administration of specific duties assessed on weight, because in such cases actual weighment of goods may be confined to weighment for checking the correctness of the information contained in invoices. In the case of goods regarding which no information of weight is furnished in invoices, more weighment by customs officials would be necessary. That specific duties based on weight will involve more labour and delay in the case of piecegoods other than plain grey is undoubtedly a circumstance which renders the enforcement of the duties difficult. But that this difficulty is not altogether insuperable and that it may be surmounted without serious inconvenience to the trade and to customs officials is proved by the fact that under the present tariff definition of 'plain grey' goods, the minimum specific duty per pound is applicable to goods other than plain grey. It has been mentioned already that bordered grey goods which have printed headings as distinct from woven are for tariff purposes classed as plain grey and assessable to the specific duty. Practically all coloured woven goods are similarly assessable to the specific duty. More than a quarter of the total goods now imported are already assessed to a specific duty based on weight. From the statement in Appendix V it will be seen that, taking grey shirtings, coloured goods and other miscellaneous classes of goods imported in bales on which specific duties are now levied, probably more than 45 per cent. of the piecegoods imported in bales are now assessed on weight. If it is considered desirable on protective grounds to extend the system of specific duties based on weight to all classes of piecegoods, the method by which customs authorities now assess the specific duty on goods other than plain grey may be extended to such classes of goods. Meanwhile if notice is given to importers that particulars regarding weight would hereafter be required in invoices relating to all classes of goods, the labour and delay involved in assessing them will be reduced within a comparatively short time. If, in addition to this, Custom Houses are immediately instructed to collect data regarding the average tare allowance on each class of piecegoods and the average weight of the paper wrappings, etc., the period of initial difficulty may be further

Administrative difficulties not insuperable.

shortened. We show in Appendix VI a provisional method of estimating tare allowance.

134. The foregoing discussion points to the conclusion that if specific duties on cotton piecegoods are assessed per unit of weight

Effect of specific duties
on relative incidence—
Change in conditions
since Mr. Hardy report-
ed.

their determination will not present any serious practical difficulties. The fact that assessment by weight has been in operation for a period of two years in regard to several important classes of piecegoods renders

its adoption less difficult from an administrative point of view than it appeared when Mr. Hardy reported. We have now to examine whether an extension of specific duties assessed per unit of weight to all imported piecegoods will cause serious dislocation to the trade. The point involved here is whether a system of specific duties based on weight will vary the relative incidence of customs duties on different classes of piecegoods to such an extent as to inflict serious harm on trading interests. Mr. Hardy went into the question of incidence in considerable detail and arrived at the conclusion that a system of specific duties, whether based on weight or any other factor, would involve a classification of goods for rating purposes such as might seriously depreciate the comparative value of well known trade marks. Before examining this question, it is necessary to point out certain important differences in this respect between the present enquiry and Mr. Hardy's. In the first place, ours is definitely an enquiry into the claim of the cotton industry to protection, unlike Mr. Hardy's. If it is decided to grant protection by means of import duties, the duties will necessarily have to be arranged in such a way that their incidence will be heavier on those classes of imported goods which compete most severely with Indian manufactures and less on those which compete to a smaller extent. The disturbance of the relative incidence of duties on different classes of goods is for this reason less relevant in an enquiry which is concerned primarily with the question of granting protection. In the second place, the piecegoods market in India, since Mr. Hardy reported, has been already so seriously dislocated by influences of various kinds that the relative incidence of an *ad valorem* revenue duty under normal conditions cannot for practical purposes be taken as a suitable basis of comparison at present. Influences such as the general trade depression, the fall in purchasing power, the political unrest, the present protective duties and the increasing competition of Japanese goods have been more wayward and unsettling in their effect on recognised brands of piecegoods than any system of specific duties would have been. Various instances may be quoted of the complete disappearance during the past two years, as the result of these influences, of well known trade marks which have been in the market for many years. For this reason the effect of specific duties on comparative incidence must be regarded as being of far less practical importance now than when Mr. Hardy made his enquiry. Thirdly it may be pointed out that the system now in force, under which a minimum specific duty is applicable to certain classes of cloth and an *ad*

valorem rate without a minimum specific duty to other classes, may have a more disturbing effect on relative incidence than a system of specific duties applied to all classes. A good illustration of this is the large increase in the imports of bleached goods from Japan. The specific duty on plain grey goods makes inferior bleached goods relatively cheaper quality for quality and their standing in the market has consequently improved greatly in comparison with grey goods. The fact that since Mr. Hardy reported minimum specific duties have been applied to certain classes of piecegoods renders the case for the general adoption of the system stronger than in 1929.

135. As has been pointed out before, a combination of two or more of the factors mentioned in paragraph 131 may secure a more equitable adjustment of the incidence of a system of specific duties than any factor taken singly. It is for this reason that in the tariff systems prevailing in certain countries, specific duties on cotton piecegoods are based on a conjunction of different factors. For example, in the Tariff of the China Maritime Customs, to which Mr. Hardy refers in his report, cotton piecegoods are classified for the assessment of specific duties partly by weight and partly by the dimensions of each piece. Similarly in the Tariff of the United States of America, while weight is taken as the unit of assessment, there is a graduated scale of duties depending on the 'number' or apparent count of the cloth. In the Austrian tariff the duty is assessed on weight but the classification is by counts of yarn. In the Japanese Tariff the classification takes into account weight, area and the number of reed and picks. There can be little doubt that if specific duties are assessed on weight at rates varying according to classification based on some other factor or factors, a more satisfactory adjustment of the incidence may be secured. But such a system will greatly add to the complexities of administration at the customs offices, and before recommending it it is therefore necessary to examine whether a simpler system will necessarily involve in actual practice too serious a dislocation of the trade.

136. For the purpose of the present enquiry it appears that the only practical test by which we can judge the effect of a system of specific duties based solely on weight is their comparative incidence on different classes of goods under the conditions actually prevailing in the market. We have therefore been at some pains to examine, in connection with various representative kinds of piecegoods of different classes now imported into India, to what extent the relative incidence of customs duties would be altered if a system of minimum specific duties per pound of cloth was extended to all classes of piecegoods. The results of this examination may be shown in tabular form as follows. The classes of piecegoods included in the statement are those to which the minimum specific duty is not applicable under the existing tariff definition of 'plain grey' goods. The goods are classified

Incidence of specific duties examined in particular cases.

in groups within which substitution may ordinarily be expected to take place, and the prices on which duties are calculated for each group relate more or less to the same period so as to eliminate variations in the prices of raw cotton.

TABLE LXII.

Ad valorem equivalents of specific duties per pound at hypothetical rates.

	3 as. 6 p.	4 as.	4 as. 6 p.	bas.
	per cent.	per cent.	per cent.	per cent.
1. White shirtings—				
Average apparent count—				
40½s.	17½	20	22½	25½
42½s.	18	20½	23½	25½
43s.	18	20½	23½	25½
44s.	17½	20	22½	25
2. White shirtings—				
Average apparent count—				
30½s.	24½	27½	31½	34½
33s.	26	29½	33½	37
33½s.	26½	30	33½	37½
34½s.	25½	29	32½	36½
35½s.	24½	28½	31½	35½
36½s.	24½	28½	31½	35½
37s.	23½	26½	29½	33
3. White mulls—				
Average apparent count—				
53s.	16½	18½	21	23½
59s.	16½	19	21½	23½
4. Grey dhuis—				
Average apparent count—				
40½s. border ¼" col.	22	25	28½	31½
40½s. " ½" "	22½	25½	29	32½
40½s. " 2" "	19	21½	24½	27½

	3 as. 6 p.	4 as.	4 as. 6 p.	5as.
	per cent.	per cent.	per cent.	per cent.
<i>5. Grey dhutis—</i>				
Average apparent count—				
31½s. border ½" col.	30½	34½	39½	43½
32½s. " ½" "	29	33	37	41½
33½s. " ½" "	33	37½	42½	47
34s. " ¾" Dby.	29½	34	38	42½
34½s. " ½" col.	31½	36½	41	45½
35½s. " ¾" Dby.	30	34½	38½	42½
<i>6. White yarn dhutis—</i>				
Average apparent count—				
62s. border 1½" repp.	13½	15½	17½	19½
62s. " 1½" " and tooth.	12½	14½	16½	18½
65s. " 1½" repp.	14½	16½	18½	20½
67½s. " ½" col.	11½	13½	15½	17
68s. " 1½" Dby.	14½	16½	18½	20½
<i>7. Red Shirtings—</i>				
Average apparent count—				
30s.	20½	23	26	28½
30½s.	19½	22½	25½	29
31s.	21½	25	28	31
32½s.	21½	25	28	31
32½s.	20	22½	25½	28½

137. This statement is not by any means exhaustive, but it is sufficiently representative to indicate that, taking various classes of goods actually in the market according to groups within which substitution due to price changes may take place under normal conditions, no serious disturbance of the relative incidence is likely to be caused by a general application of specific duties assessed per unit of weight. The most noticeable direction in which disturbance will be caused on this method of assessment is that goods belonging to groups of lower counts will be liable to a proportion-

Case for assessing duty on weight.

ately higher rate. But since the bulk of the Indian production in this range of goods consists of the less fine varieties, in which the need for protection is therefore greater, such a disturbance must be accepted as being in accordance with the inherent necessities of the case. At the same time, in the coarser classes of goods, particularly of counts 20s. and below, internal competition is already so strong that an increase in the import duty will not result in any corresponding increase in prices. As regards these goods of plain weave practically the whole of the Indian consumption is now supplied locally and internal competition is rendered more acute by the fact that a large part of the production is in the hands of small handloom weavers. If it is established that trade will not be seriously dislocated except where the requirements of protection justify it, and that there will be no insuperable difficulties of administration and if, further, provision can be made against any unnecessary loss in revenue, there is in our opinion a very strong case, from a protective point of view, for the general adoption of a system of specific duties assessed per unit of weight. Trade also will, we believe, in the long run benefit by the adoption of a general system of specific duties. As regards the great bulk of imported goods, it would help traders by enabling them to calculate their selling prices more definitely beforehand. At a time when prices are in a state of flux, *ad valorem* duties tend to increase the uncertainties of the trade, and their replacement by a system of specific duties will therefore afford more security.

138. The Bombay Chamber of Commerce have expressed the opinion that area will provide a more suitable basis for the assessment of specific duties than weight, on the grounds that reliable data regarding area are furnished in invoices and that the fact that inaccuracy in the statement of dimensions would constitute an infringement of the Merchandise Marks Act, reduces the need for independent investigation. We have already stated our view that the difficulty of ascertaining the weight of imported goods, if in any case it is found to be serious, will be confined to a relatively short period and that even during this initial period provisional means of meeting the difficulty may be devised. On the other hand, we believe that under existing conditions in the Indian market, assessment based on area will prove a greater source of disturbance than on weight. The most important factor leading to unfair incidence in the case of assessment on weight is the difference in the proportion of sizing materials, whereas in the case of assessment on area it is the difference in reed and picks. In piecegoods of higher counts there is in practice relatively little sizing used, and since the imports into India are now almost entirely restricted to counts considerably above 30s. the possibility of unfair incidence on account of this factor may be regarded as inconsiderable. Besides there is hardly any sizing in goods other than grey except where extra weight is sometimes given to bleached and dyed goods in the finishing processes by the addition of starch and other materials. This however is confined

Weight more suitable than area as basis of assessment.

mainly to goods of counts below 40s. But in piecegoods of higher counts not merely in grey but also in other lines there can be, and often is, a great deal of difference as regards the number of reed and picks and this difference renders a duty based on area liable to be seriously unfair in its incidence. We think that the interests of traders and importers would be served on the whole better by a duty based on weight than on area.

139. Whatever basis is adopted for a system of specific duties, we consider that it should be based on as broad a classification as possible. Minute sub-classification of the kind in force in other countries and such as is suggested by the idea of a scientific tariff will render the working of the system unnecessarily complicated. Four main headings corresponding to the principal groups of imported piecegoods—(i) plain grey, (ii) bordered grey, (iii) bleached and (iv) printed, dyed and coloured woven—with a separate rate of duty applicable to each, will sufficiently meet the case. We have estimated the costs of the Indian industry on the basis of the average costs of principal goods falling within each group. The selection of the kinds of goods to be included in each group was left to the mills themselves, and it may be presumed that an estimate of the average costs of the goods of each class as selected by the mills will represent for practical purposes a sufficient basis for determining the protection required for that class. It may be contended that the variety of goods included in each group is so large that an average rate of duty calculated for the whole group may on the one hand afford in many cases insufficient or excessive protection and on the other hand may bear more hardly on the consumers of some goods than of others. An *ad valorem* rate of duty will meet the latter difficulty but will not necessarily meet the former unless it is assumed that the measure of protection required for more expensive goods is proportionately greater, which is not so. If, as we believe, specific duties are essential for effective protection and at the same time it is necessary to ensure that the scheme of protection is simple and easy to work, we think that a scheme such as we have suggested is the most satisfactory under the circumstances.

140. The Bengal Chamber of Commerce in their evidence have objected strongly to the extension of a system of tariffs based on specific duties. We have very carefully considered the objections raised by the Chamber but see no reason to alter our views. These objections are based principally on three grounds—that it will harass the shipper, importer and consumer, that it will cause great extra expense and labour to the customs department and that it will decrease the revenue. We have already discussed these objections in detail in connection with Mr. Hardy's report and it is unnecessary to discuss them further. The opposition of the Bengal Chamber of Commerce to a system of specific duties is in our opinion due to an inadequate appreciation of the essential factors in the situation. In view of the experience and

Objections of the Bengal Chamber of Commerce.

authority represented by the Chamber in matters of this kind, we desire to restate briefly what these factors are. The currencies of the principal countries competing with India in the cotton textile industry are at present divorced from the gold standard and are liable to unexpected fluctuations in value. The cotton industry of Japan is one of the most highly rationalised industries in the world catering for a large number of export markets and, therefore, is in a position to adjust prices quickly so as to meet changing conditions in particular countries. The constant variation in the price of raw cotton and its reaction on the price of piecegoods renders the cotton textile industry peculiarly liable to sudden fluctuations in the price of its finished products. These conditions have seriously affected the protection intended for the Indian industry in the past, and to the best of our judgment may affect it equally in the future. *Ad valorem* duties are admittedly an ineffective form of protection under such conditions. And if the risk of the protection granted to the Indian industry being frittered away is to be avoided, it is essential that it should be given in the form of specific duties. Equally important are the practical difficulties of the problem. In no industry that we are aware of is the difficulty of estimating the measure of protection on a comparison of Indian and import prices so insuperable as in the cotton textile industry. If the measure of protection is fixed in comparison not with import prices but with realised prices by the mills, then its equivalent *ad valorem* rate based on import prices will be impossible to determine with any reasonable approach to accuracy for the obvious reason that there will be a hundred different import prices on which it may be fixed. Further, if it is admitted that the need for protection is greatest in respect of cloth of medium and the less fine counts, the only conceivable method of adjusting the burden of protection in approximate relation to the requirements of the industry, without unnecessarily complicating the administration, is by granting it in the form of a specific duty assessed on weight. A system of *ad valorem* duties unless fixed by counts or countries of origin will involve an irrational distribution of the burden of protection. Administrative considerations render differentiation by counts impossible at present. As we explain in paragraphs 150 and 151 the inherent difficulty of determining what are comparable classes of products in the cotton industry makes differentiation by country of origin also impossible. Therefore, if a system of *ad valorem* duties is adopted, the duties should be applied at uniform rates to all classes of goods irrespective of quality or country of origin. These rates would work out approximately at 50 per cent. for plain grey, 45 per cent. for bordered grey and 40 per cent. for bleached goods and for printed, dyed and coloured woven goods (see paragraph 117).

141. We are now in a position to summarise the main features of the scheme of protection. We consider that protection should be given in the form of specific duties corresponding in amount to the measure of assistance estimated for each principal class of

Main features of the scheme of protection.

piecegoods in paragraph 98. The amount is calculated in each case with reference to the margin between the average fair selling price and the average nett realised price of each class of goods. The costs and realised prices are based on those of the most important lines of goods in each class in which the Indian industry has to meet external competition. Generally speaking, these goods are woven from yarn of average counts ranging from 25s to 40s. We propose that the duty as thus calculated should be applied to goods of all counts and kinds of weave falling within the class to which it refers. The specific duty is intended in each case to afford the whole of the protection required and is, therefore, to be regarded as the minimum amount below which the import duty should not be allowed to fall during the period of protection. For the purpose of safeguarding revenues, we propose that the specific duty should in each case be combined with an *ad valorem* rate which may be fixed from time to time according to the revenue requirements of the Government.

142. We propose that the period of protection should be fixed at ten years. In the case of a large industry like the cotton textile industry a longer period than we have ordinarily allowed will be required for full development and reorganisation. The problems which face the industry as a whole are unusually difficult and many-sided and unless sufficient time is given, it will be unreasonable to expect any tangible results from the policy of protection. Even if conditions are normal, the task of reorganisation and of adjustment to new factors would involve a great deal of thinking and planning ahead. It was expected by the Government of India when the Act of 1930 was under consideration that the reorganisation of the Bombay section of the industry would be accomplished in three years. No allowance was then made for the unusual factors which have since supervened. The renovation of a long established and old industry cannot be expected to take place in strict accordance with a pre-arranged time table. It is idle to blame the industry if the time table is not followed, for the process of development takes time and involves many uncertain factors. To take one aspect of the industry as an illustration, the important problem of reorganising the conditions of labour with a view to reducing the cost of labour per unit of output involves not merely co-ordinated action on the part of employers but patient negotiation with labour and a concerted attack upon those social conditions which lower the efficiency of labour in India. Similarly, the task of reforming the system of management and control, though easily described by facile phrases such as 'rationalisation' and 'amalgamation', involves stupendous difficulties as has been well illustrated by the experience of the Lancashire Cotton Corporation. We have frankly recognised in our discussion of the claim of the industry to protection that it is impossible to forecast with any precision on the existing data when the industry will be in a position to dispense with protection. We rather think, as we have already indicated, that the ultimate salva-

tion of the industry will come as the result of a strenuous internal competition stimulated by protection under which the more efficient mills in the country will so develop their output and improve their methods as to replace completely a large number of the existing mills. Sufficient time must be given for this process to work itself out. In view of the difficulties which face the industry at present and equally of the important national interests which are involved in it, we do not think that ten years can be regarded as too long a period. Unless protection is assured for a period of at least ten years, the capital required by the better class of mills for further development will not be forthcoming. It is rather the stability than the rate of protection which encourages the investment of capital in a protected industry. The Indian cotton textile industry, especially in Bombay, has been recently the subject of many public enquiries. Such enquiries repeated at frequent intervals must militate against healthy development. We think that the industry should now be allowed a period of rest from these harassing enquiries.

143. We have now to examine whether protective duties should be applied to goods imported from the United Kingdom as well as

Grounds for the adoption of differential duties in 1930.

to goods from other countries, and if so, whether they should be applied at the same rates or at different rates. Under the Cotton Textile Industry (Protection) Act of 1930, the *ad valorem* protective duty was fixed at 20 per cent. and its application was restricted to goods imported from countries other than the United Kingdom. The duty applicable to goods imported from the United Kingdom was fixed at the revenue rate of 15 per cent. It was explained by the Finance Member in presenting the proposals of the Government to the Legislative Assembly that they could not, in any circumstances, agree, for the emergency purpose which they had in view, to an additional protective duty of 5 per cent. on all classes of piecegoods irrespective of the country of origin "since the immediate benefit to the Indian producer would be wholly incommensurate with the burden imposed on the Indian consumer". He added "for the period covered by the purpose of our emergency measure, the production in India of those classes of goods which form the great bulk of the imports from the United Kingdom must be very small, and therefore an additional 5 per cent. duty on those goods would put a burden on the consumer without a corresponding benefit to the industry." The view stated by the Finance Member was amplified by Sir George Rainy in a note presented to the Assembly. In this note, it was estimated, on the figures of imports for 1928-29, that the proportion of the total goods imported from the United Kingdom which directly competed with the products of the Indian industry was approximately $\frac{1}{8}$ while the corresponding figure for Japan was $\frac{9}{17}$ and for other countries $\frac{2}{3}$. It was explained that the small extent to which the United Kingdom competed directly was due to the fact that in any class of goods which can be made from Indian cotton, the United Kingdom mills have

been unable to face the competition of the Indian mills and have been gradually driven out of the market. They hold their own only in those classes of goods which cannot be made out of Indian cotton. In reply to the argument that a higher duty on all imported piecegoods would lead to a rapid development of the industry and in particular would bring about a substantial increase in the spinning and weaving of the finer counts made from imported cotton, it was stated that the object in view at the moment was not the development of the industry but its preservation. "To keep the industry alive during the next three years what is required is not encouragement to launch out into new forms of manufacture which involve new equipment and more highly trained labour but measures which will preserve to the mills the markets in those classes of goods which they are already equipped to produce and for the manufacture of which their labour is trained.....In the opinion of Government the proper time to consider what assistance the mill industry may require in order to extend its range and undertake the manufacture of the finer goods, of which the present production is extremely small, will be when the Tariff Board Enquiry is held in 1932-33."

144. It will be seen from the statement made on behalf of the Government in the Assembly in 1930 that the exclusion from the scope of the protective duty of goods imported from the United Kingdom was based principally on three considerations; first, that the extent of direct competition between the products of the Indian industry and imports from the United Kingdom was relatively small; secondly, that the great bulk of the goods imported from the United Kingdom were of a kind which could not be made from Indian cotton, and, thirdly, that the grant of assistance to the Indian industry for the manufacture of the finer varieties of goods could not be considered except in connection with the question of substantive protection.

145. The extent of the competition from the United Kingdom during the period immediately preceding the Act of 1930 was one of the subjects investigated by Mr. G. S. Hardy in 1929. One of the most important classes of goods imported from the United Kingdom consists of bleached goods. In 1931-32 bleached goods formed 50·5 per cent. and in 1927-28, on the figures of which year Mr. Hardy based his investigation, 33·2 per cent. of the total quantity of imports of piecegoods from the United Kingdom. Mr. Hardy arrived at the conclusion that the quantity of bleached goods manufactured by Indian mills formed only about one per cent. of their total production of 'grey or bleached' goods, and it would therefore appear that in this important line of goods imported from the United Kingdom the Indian industry was not interested to the extent of more than this small proportion. The Tariff Board in 1926-27 adopted a figure of 67·6 million yards estimated by the Bombay Millowners' Association as the total output of bleached

goods in Bombay corresponding to $\frac{1}{8}$ th of its total production of grey or bleached goods as against a figure of 4.3 million yards furnished by the Bombay Custom House. Mr. Hardy considered the conclusion of the Tariff Board 'entirely erroneous' on the ground that the Millowners' estimate must have contained large quantities of bleached cloth with coloured patterns which for the purpose of Trade Returns would be classified as 'coloured' and not 'bleached'. This view was apparently accepted by Sir George Rainy in the note referred to above. We asked the Bombay Millowners' Association to supply us with detailed figures of the output of bleached cloth showing separately plain goods and goods containing coloured yarn for 1927 and 1931. On these figures we find that excluding those containing coloured yarn, the output of bleached goods at Bombay was about 7 per cent. of the 'Grey and Bleached' production in 1927 and nearly 10 per cent. in 1931. The proportion appears to be much higher at Ahmedabad. For the 11 months ending the 29th February, 1932, the total output of bleached goods was 95.07 million out of a total production of 135.81 million lbs. including coloured as well as grey or bleached. Out of this the Millowners' Association estimate 30.20 million lbs, as the output of bleached goods containing coloured yarn leaving a figure of 64.86 million lbs. or approximately 50 per cent. of the total production as the output of plain bleached goods. According to the figures supplied by the Ahmedabad Millowners' Association to the Tariff Board in 1926-27 the average of 32 mills showed the proportion of bleached to be 39 per cent. of the total while 11 mills showed as high an average as 60 per cent. We believe on the evidence we have received in this enquiry that the output of bleached goods in India was considerably under-estimated by Mr. Hardy.

146. Another class of goods which until recently formed a very large proportion of the imports from the United Kingdom is bordered grey goods. With regard to this Mr. Hardy's conclusion was that the trade in dhutis imported from the United Kingdom and the Indian mill production overlapped

Competition from the United Kingdom in bordered grey goods.

only to a small extent in the region of medium counts. This conclusion was based on the proportion of shirting, jaconet and mull dhutis imported from the United Kingdom as shown in the Calcutta Custom House returns in comparison with the estimated proportion of dhutis of coarse, medium and fine counts made in Indian mills. On the figures of 1927-28, Mr. Hardy's estimates showed that dhutis of counts 31s to 40s formed 22 per cent. of the total imports of grey dhutis from the United Kingdom. We are unable to reconcile this conclusion with the statement contained in the Report of the Tariff Board in 1926-27 (page 40) that according to the estimate of the Manchester Chamber of Commerce "cloth containing warp or weft between 30s and 40s forms about 40 to 45 per cent. of the total export of cloth from the United Kingdom to this country". This statement refers to the latter part of 1926 which is not removed by more than a year from the date of the figures on which Mr.

Hardy based his estimates. The imports from the United Kingdom in 1926-27 were as follows:—

	Million yards.
Plain grey	146.4
Bordered grey	442.4
White	550.8
Printed	154.2
Dyed	120.2
Woven coloured	43.9
	<hr/>
	1,457.4

If the estimate of the Manchester Chamber of Commerce is correct, at least 540 million yards out of this total represented in warp or weft counts 30s to 40s and if, as Mr. Hardy suggested, practically all the bleached goods imported from the United Kingdom were of counts above 50s, it would follow that nearly 65 per cent. of the other classes of goods imported from the United Kingdom, of which dhutis formed approximately half, were of counts 30s to 40s. In a matter of this kind we are very much in the region of conjecture but we feel that, in respect of this also, the Government of India as well as Mr. Hardy under-estimated the extent of competition from the United Kingdom.

147. We have drawn attention to these facts, not with any intention to dispute the justification of the measures adopted by the Government of India in 1930, but rather to indicate the danger of making estimates regarding the extent of direct competition between India and other countries on the

Necessity for protection against imports from the United Kingdom.

exceedingly meagre data which are available. Moreover in view of the enormous variety of the goods produced by the cotton textile industry both in India and elsewhere and the wide field over which substitution can take place, the measure of 'direct competition' even if correctly estimated provides a very inadequate basis for determining the relative extent of protection required against each competing country. It will be apparent from the considerations urged by the Government of India, which we have summarised in paragraph 144, that their purpose in estimating the extent of direct competition between India and the United Kingdom was primarily to ascertain how far goods of the kinds imported from the United Kingdom could be manufactured in India out of Indian cotton. Since the object of the Protection Act of 1930 was to preserve for the Indian industry the market which then existed for piecegoods which could be made from Indian cotton, the question of extending assistance to the Indian industry so as to enable it to undertake the production of finer counts was considered to be outside the scope of the Act. This question was definitely reserved for consideration by the Tariff Board in 1932-33. We have already explained in paragraph 102 our view that the grant of protection to the manufacture of piecegoods from imported cotton is not merely not inconsistent with the conditions laid down by the Fiscal Commission but must

be regarded as a logical consequence of the grant of protection to the manufacture of goods from Indian cotton. Even if it were held that protection should be confined to the manufacture of goods from Indian cotton, we should still recommend that in view of the indirect competition which arose from goods of the finer counts, the protective duties should be applied to such goods also. But in the view which we take of the problem of protection for the Indian cotton textile industry we go further than this and would urge that the protective duties should be applied to imported goods of the finer counts not merely because such goods compete indirectly with goods produced from Indian cotton but also as a definite measure for the encouragement of the manufacture of goods from imported long staple cotton.

148. One of the suggestions made by the Tariff Board in 1926-27 was that the Indian industry should take steps to promote the diversification of its production. The wisdom of that suggestion has been amply borne out by the development which has taken place since the Tariff Board reported. We have explained in detail in Chapter III the progress made by the Indian industry in the production of piecegoods from yarn of finer counts. The average count of yarn spun in India has increased from 18.4 in 1925-26 to 20.5 in 1931-32 and in Bombay from 17.2 to 20.6. The output of dhutis for the whole of India increased from 585.70 million yards in 1926-27 to 964.54 in 1931-32, the increase consisting largely of medium and fine counts. The average yardage per pound of dhutis in 1926-27 was 4.7 whereas in 1931-32 it was 5.0. The output of cambrics and lawns rose from 3.38 million yards in 1926-27 to 43.32 in 1931-32. This consists almost entirely of the finer counts as is shown by the fact that the average yardage per pound in 1931-32 was approximately $7\frac{1}{2}$. The progress is reflected in the character of the raw cotton imported into India in 1931-32 as compared with 1926-27. Both were years marked by a disturbance in the price parity between Indian and foreign cotton and consequently by an increase in the quantity of raw cotton imported as compared with previous years. It will be seen from the figures in paragraph 35 that not merely was the total quantity imported considerably greater in 1931-32 than in 1926-27 but there was a large increase in the imports from East Africa and Egypt indicating the progress in the manufacture of the finer counts.

149. It is usual in estimating the progress made by the Indian industry in the manufacture of goods of medium and fine counts to take, as the Bengal Chamber of Commerce apparently does, the total Indian production and imports of yarn of these classes and compare the quantity with the total output of piecegoods produced in Indian mills. On the figures of 1931-32, this method of calculation would show that counts 26s to 40s represented 18.5 per cent. and counts above 40s 3.5 per cent. of the total output of Indian cloth. The proportions are small and would appear to indicate that

medium and fine counts represent in Indian production a relatively unimportant factor. This however is a misleading way of presenting the actual situation. If we leave out imported yarn on the assumption that almost the whole of it is used by handloom weavers and allow about 5 per cent. of the Indian production for sales to handloom weavers, the nett quantity of yarn of 26s to 40s used in 1931-32 by mills was approximately 170 million pounds. Taking $4\frac{1}{2}$ yards to one pound, this figure represents 765 million yards of cloth which is nearly equivalent to the total quantity of imports into India in 1931-32. Similarly if we take the Indian production of yarn of above 40s in 1931-32 and make the same allowance for sales to the handloom industry, we get a nett quantity of approximately 32 million pounds. Taking in this case an average of 8 yards to a pound, the total quantity of cloth may be estimated at 256 million yards or nearly a third of the total imports into India. The total quantity of cloth woven in India in 1931-32 from yarn of medium and fine counts thus exceeded the total imports of piecegoods by nearly one-third. The progress of the Indian industry should obviously be measured by the extent to which it supplies the total market for the finer qualities of cloth in India, and judged by this test, the progress has been remarkable. In 1926-27 we find calculating on the same basis that the total quantity of cloth woven from counts 26s and above in Indian mills was 547 million yards against 1,021 million yards in 1931-32, while the total import of piecegoods into India in 1926-27 was 1,788 million yards against 776 million yards in 1931-32. We consider it of the greatest importance for the future of the industry that this rate of progress should be maintained and for this reason we are of the opinion that protection should be granted to the Indian industry against goods imported from the United Kingdom as well as from other countries.

150. It remains to consider whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere. Since under our scheme, protection for the Indian industry is intended to be afforded entirely by the specific duties included in it, it is in connection with these duties that this question should be considered. The rates at which the specific duties are fixed have been calculated by us according to the difference between the fair selling price for the Indian industry and the nett price realised by the mills. The price realised by the mills does not necessarily correspond to the price of imported goods of any particular class or country of origin but reflects competition from all sources. It is therefore in practice impossible to estimate what the rate of duty would be if competition were confined to goods imported from particular countries. Moreover, as we have already pointed out, indirect competition between different classes of goods plays a large part in determining the prices of cotton piecegoods and therefore an analysis of the extent to which prices are influenced by goods of the classes imported from one country as distinct

from another would be misleading. Prices realised by the Indian mills must be presumed to reflect the competition from goods manufactured in each exporting country more or less in the proportion in which such competition prevails in the market. If it were possible for us to fix the duties with reference to the competition solely of British goods or solely of Japanese goods, the rates would probably be higher in the latter case and lower in the former than the rates estimated by us. On the method adopted in this report we regard the proposed rates of duty as being practically the average of the rates applicable in the two cases weighted according to the relative intensity of competition. In the conditions of the piecegoods market no other method of determining the measure of protection appears to us to be possible. In this connection it may be pointed out that in the case of the steel industry in respect of which a system of differential duties was proposed by the Tariff Board, the determination of comparable classes of Indian and imported articles present no difficulty, and further there is a well-recognised margin of difference between the prices of standard and non-standard steel.

151. Even if the method adopted by us permitted of the splitting of the duties in accordance with the relative prices of goods imported from the two countries, the nature of the

Lack of information regarding differences in prices.

information we have received regarding differences in price would still make it impossible. We have been at considerable pains to ascertain the normal difference between the prices of comparable classes of piecegoods imported from the United Kingdom and from Japan. But the evidence received by us shows such wide variation and in many cases is so conflicting that no definite estimate of the normal difference can be arrived at. Hardly any two dealers appear to agree as to what may be considered comparable classes of cloth among those imported from the two countries, and in cases in which there was a fair measure of agreement, the prices quoted showed such wide divergences that no reliable conclusion could be based on them. In the absence of useful evidence from dealers and importers, we made an analysis of selected classes of cloth imported from the United Kingdom and from Japan so as to classify them in comparable groups. The following Table shows the results of the analysis:—

TABLE LXIII.

Disparity in value between United Kingdom and Japanese piecegoods imported into India.

Description.	Dimension.	United Kingdom.					Japan.				
		Approximate weight.	Approximate apparent counts.	Approximate reed and pick.	Value per piece or yard less duty.	Value per pound less duty.	Approximate weight.	Approximate apparent counts.	Approximate reed and pick.	Value per piece or yard less duty.	Value per pound less duty.
	Yds.	Pounds.			Annas.	Annas.	Pounds.			Annas.	Annas.
Grey Dhutis.	44" × 10	1.86	37.	18 × 15	31.35	16.85	1.82	35½.	16 × 15	23.78	13.2
Grey shirtings	44" × 38½		Practically no imports.				10.5	28.	18 × 18	113.43	10.8
" "	38" × 38			do.		10	25½.	19 × 18	104.47	9.52	
White shirtings	35" × 40	7.2	35.	20 × 18	106.5	14.82	9.6	30½.	21 × 18	104.47	10.9
" "	36" × 40	9.3	30.	23 × 21	164.4	18.4	12.25	24½.	23 × 21	132.09	10.80
Khaki drill	28" × 40		Almost no imports.				11	...	...	119.4	10.85
White nainsooks	36" × 18	3.9	34½.	19 × 19	52.96	15.45	31" × 18yds 2.5	33½.	16 × 12	30.60	12.20
White mulls	44" × 20	3.3	40.	18 × 14	50.16	15.68	44" × 20yds 3.5	39½.	18 × 15	52.24	14.92
White twills	33" × 40	8.32	30.	21 × 19	164.6	19.8	32" × 40yds 10.75	20.	20 × 15	95.58	8.95

The difference in price as shown in this Table varies from 26·5 per cent. to 55 per cent. calculated on the nett price per pound of Japanese goods. Even if grey and khaki goods were omitted from the Table and the analysis was confined to bleached goods, the range of variation would still be too wide.

152. In the following Table we show the average values of the principal classes of cloth imported from the United Kingdom and from Japan. The number of yards to the pound assumed for the purpose of this calculation is also shown in the Table.

Fluctuations in the margin of difference.

TABLE LXIV.

Scheme of Protection.

	Approximate average number of yards per pound.		Average nett value (i.e., less duty) per pound of cloth.			
	United Kingdom.	Japan.	1926-27.		1931-32.	
			United Kingdom.	Japan.	United Kingdom.	Japan.
	Yards.	Yards.	Annas.	Annas.	Annas.	Annas.
Plain grey . . .	4½	4	17·11	14·51	7·34	6·74
Bordered grey . .	6½	5·7	23·96	19·86	14·19	8·40
White long cloths .	5½	4½	26·37	20·15	16·98	8·70
White twills . . .	5½	5	31·44	17·50	19·10	9·73

153. The figures in the preceding Tables show that no uniform margin can be established between the prices of goods imported from the United Kingdom and from Japan either as regards broad groups or as regards individual classes of cloth. The Table in paragraph 152 shows further that the margin of difference may vary considerably from time to time according to changes in the extent of competition in the Indian market and the level of costs in the exporting country, and also according as each country shifts importation within comparable classes to higher or lower counts. The application of any specified margin of difference to the protective duties without sufficient evidence that the margin corresponded to the actual difference in price might result in the duties being rendered ineffective as regards important classes of goods imported from one country or the other. Although on the figures we have seen there can be no doubt that the general level of prices is higher in the case of British goods, it not seldom happens that British manufactures in those lines in which compe-

Competition in medium counts from the United Kingdom.

tion is keenest are sold at prices closely approximating to Japanese prices. We have come across several recent cases in the Calcutta market of British goods of medium counts selling at prices which are not higher than the ruling Japanese prices. The evidence of some Calcutta dealers suggests that there has been an increasing tendency recently for goods of lower degrees of fineness to be imported from Lancashire. We show in Appendix VII an analysis of samples of cloth normally imported from the United Kingdom by certain leading import houses in Calcutta which indicates that the quantity of cloth of medium counts ordinarily imported from the United Kingdom is not inconsiderable. Since the specific duties which we have proposed are based mainly on the costs of manufacturing goods of medium counts and the prices realised by Indian mills for these goods, it seems to us essential, in order to safeguard the Indian industry, that these duties should be equally applicable to such goods when imported from the United Kingdom. In the main, however, British imports are at present confined to goods of finer counts which are sold at prices with which Indian mill-made goods of similar varieties find it less difficult to compete. A system of specific duties calculated on the basis adopted by us would automatically allow for this factor since a specific duty estimated per unit of weight with reference to the prices of medium counts would bear proportionately less hardly on high-priced goods of the finer counts.

154. It is difficult on the data available to us to determine precisely the burden on the consumer resulting from the duties we

Duties likely to have little effect on coarse counts.

have proposed. As regards cloth of coarser counts it seems to us a valid assumption that internal competition among Indian mills, which now in conjunction with the handloom industry produce practically the whole of this class of plain woven cloth required in the Indian market, will keep prices considerably below the level of import prices *plus* duty. The extent to which internal competition reduces the prices of coarser goods in comparison with imported goods cannot however be demonstrated accurately by figures. We have been supplied with statistics of prices by various Associations representing manufacturers which indicate that the prices of the coarser counts have fallen in recent years in greater proportion than those of finer counts. Since a fall in the price of cotton is reflected in varying proportions according to the kind of cloth woven, it is difficult in practice to estimate how much of the difference between the prices of inferior and superior classes of cloth is due to internal competition and how much to the difference in the proportion of the cotton cost. The prevalence of the general economic depression and the influence of the swadeshi movement which have affected differently the prices of different classes of cloth render an examination of comparative prices of little value. Since cloth woven from coarser counts is imported in negligible quantities and further it is impossible to find exactly comparable classes of Indian and imported cloth, the direct comparison of Indian with import prices becomes

impossible. That internal competition is however a determining influence in the case of the coarser cloths may be illustrated by reference to the prices of yarn of lower counts in which also Indian mills supply almost the whole requirements of the country. Foreign yarn of lower counts is imported in small quantities. In this case, it being easier to determine comparable classes of Indian and foreign goods than in cloth, a comparison of Indian and import prices helps to throw more light on the working of internal competition. As far as we can judge import prices of yarn of the coarser counts have very little influence on those of Indian yarn. Although during 1928-29 the specific duty on yarn raised the prices of yarn of counts below 24s, the prices of imported yarn of similar counts were considerably higher even allowing for differences in quality. We think that if the necessary data were available, it would be found that the position was more or less similar in the case of cloth woven from yarn of coarser counts.

155. The effect of the duties we have proposed will be felt in the first instance chiefly in the case of cloths of medium counts ranging from 25s to 40s. We have examined the prices and weights of a large number of representative cloths of medium counts imported from the United Kingdom and from Japan. On the basis of the prices ruling in 1931, we find that the specific duties recommended by us will in the case of goods imported from the United Kingdom average approximately 33½ per cent. *ad valorem* while in the case of imports from Japan of similar classes, the specific duties will work out at a considerably higher rate *ad valorem*. During the first few years of the period of protection, the prices of goods of medium counts will be perceptibly higher than in 1931. Indian mills however are in a position to undertake immediately a large extension of the output of this class of cloth. We have little doubt that if protection is granted at the rates we have proposed, Indian mills will soon reach the stage of being able to meet the whole requirements of the country in respect of cloth of medium counts. We anticipate that within a period of a year or two, the prices of such classes of cloth will be determined mainly by internal competition among Indian mills. Since the introduction of the temporary duty last August, very keen competition has already set in between Bombay and Ahmedabad mills as regards the trade in Calcutta dhutis. This in our opinion is an indication of what will immediately happen in respect of all classes of cloth of medium counts if our proposals are accepted.

Temporary rise in prices of medium counts likely.

156. As regards cloths of finer counts, the bulk of which is now imported from the United Kingdom, our examination of the prices and weights of representative goods indicates that on cloths of average count 40s to 50s, the specific duties will approximately represent a general *ad valorem* rate of 25 per cent. Above 50s, the specific duties will represent generally an *ad valorem* rate of not

No rise in prices of higher counts likely.

and weights of representative goods indicates that on cloths of average count 40s to 50s, the specific duties will approximately represent a general *ad valorem* rate of 25 per cent. Above 50s, the specific duties will represent generally an *ad valorem* rate of not

more than 20 per cent. In Appendix VIII we set out an analysis of the average weight and price of bleached goods imported from the United Kingdom during 1926-31. These goods consist mainly of counts above 50s. It will be found that taking the average price of bleached goods over the whole period, the specific duty we have proposed will be not above $17\frac{1}{2}$ per cent. Even on the relatively low prices of 1930-31 the average incidence will not be above 21 per cent.

157. It has been constantly urged by witnesses in the course of this enquiry that a lower proportionate rate of duty on cloth of higher counts will lead to its substitution on a large scale for cloth of lower counts on the ground that area for area fine cloth is often cheaper than coarse cloth. This last statement which occurs in Mr. Hardy's report has been taken out of its context and employed by witnesses as an argument for proving that from the point of view of the average consumer who wants cloth for wearing purposes, the relative cheapness per unit of area of fine cloth will lead to an increased demand for it when the duty on coarse cloth is relatively high or when there is a general fall in purchasing power. Mr. Hardy illustrated this statement by figures of prices per unit of area of several classes of Lancashire cloth of varying counts. The figures are set out at page 85 of his report. It will be seen from these figures that cloth of counts 38s x 38s costs for example more per unit of area than cloth of counts 60s x 80s. It is however forgotten in the use which witnesses have made of these figures that it is assumed that all the cloths shown in the Table are of the same reed and pick. The proposition is correct if this assumption is made, but the assumption renders the statement altogether so theoretical as to give it little or no value in actual practice. If the number of reed and pick in cloth of count 38s is just sufficient to provide adequate cover, the same reed and pick in cloth of counts 60s or 80s will be far from sufficient to provide the necessary cover. The number of reed and pick in cloths of different counts of yarn differs so widely that except within very narrow limits it is incorrect to state that area for area fine cloth is cheaper than coarse cloth. If the statement were generally as true as some witnesses have suggested, the general fall in purchasing power during the past two years should have led to a large increase in the demand for fine cloth as compared with coarse cloth. On the other hand the large fall in imports from the United Kingdom and the increase in the production of Indian mills show that the suggestion that area for area fine cloth is cheaper than coarse cloth is for practical purposes incorrect. In the first place, manufacturing expenses are higher per unit of area in respect of fine cloth than of coarse cloth. Secondly while the cost of cotton may be assumed to be lower, this is counteracted by the necessity of using more expensive cotton and of increasing the reed and pick in the manufacture of fine cloth except where the margin of difference in fineness is very small.

158. We have explained that the *ad valorem* duties under our proposals are intended to serve as revenue and not as protective duties. The purpose of these duties is to safeguard the revenues of the Government in cases where the specific duty may be lower than the revenue duty at the *ad valorem* rate. The level at which the *ad valorem* duties are fixed will therefore depend under our scheme on the budgetary requirements of the Government from year to year, and will be subject to such arrangements as may be made by the Government and the Legislature regarding revenue duties. In the terms of reference under which this enquiry is referred to the Board, our attention is drawn to the fact that "the Government of India have decided to discuss at the forthcoming Imperial Conference at Ottawa the question whether Great Britain and India should enter into a trade agreement embodying a preferential tariff regime so designed as to benefit the trade of both countries". It is announced that a trade agreement has now been reached between His Majesty's Government in the United Kingdom and the Government of India and will be placed before the Indian Legislature for approval. Under the terms of the agreement it appears that the principle of preference will be applied so as not to affect the protection intended for Indian industries. If the trade agreement is ratified by the Legislature, its application to the tariff scheme proposed by us will be determined on the basis that the specific duties as protective duties will be outside the scope of the agreement, while the *ad valorem* duties as revenue duties will be subject to such arrangements as may be made by the Government and the Legislature in pursuance of the agreement. This consideration applies equally to the supplementary proposals contained in Chapter X. It will be seen from the tariff schedule in Chapter XI that all the articles included in Schedule G to the Ottawa Trade Agreement will under our proposals be liable only to the revenue duty. In the Indian Customs Tariff Guide, we find that certain articles included in schedule G are classed as piecegoods such as cotton canyas, shawls, patent nets, etc. But it is not intended under our proposals that the protective duty should be applied to these articles.

CHAPTER VIII.

The Handloom Industry.

159. Our terms of reference require us to devote special consideration to the effect which our proposals are likely to have upon the handloom industry. In this Chapter Sources of information. therefore we shall attempt to survey the present state of the handloom industry in different parts of India and to estimate the effect upon the industry of the existing protective duties. We shall thus be able to gauge the manner in which the industry is likely to be affected by our proposals. In our attempt to survey the present condition of the industry we have been greatly hampered by the absence of any authoritative statistics, and we have had to rely in the main upon such information as Local Governments could supply regarding the industry in their provinces. We are greatly indebted to the various Governments, particularly those of Madras and Bombay, for the manner in which they responded to our request, in spite of the handicap under which many of them suffered in the lack of up to date statistical information. The Madras Government for example writes:—

“ It must be stated at the outset that accurate detailed information about the handloom weavers is difficult, if not impossible, to procure. The industry is unorganised and there are no statistical returns relating to it. The sources of information are (a) census enumeration which gives numbers of handlooms and of persons employed in cotton spinning, sizing and weaving and (b) estimate of output deduced from statistics of nett imports of yarn, nett production of Indian yarn and consumption in mills and consequent balance available for handlooms. Until 1921 it was possible to make an estimate of handloom consumption in the Madras Presidency, by applying to the items above specified the figures of railborne trade in yarn. But with the subsequent abolition of the rail borne statistics of trade that method of calculating the Madras output has had to be abandoned, and the only course now is to make such assumptions as seem most reasonable as to the fluctuations in internal movements of yarn.”

As regards census statistics, all local Governments refer back to the figures collected in 1921, either because those of the 1931 census have not yet been published or—as is pointed out by the Government of Bengal—because the relevant “particulars were not obtained in the last census operations”. Some local Governments, *e.g.*, Bengal, Madras, Bombay, Central Provinces, have since 1921 conducted a survey of their cottage industries by which they have been able to supplement the information compiled at the Census regarding the handloom industry and those additional details have been placed at our disposal. We have already* commented upon

* Chapter II, paragraph 24.

the method of estimating the output of the handloom industry from the statistics of yarn imported, manufactured and consumed in the mills which was first adopted by the Indian Industrial Commission (Appendix I) and developed by Mr. R. D. Bell, formerly Director of Industries, Bombay, in his "Notes on the Indian Textile Industry with special reference to Hand Weaving", and we have observed that this method involves so many assumptions that its results can never be more than approximately correct.

160. It is unnecessary to emphasise the importance of hand spinning and weaving as a domestic industry, providing an occupation for the agriculturist in the season when

Extent and Distribution of the industry.

agricultural work is slack and enabling him to use time which he would otherwise waste in producing goods of a certain—even though limited—value. The industry is spread all over the country. Since for a large number of those who are engaged in it, it is a secondary occupation ancillary to agriculture, it is more than ordinarily difficult to form an estimate of the number of persons wholly or partially dependent upon it. Nor have we been able to obtain a reliable statement of the number of looms in the country. At the Census of 1921, the number of handlooms were enumerated in most provinces and in some States. These figures are given in the Table below:—

TABLE LXV.

Province or State.	Number of handlooms counted at Census of 1921.
Ajmer-Merwara	1,587
Assam	421,367
Bengal	213,886
Bihar and Orissa	164,592
Burma	479,137*
Delhi	1,667
Madras	169,403
Punjab	270,507
Baroda	10,857
Hyderabad	115,434
Rajputana	89,741
	1,938,178

*This is the figure given in the Census Report. The Government of Burma now report that in 1921 the number of handlooms including primitive (*gyat*) looms was 569,473.

It will be observed that no figures are given for such important provinces as Bombay, the United Provinces and the Central Provinces or for such important States as Kashmir, Mysore, the Central India States or the States connected with the Presidency of Bombay. The only State for which we have received figures is Hyderabad; but we have obtained reports for all the provinces and the figures we have received are roughly as follows:—

TABLE LXVI.

	Number of handlooms.
Assam	425,000
Bihar and Orissa	150,000
Bengal	200,000
Bombay	100,000
Burma	569,473
Central Provinces	100,000
Delhi	450
Madras	225,000
North-West Frontier Province	500
Punjab	140,000
United Provinces	75,000
Hyderabad State	140,000
TOTAL .	2,125,423

If to these figures we make additions based on the 1921 Census figures for Ajmer, Baroda and Rajputana, the resultant total will exceed 2,250,000; and provision for the States regarding which we have no information would probably raise this figure to 2,500,000. We have been informed that each loom may on the average be taken to represent a family wholly or partly dependent upon it; so that the number of persons who rely in some measure upon this industry for their support cannot be less than ten millions, a number greatly in excess of that supported by any industry except agriculture. Two and a half million looms, working 200 days in the year (the industry is largely of a seasonal character) and producing on the average $7\frac{1}{2}$ yards of cloth a day would produce in a year 3,750 million yards of cloth; this figure exceeds so greatly the 1,460 million yards given in Table XXXII for 1931-32, which was reached by basing the calculation on the quantity of yarn surplus to mill requirements, that it is clear that either the number of looms has been over-stated or that a very large proportion of them must be idle for the greater part of the year; but the data available do not permit of a closer approximation. A deputation of weavers who made a representation to us in Bombay stated that their looms were in full work only for three months in the year and that for the remaining nine months work was slack. We may however safely conclude that the figures given for the quantity of cloth produced on handlooms in Mr. R. D. Bell's Notes and in the Bombay Millowners' statements are not unreasonably high.

161. In attempting to ascertain the proportion of home spun, mill spun and imported yarn used by the handloom industry we have first tried to compute the total amount of hand spun yarn produced. In this matter we asked the All-India Spinners' Association to place at our disposal any information in their possession, but unfortunately we received nothing more than an acknowledgment of our letter. We have therefore had to rely upon such figures as are contained in the Association's published reports and upon the rough estimates given by Provincial Governments. Mr. Arno Pearse quotes an estimate of fifty million spinning wheels each producing 48 lbs. of yarn annually. This is certainly an over-estimate and Mr. M. P. Gandhi in his book "How to compete with foreign cloth" reduces the estimate of spinning wheels to five millions and the annual output of each to 25 lbs. of yarn.

The All-India Spinners' Association has attempted to organise the hand spinning and weaving industries throughout the country. The latest published report is for the period ending December 31st, 1931. In this report, which deals with the work of fifteen months, we find that 200,000 spinners produced just under six million lbs. of yarn. At this rate the annual output of each spinner will be about 24 lbs. We have also seen a report of the progress of hand spinning in the Mysore State in which we find that in 1930-31 1,800 spinners produced nearly 37,000 lbs. of yarn. We therefore conclude that the maximum production of a spinning wheel in a year may at present be fixed at 25 lbs. of yarn. The All-India Spinners' Association has not brought the whole of the industry within the scope of its organisation. In the Punjab it only claims to deal with one fifth of the production; and we have seen no estimate of the extent to which it controls the industry in other provinces or States. If the proportion of one fifth were applicable to all parts of the country the total annual production of hand spun yarn would be approximately 24 million lbs. The reports of local Governments indicate a possible production of about $21\frac{1}{2}$ million lbs. of hand spun yarn, which, with a margin for areas regarding which we have received no reports, approximates sufficiently to the figures suggested by the report of the All-India Spinners' Association. The All-India Spinners' Association claim that since 1928-29 the production of yarn under its control has more than doubled and that between 1930 and 1931 there was an increase of 17.4 per cent. in yardage, of 12.5 per cent. in weight and of 9.2 per cent. in value. They do not indicate how far this increase is due to an increase of hand spinning or to the extension of their organisation to spinners who previously were independent of it.

162. We have seen in Table XXX that the quantity of yarn—mill spun and imported—available over and above mill consumption in 1931-32 was 365 million lbs. We assume that out of this total a quantity equivalent to the production of hand spun yarn is used for domestic and non-textile purposes. Deducting

this quantity of 24 million lbs. from 365 million lbs. we have next to consider what proportion of the remaining 341 million lbs. is imported from foreign countries. The total nett imports of yarn in 1931-32 were 31 million lbs. Of the imports 45 per cent. were of counts 31s to 40s, 17 per cent. of counts over 40s and 35 per cent. two folds. We are given to understand that the hand weaver uses no imported yarn of counts below 30s and that practically all the imported yarn of counts above 30s must be used by the handloom industry. In this case the hand weaver must use about 30 out of the 31 million lbs. of yarn imported; and the proportions of his total consumption will be—

TABLE LXVII.

—	Million lbs.	Percentage.
Hand spun	24	6.6
Mill spun	311	85.2
Imported	30	8.2
Total .	365	100.0

From a Table published at page 36 of Mr. Hardy's report it will be seen that for the Bombay mills in 1928 the proportion of yarn sold for consumption outside the mills was about 30 per cent. of the total quantity of yarn spun. If we assume that in this respect conditions in Bombay are typical of those throughout the country, it follows that the quantity of yarn sold should be about 30 per cent. of the total production. In 1931-32 the total production was 966 million lbs., 30 per cent. of which is 290 million lbs. This is not far short of the figures 335 million lbs. at which we have arrived as the quantity of mill spun yarn used by the handloom industry and the quantity used for domestic and non-textile purposes.

163. In regard to counts 24s and below there is hardly any competition between Indian mill yarn and imported yarn. In counts 30s and 32s the bulk of the yarn used by the handloom industry is obtained from the Indian mills; but a certain amount of Japanese yarn is preferred on account of its quality—even though the price is apt to be slightly higher than that of Indian yarn. In counts of 40s and above there is very keen competition between the Indian mills and English and Japanese imports. Indian prices are generally so regulated as to be slightly lower than the prices of Japanese yarn. Yarns of counts above 60s are practically all imported and here the competition is between the United Kingdom and Japan. We received a certain amount of evidence in Bengal and also in Ahmedabad that one effect of the swadeshi movement has been to discourage the use of imported yarn by hand weavers, and to make it difficult for those who still use imported yarn to find a market for their cloth.

164. In paragraph 162 we saw that about 85 per cent. of the yarn used by the handloom industry is Indian mill yarn; and from the Table prepared for Mr. Hardy by the Bombay Millowners we find that about 80 per cent. of the yarn which the mills sell is of counts 20s and below. It follows that the great bulk of the production of the handloom industry must be coarse cloth. Thus in the Central Provinces the production is said to be made up as follows:--

TABLE LXVIII.

Counts.	Percentage of total production.
10s.	15.1
12s.	6.0
16s.	49.2
20s.	23.0
32s.	4.3
40s.	2.2
Higher counts	0.2
	100.0

There is considerable variety in the production of dhutis, saris, lungis, upper cloths, shirtings, coatings, towels, sheets and turban cloth which constitute the commonest types manufactured. In the United Provinces there is not much competition in the finer products which cater for special demands; but the coarser cloths have to compete both with the products of Indian mills and with imported Japanese goods. The mill products are said to be cheaper but less durable. Similar reports come from all the provinces; all agree that in coarse saris and dhutis the competition of the mills is seriously interfering with the hand weavers' livelihood. In such varieties as coatings and shirtings the competition of mill-made piecegoods is felt, but not so severely. In Burma the principal class of cotton cloth woven on hand looms is lungyi cloth, and to a lesser extent coarse cloth for shirting, coating or blanket purposes. There is little direct competition with mill-made or imported cloth; but the indirect competition is very keen; for example the fashion for 'shorts' involves the use of cheap imported cloth instead of hand woven lungyi cloth. But in order to illustrate this competition in tabular form we must first consider the cost of producing the different varieties of hand woven cloth.

165. In the great majority of cases the cost of manufacture is borne by a middleman who supplies the weaver with yarn, pays

him wages either for a day's work or for a finished piece of cloth, arranges to market the cloth and bears the risk of making a profit or loss on the transaction. The Director of Industries, Bombay, informs us that 80 per cent. of the weavers in the Bombay Presidency carry on their industry in this manner. What therefore affects the economic condition of the weaver himself is the amount of wages which he receives for his work. We shall first consider the various items which go to make up the cost of manufacture, and then deal in greater detail with the fluctuations in the wages paid to the weaver.

166. To the price of raw cotton must be added the charges for carding and spinning. In Madras the charge for carding is from 1 to 1½ annas a lb.; in Bombay it ranges between 1½ and 1¾ annas. The charge for spinning varies according to the count of yarn spun. In Madras the range is from 10 annas to Re. 1 a lb.; and in one part of Bombay the wages vary between 3 annas a lb. for 8s counts to 8 annas for 16s, 12 annas for 20s, Re. 1 for 24s and Rs. 1-8-0 for 30s. The average spinning wheel is said to produce .030 lbs. of average counts 14s in an hour; to spin a lb. at this rate would take 33½ hours or more than four days of eight hours each, for which the wage payable would be 8 annas or rather less than 2 annas a day.

167. The course of prices paid by the handloom industry for yarn produced in Indian mills since 1927 when the specific duty was first applied, is recorded in statements supplied by the Governments of Bombay and the Central Provinces. These prices for yarn of counts 20s and 32s are as follows:—

TABLE No. LXIX.

	Per lb.			
	Prices of count 20s.		Prices of count 32s.	
	Bombay.	Central Provinces.	Bombay.	Central Provinces.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1927 . . .	0 13 3	..	0 14 6	0 15 0
1928 . . .	0 12 1	..	0 15 0	1 1 9
1929 . . .	0 11 3	..	0 14 6	1 1 2
1930 . . .	0 7 0	..	0 9 0	0 11 7
1931 . . .	0 7 9	..	0 10 0	0 10 7
1932 . . .	0 8 0	0 7 6	0 10 9	1 10 5
		0 8 0		

The rise in the price of 32s in 1928 is probably due in part to the specific duty but it reflects also the rise in the price of cotton at this period. We have made an attempt to ascertain by how much the price which the handloom weaver has to pay for his yarn exceeds the market price in and the freight from Bombay. Handloom weavers can sometimes buy yarn from upcountry mills at lower rates than it costs them to get yarn from Bombay; but when they buy Bombay yarn, their charges are increased by the commission charged by dealers. This addition to the Bombay market price and freight varies very much; for example, out of 48 cases which we have examined, it is below 1 per cent. in 10 cases, between 1 and 5 per cent. in 17, between 5 and 10 per cent. in 10, between 10 and 15 per cent. in seven and over 15 per cent. in 4 cases, in one of which it exceeds 25 per cent. This gives an indication of one matter in which the handloom weaver's charges might be reduced by an organisation for the economical purchase of yarn.

168. The following statement compares for yarn of counts 40s. the prices reported from Bombay and the Central Provinces of the

(3) Imported yarn. yarn imported from the United Kingdom and Japan and that obtained from Indian mills:—

TABLE No. LXX.

	Counts 40s. per lb.					
	Indian.		Imported from United Kingdom.		Imported from Japan.	
	Bombay.	Central Provinces.	Bombay.	Central Provinces.	Bombay.	Central Provinces.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1927 . . .	1 1 6	1 0 7	1 2 9	1 2 10	1 3 0	1 1 2
1928 . . .	1 2 6	1 7 0	1 2 9	1 6 10	1 2 6	1 5 0
1929 . . .	1 1 6	1 5 10	1 2 9	1 3 2	1 2 3	1 2 10
1930 . . .	0 12 9	0 13 2	0 14 6	1 3 4	0 13 3	1 1 2
1931 . . .	0 12 9	0 12 2	0 14 0	..	0 13 6	0 12 10
1932 . . .	0 12 0	0 12 0	1 2 0	0 11 7	0 13 6	0 11 10

The variations between the prices reported by the two provinces are strange. It is difficult to account for the sharp rise in the prices of both Indian and imported yarn in the Central Provinces in 1928 as compared with 1927. If the figures are correct it must be due to special local causes. Neither the rise in the price of

cotton during this period nor the specific duty can explain so large an increase. It will be noticed also on these figures how little the slump in 1930 affected the price of imported yarn in the Central Provinces, while prices of Indian yarn in both provinces and of imported yarn in Bombay had collapsed.

169. The cost of yarn represents about 50 per cent. of the cost of the finished cloth. Other charges to be taken into account are

Other charges. sizing charges, weaving charges and dyeing or bleaching charges. The local Governments have indicated the incidence of these charges per yard of cloth, but have not given the data from which this incidence is calculated. They have however given for the various kinds of cloths the yardage which a weaver should produce in a full day's work; this information with the wage payable per yard gives the amount which a weaver can earn by a full day's work. In Appendix IX we give statements showing the cost of production of typical kinds of cloth as reported from Madras, Bombay, Bengal, Bihar and Orissa and the United Provinces. It will be seen that there is a great variety of cloth from province to province, and that the only cases in which a comparison is possible are those of saris woven from yarn of counts 40s in Madras, Bombay and Bengal, and shirtings woven from 20s count yarn in Madras and Bombay. These costs are compared below:—

TABLE LXXI.

Description.	Size.	Weight.	Ends and picks per inch.	Counts of warp and weft.	Yards per lb.	Cost of yarn per yard.	Sizing charges per yard.	Weaving charges per yard.	Total cost per yard.	Cost per piece of 8 yards.	Weaver's output per day.	Weaver's earning per day.
						Rs. s. p.	Rs. s. p.	Rs. s. p.	Rs. s. p.	Rs. s. p.	Yds.	Rs. s. p.
<i>Saris.</i>	Yds.											
Madras Woman's sari.	48" × 9	3 oz. per yard.	60 × 64	40s × 40s	5.3	0 2 5 per piece.	0 0 7 per piece.	0 1 6 per piece.	0 9 0	4 8 0	6	0 9 0
Bombay mercerised border sari.	44" × 8	1 lb. 15 tolas.	...	40s × 40s	..	1 3 0	0 4 0	0 11 0	..	2 12 0	6	0 7 6
Bengal coloured sari.	45" × 5	...	...	40s × 40s	...	0 15 9	0 5 6 per yard.	...	...	1 5 3	10	0 11 0
<i>Twill Shirting.</i>												
Madras . .	36" × 1	4 oz.	52 × 52	20s × 20s	4	0 2 8	0 0 6	0 1 2	0 4 4	2 2 8	9	0 10 6
Bombay . .	30" × 8	1 lb. 33 tolas.	...	2/40s × 20s	...	1 4 0 per piece.	0 2 0 per piece.	0 11 0 per piece.	...	2 4 0	8	0 11 0

The weaver's earnings for a full day's work vary in Madras between $7\frac{1}{2}$ and $15\frac{1}{2}$ annas, in Bombay between $7\frac{1}{2}$ and 15 annas, in Bengal between 8 annas and Rs. 1-4, in Bihar and Orissa from $8\frac{1}{2}$ annas to Rs. 1-0-3 and in the United Provinces from $12\frac{1}{2}$ to 15 annas. The Director of Industries, Bombay, has given us an interesting description of the effect upon the weavers' wages of the different systems under which the industry in that Presidency is organised. There are a certain number of centres in the south of the Presidency where the handloom industry is producing special kinds of cloth which do not come into competition with any cloth manufactured in the mills. In these centres there was little or no change in the weavers' wages until the effect of the world depression made itself felt at the end of 1929. The fall of wages since 1929 in Belgaum has been from Rs. 1-8 to 12 annas and in Dharwar from 14 annas to 10 annas. In centres like Sholapur too, where the industry is organised on a small factory basis and the proprietors of the factories have the means to buy their yarn and to market their cloth economically, in spite of the fact that much of the cloth manufactured on handlooms comes into direct competition with similar goods produced by the mills, there was no material fall in wages until the trade depression brought them down in 1929. But in centres where the industry is not organised, and where the cloth made on the handlooms competes directly with the products of the mills, wages dropped from Re. 1 in August, 1927, to 10 annas in November, 1929, and 8 annas in May, 1932, the greater part of the fall occurring before the general depression began. There can be little doubt that this fall between 1927 and 1929 was caused by the middlemen who finance the industry taking advantage of the increase in the price of yarn and the lack of organisation among the weavers. This suggests that the weaver is able to meet the competition of the mills if his work is organised on a small factory basis, and that he is able to meet the higher price of yarn if he is free from competition by the mills, but that when he is not organised the combination of the higher price of yarn with mill competition has been too much for him.

170. We are now in a position to see how the prices at which the products of the handloom are sold compare with the cost of manufacture, and how far the margin of profit is reduced by the competition of the mills. For Madras unfortunately the only kind of cloth for which we can give both cost of manufacture and selling price is a fine dhuti—woven from yarn of counts 60s; it costs 6 annas 1 pie a yard to make, and it sells for 7 annas a yard; but the mills produce a similar article at 5 annas a yard. In the case of shirtings (counts 30s to 40s) it appears that the Madras handlooms can produce cloth at a slightly lower price than the mills; but coatings, towels and bleached dhutis are more expensive when made by hand than when manufactured in mills. It is claimed that the quality of the hand made article as evidenced by the number of threads per inch is superior to that of mill product.

In Bombay hand-made cloth is always more expensive than a mill product of comparable quality. In Bengal it appears that a checked sari made from yarn of counts 50s to 70s is sold at the same price as a mill made article woven from counts 40s to 54s. For other provinces the information which we have received is in more general terms; thus in the United Provinces the handloom industry feels the competition of the mills in the coarser varieties of cloth; the mill product is not exactly similar, but is designed to meet the requirements of the villagers, but though the mill product is cheaper hand woven cloth is preferred on account of its greater durability. In Bihar and Orissa we are told that competition both from Indian mills and from imported goods is most severely felt in the medium qualities, woven from counts 20s to 40s. From Bombay comes a definite complaint that the mills are now manufacturing saris and bodice cloths of patterns similar to those formerly produced on handlooms; the price of a sari woven in a mill from yarn of counts 40s is said to be Rs. 4·3 compared with Rs. 5·4 which is the price of a similar article woven on a handloom. These Bombay weavers ask that the mills should be prohibited from weaving saris from yarn of counts below 40s. The mills at Ahmedabad have in fact agreed not to weave cloth from yarn of counts 18s and below, in order to leave the manufacture of coarser cloth entirely to the handloom industry, although in practice this restriction appears to be confined to mill made khaddar. The conclusion to which we come on a consideration of all the evidence at our disposal is that there is practically no competition between the mills and the handlooms in the finest qualities of cloth woven from counts 60s and above, for people who can afford to buy these superior goods wish them to be of special design and it is easier and more economical for the hand weaver to cater for individual tastes than for a mill which must aim at mass production. In the case of goods woven from counts 20s and below the margin of cost above the raw material is so small that there is relatively less scope for the economies which attend large scale production. Moreover, the market for this coarse cloth is in every village at the handloom weavers' very door. Thus, in spite of the development of the mill industry, as much as 40 per cent. of the cloth woven from yarn of counts 20s and below is woven on handlooms. It would therefore appear that although there is a good deal of overlapping between hand woven and mill made cloth in counts 20s and below the position of the mills is not so strong as in the higher counts. It is in the medium qualities woven from counts 21s to 50s that the competition is most severe. As we have seen, this can only represent a small proportion of the handloom weavers' output; though it may probably form a larger portion in some localities than in others.

171. That the protective duties on piecegoods have benefited the handloom industry is the opinion of the Governments of Assam, the United Provinces, Bihar and Orissa, Burma and the Hyderabad State. The Government of the

Effect of protective
duties : (a) Duty on
piecegoods.

North-West Frontier Province express no opinion as to the effect of the duty on the industry but emphasise the hardship which the duties must inflict upon the consumers, who form practically the whole population of the province. The Government of Madras point out that the benefit of the duty on piecegoods is principally felt by the mills who are the handloom weavers' chief rivals. The Government of Bombay express no opinion on the subject, nor do the Government of the Central Provinces. The Government of the Punjab, while admitting that a heavy duty on piecegoods might bolster up the handloom industry, fear that without an equivalent excise on mill products the competition of the mills would be fatal. The Government of Bengal quote their Director of Industries who considers that the duty on piecegoods has not benefited the handloom industry which must inevitably succumb as the mills develop their production. Having considered all these expressions of opinion we come to the conclusion that the duty on piecegoods by maintaining a level of prices higher than would have been possible without it, has undoubtedly been of assistance to the handloom industry. It may be true that the mills, for whose assistance the duties were designed, have benefited more from them and therefore have become better able to fight the handloom industry; but if the mills have been strengthened for attack, the handloom weaver has been strengthened for defence.

172. Out of eleven opinions received from local Governments and Administrations, there are only three who consider that the

(b) Duty on yarn. protective duty on yarn has not been injurious to the handloom industry. The Government of the United Provinces consider that as the handloom weaver can always use Indian yarn and as there is enough internal competition among the Indian mills to keep down prices, there can be no objection to a duty on yarn of the lower counts which compete with the Indian spinning industry. The Director of Industries, Bombay, considers as we have already seen that the imposition of the specific duty on yarn in 1927 caused a fall in weavers' wages in cases where the handloom industry without any organisation was producing goods in competition with the mills. He estimates that the entire abolition of the duty on yarn would not raise the weavers' wages by more than $1\frac{1}{2}$ to 2 annas a day; nor would it reduce their cost of production sufficiently to enable them to meet mill competition. The Government of Bengal quote the opinion of their Director of Industries that the handloom industry has not suffered materially from the protective duties on cotton yarn. Most of the other replies point out that the protective duty on yarn has raised the price even of Indian yarn of non-competitive counts; the Government of Bihar and Orissa quote a rise of price of yarn of 20s count from Rs. 7-6 in June, 1927 to Rs. 10-4 in September of that year. They ask either that the duty be entirely abolished and yarn admitted free, or that the specific duty imposed in 1927 be removed. The increase in the price of yarn in September, 1927 as compared with the preceding June must have been mainly a reflection of the sharp rise

in the price of cotton between those months, Broach having risen during the period from Rs. 330 to Rs. 475. The price of 20s yarn in Manchester during the same period rose from 12 $\frac{3}{4}$ pence to 18 pence. The Government of Madras make the more moderate request that the specific duty be abolished on yarn of counts above 40s which, it is claimed, cannot be obtained from Indian mills. The Government of Burma, pointing out that their own spinning mill may benefit a little by the protective duty on yarn and their handloom industry by the protective duty on cloth consider that these benefits will not compensate for the burden which the duties will lay upon the people of the province and ask that Burma should be excluded from any legislation carried out in the interests of India. The Bombay Millowners' prices of yarn which we have quoted in a previous Chapter show an increase in the price of Indian yarn of all counts by amounts which ranged from three pies a lb. in the case of "4s Bump" to one and a half anna a lb. in the case of 10 $\frac{1}{2}$ s and one anna a lb. in the case of 20s to 24s. The occurrence of a large increase in the price of cotton at the same time as the specific duty was introduced makes it difficult to distinguish the effect of the duty on prices. But considering the fact that the price of standard long cloth in Bombay rose in 1928 by only 3 pies a pound as compared with 1927, an increase of one anna a pound in the price of yarn of 20s to 24s must be attributed partly at any rate to the specific duty on yarn. The Bombay Millowners' Association contend that the prices of yarn in 1927 were uneconomical and that the duty helped them to raise prices to a more economical level. If so, it is obvious that the mills' losses were made up at the expense of the handloom weaver.

173. We are informed by the Bombay Millowners' Association that according to the latest information furnished to them between 90 and 95 per cent. of the artificial silk yarn imported into India is used by handloom weavers, especially in Southern India, the Punjab and Burma. Its use in mills has been almost entirely given up, partly on account of the difficulty experienced by the mills in competing with the heavy importations of cheap Japanese artificial silk goods and partly in obedience to the dictates of the Congress that nothing but Indian yarn should be used. We are informed that little or no artificial silk yarn is used in Bihar and Orissa, the Central Provinces, the North-West Frontier Province, Delhi or the Hyderabad State. Assam fears competition with her genuine silk and wants sufficiently heavy duties on artificial silk to protect her industry. Bengal formerly used a little artificial silk yarn to decorate the border of saris and Bombay still uses this yarn for the same purpose. Bengal is now using her own natural silk under the influence of the swadeshi movement, and infers that the duties on artificial silk yarn and piecegoods have been beneficial to her silk weaving industry. Bombay points out that the quantity of artificial silk yarn used in weaving a sari is so small amounting only to a few tolas, that the total abolition of the duty would make a negligible difference in the cost of

(c) Duties on Artificial silk : (i) Yarn.

production. It is true that in the case of the cheapest saris which cost Rs. 2-2 or Rs. 2-4 each the artificial silk yarn represents only three annas or about one twelfth of the cost. But there are many of the more expensive varieties in which the cost of the artificial silk yarn represents as much as half the total cost of production, e.g., Rs. 9-6 out of Rs. 18 or Rs. 18-8, Rs. 3-10-6 out of Rs. 6-12, Rs. 3-13-6 out of Rs. 7-4 or Rs. 7-8 and Rs. 6-14 out of Rs. 12. The United Provinces regard artificial silk yarn as the chief hope of the handloom weaver and want the duty reduced to a low level. The Punjab Government inform us that their artificial silk weaving industry has been so seriously affected by the competition of imported goods that they are doubtful whether it can be revived. They add however that it would be assisted by the admission of artificial silk yarn free of duty. The Government of Madras while admitting that their handloom weavers have taken freely to the use of artificial silk yarn in the production of saris, dress materials and shirtings, point out that they are unable to produce their goods at a cost as low as that at which imported goods are sold.

TABLE LXXII.

	Cotton and artificial silk mixtures.		Pure artificial silk.
	A.	B.	
	a. p.	a. p.	a. p.
Cost of cotton yarn	1 4	1 4	...
„ of artificial silk yarn	1 4	1 8	2 2
Dyeing preparation and weaving charges	4 0	5 3	3 6
Cost of production	6 8	8 3	5 8
Sale price of comparable Japanese cloth	7 0	7 0	4 6

But even if the local industry could compete with imported goods the Madras Government would not encourage the import of artificial silk yarn, considering its use detrimental to the interests of Indian cotton growers and manufacturers in displacing a considerable volume of indigenous cotton and silk goods and not even beneficial to the consumer, for goods made of artificial silk do not wear as well as cotton piecegoods. Madras would therefore welcome prohibitive duties on artificial silk yarn. This attitude is diametrically opposed to that of the Millowners' Association, and

of the Governments of the United Provinces and the Punjab where, after Madras, artificial silk yarn is most used. The Millowners' Association and the Punjab Government recommend its admission free of duty as a measure of assistance to the handloom industry while the United Provinces Government would be content with a low rate of duty. We should have been inclined to propose a reduction of the duty on artificial silk yarn in the interests of the handloom industry. But since we have no information as to the possible reaction of such a measure on the silk industry, we have refrained from making any recommendation.

174. With the exception of the Director of Industries, Bihar and Orissa, every authority who has expressed an opinion on

(ii) Piecegoods. the matter, as well as the Millowners' Association, demands a prohibitive duty on artificial silk goods, the cheapness of which jeopardises the Indian silk industry as well as the cotton textile industry both in the mills and on handlooms. In Bihar and Orissa no artificial silk yarn is used by the handloom industry; imported artificial silk goods provide a cheap luxury for the poorer classes; and reduction of the duties or their abolition will be in the interest of the consumers and is not likely to affect the handloom industry to any appreciable extent. There is no discussion of the degree of competition between imported artificial silk goods and cotton piecegoods woven on handlooms, which other provinces report to be increasing rapidly in severity; but it is unlikely that competition which has manifested itself in all other parts of the country should not yet have reached Bihar and Orissa; and it is probable that this aspect of the question has escaped notice.

175. We now summarise our conclusions regarding the handloom industry. The duties imposed on piecegoods by the Cotton Textile Industry (Protection) Act, 1930, have benefited the handloom industry equally with the mill industry. The duty on yarn introduced in 1927 has however definitely handicapped the handloom industry. In yarn of medium and finer counts, the cost of yarn to the handloom weavers has been raised by almost exactly the amount of the duty in comparison with import prices. In the coarser counts which represent the bulk of the yarn consumed by the handloom weaver, the price although still considerably less than the corresponding import price *plus* duty is higher than it would have been without the duty. The severe trade depression which has prevailed since 1929 has seriously reduced the average earning capacity of the handloom weaver. The effect of the depression has been accentuated by the relative increase in the cost of yarn on account of the protective duty. Thus the position of the handloom weaver in comparison with the mill industry has considerably deteriorated since 1927. The excise duty while it was in force had afforded a small measure of assistance to the handloom weaver as against the mills. The removal of this duty followed immediately by the

Effect of duties on handloom weavers summarised.

protective duty on yarn has adversely affected the position of the handloom industry in competition with the mill industry. Since the handloom weaver cannot regulate his production according to the state of the market without risking starvation for himself and his family the true criterion for judging the position of the handloom industry is not the proportion of the quantity of cloth woven on handlooms to the total production but the wages earned by the handloom weaver. Judged by this test, his position on the evidence we have received must be regarded with some concern.

176. The bulk of the handloom production consists of cloth of counts 20s and below. The manufacturing charges in this class of cloth bear a relatively small proportion to the total cost and hence the scope for economies resulting from large scale production by machinery is limited. The handloom weaver has also the advantage of being nearer the market for his goods and in closer touch with local tastes and preferences in the matter of cloth. As regards the coarser counts, it appears therefore that handloom production in India is not uneconomical and cannot be dismissed as an industry which will necessarily succumb to the mill industry. It is therefore unfair to the handloom industry and against the national interest to burden it with charges which will impair its competitive strength. It is doubtful if in medium and finer counts the handloom weaver will be able to survive the competition of the mills. The cost above raw material in these classes of cloth is proportionately so much higher that machine production offers great advantages as compared with handlooms. The handloom weaver however is in a very favourable position as regards cloths of the finer counts in which special designs of an artistic character are in demand. Here the immemorial skill of Indian handicraft will preserve the handloom weaver against mill competition so long as machine made imitations are not too cheap. The influx of artificial silk goods is at present a more serious menace to handwoven cloth of the finer counts than cotton fancies made in Indian mills. It is in medium counts ranging from 30s to 50s where the scope for economies of large scale production is considerable and at the same time there is little demand for artistic work that the handloom weaver's position is most seriously threatened. Unfortunately in this class of cloth, his costs as compared with those of the mills have been considerably increased by the specific duty on imported yarn.

177. Our proposals regarding the duty on yarn are explained in Chapter X. It will be seen that we propose a reduction in the specific duty on yarn from $1\frac{1}{8}$ annas a pound to 1 anna and also the restriction of the duty to yarn of counts 50s and below. We believe that this will afford a substantial measure of relief to the handloom industry. We have received numerous suggestions from representatives of handloom weavers and from Directors

of Industries for the grant of further relief to the industry. It has been suggested that arrangements should be made by which mills would agree to exclude from their production those classes of cloth which form the bulk of the output of handloom weavers. A somewhat similar proposal was made two years ago in connection with the swadeshi movement. Under this proposal the mills were required not to produce cloth of counts below 18s. The Ahmedabad Millowners' Association accepted this proposal but apparently they have confined its operation to mill made khaddar and have excluded from its scope all other kinds of cloth of counts below 18s. The Bombay Millowners' Association, we understand, agreed to exclude from their production cloth of counts below 10s but asked that various exceptions should be made if the limit was raised to 18s. The object of these restrictions has been primarily to promote the manufacture of handspun khaddar. We have carefully considered whether any practicable arrangement on those lines could be made so as to afford the handloom industry relief from competition by mills. The first difficulty in regard to such an arrangement is that there is apparently no agreement among handloom weavers as to the classes of cloth which mills should agree not to produce. The only feasible basis for any limitation is that indicated by counts of yarn as in the proposal referred to above. Since the bulk of the handloom production consists of the coarser counts, it may appear reasonable to suggest that the line should be drawn at 20s or thereabouts. But the representatives of handloom weavers in Bombay who appeared before us considered that it was more important from their point of view that saris of medium counts should be excluded from production by mills than the coarser counts. Even if it were agreed to exclude the coarser counts, it would still be necessary to exempt from restriction various kinds of cloth of the coarser counts which are not made by handloom weavers such as drills and jeans, T-cloth and domestics, tent cloth, etc. Another difficulty equally important is to find means of enforcing a provision on these lines even if an agreed basis is found. Considering the number of cotton mills in the country and the extent to which they are spread over the country including Indian States as well as British India, the compulsory enforcement of such an arrangement must be dismissed as impracticable. But although we consider it impossible to include any such provision in our proposals we still think that the Bombay and Ahmedabad Millowners' Associations and also the other mills in India should regard it as an essential obligation arising from the grant of protection to refrain from entering into unfair competition with the handloom industry so as not to impair its relative position. It is obviously impossible for us to make detailed suggestions as to how this obligation may best be discharged by the mill industry. But we think that the Millowners' Associations should make a point of keeping in close touch with Directors of Industries whose advice on questions regarding co-operation between the handloom and the mill industry should prove of the greatest value.

178. A second suggestion we have received is that since it is the cotton mills which stand to benefit chiefly from a policy of protection a small cess at a rate not exceeding 3 pies a pound should be levied on their output for the purpose of creating an All-India fund from which contributions

Proposal to levy cess in aid of the handloom industry.

may be made to the provinces in aid of the development of the handloom industry. There are various directions in which if funds are forthcoming substantial assistance may be rendered to the handloom industry in the provinces, especially in the matter of organising purchase and sale and providing facilities for research and training. We are in sympathy with this proposal and would commend it to the Government for favourable consideration. If it is decided to levy a cess on mill made goods during the period of protection, it is essential that an addition at a corresponding rate should be made to the specific duty on imported piecegoods so as not to impair the measure of protection intended for the mill industry. There is one difficulty however which in our opinion renders the immediate adoption of the proposal inadvisable. Unless means can be devised for levying such a cess on mills situated in Indian States as well as in British India, the former will obtain an unfair advantage. The output of the mills in Indian States is rapidly increasing, their total production being now the highest next to Bombay and Ahmedabad. Mills in Indian States already enjoy substantial advantages in respect of taxation, labour legislation, etc., and we are averse to any measures calculated to increase the comparative disadvantage of mills in British India. We consider therefore that the question of levying a cess for the assistance of the handloom industry should be held over till a constitution is evolved which will enable the Government of India to legislate for both British India and the Indian States.

179. It is convenient at this stage to set out briefly the effect of the swadeshi movement on the cotton textile industry during the period under review. Its more constructive aspect may be dealt with first. Although the movement originated as early as 1905,

Beneficial effect of the swadeshi movement.

it did not assume a definite and concrete shape till the beginning of the post war period when the economic and political unrest which followed the war contributed a strong impetus to the movement. It was during this period that the cult of handspinning as the characteristic expression of the swadeshi spirit first came into prominence. The economic and political troubles which arose at the commencement of 1930 intensified the movement and gave rise to well organised and sustained efforts for promoting it. These efforts were directed specially towards a more rapid replacement of imported cotton goods by goods made in India and have been attended with marked success. The fact that these efforts coincided in point of time with the introduction of protective duties on cotton piecegoods and with the general trade depression renders it impossible to distinguish the effect of the movement either on the level of prices or on the volume of imports. But it is

✓ generally admitted that the remarkable increase in the production of Indian mills particularly in the finer counts during the past two years has been substantially assisted by it. The fall in the general purchasing power of the country as shown by the drop in the prices of agricultural commodities has helped in diverting the demand for cloth from high-priced to low-priced goods. This accounts partly for the decline in the imports of piecegoods. But the decline would not have been so marked or precipitate but for the influence exerted in the same direction by the swadeshi movement. How far it has helped in raising, or in preventing the fall in, the prices of Indian made goods, it is more difficult to estimate. It is fairly obvious that it has had little direct effect on the price of the coarser kinds of cloth since the Indian industry had already captured by far the greater part of the market for such cloth. But we believe that as regards cloth of medium and fine counts in which the Indian product is exposed to severe external competition, the swadeshi movement has assisted, in conjunction with the protective duties, in preventing a larger fall in prices. The fall in the prices of piecegoods in India since 1930 does not appear to be in excess of the decline in cotton prices. To this result the swadeshi movement by stimulating the demand for Indian goods must have materially contributed.

180. The negative aspect of the movement especially in the more aggressive form which it assumed since 1930 has to a considerable extent nullified the solid and substantial advantages which its more constructive aspect conferred on the Indian industry.

Adverse effect of the movement: (i) Suspension of business.

The first and most important element in this negative aspect is the frequent suspension of business particularly in the city of Bombay in which certain phases of the movement found expression. The frequent interruption of business in the cotton market and the market for piecegoods and the general spirit of uncertainty in business circles which have prevailed since 1930 have undoubtedly prevented the mills in Bombay from taking full advantage of the protective duties and the increased demand for Indian piecegoods. The city of Bombay has been the chief centre of the negative manifestations of the movement and the mills in Bombay have thus been placed in a position of serious disadvantage as compared with other centres of production. The comparative disability of the Bombay section of the cotton industry has been accentuated in consequence of it.

181. Another element of a negative character consists in the restrictions which have been imposed in connection with certain aspects of the cotton industry. We have already referred to the restriction regarding the manufacture of khaddar cloth in mills.

(ii) Restrictions regarding the use of yarn.

In consequence of this the production of mill made khaddar fell from 60.2 million pounds in 1930-31 to 41.5 million pounds in 1931-32. The difference represents approximately 5 per cent. of the total estimated production of the handloom industry. To

this extent the restriction may be said to have been of assistance to handloom weavers. The most important restriction relates to the use of imported cotton yarn and of artificial silk yarn. Every effort has apparently been made to prevent the use of imported yarn either by mills or by handlooms. On the former the restriction has had little adverse effect since with a protective duty on yarn and the recent fall in the prices of foreign cotton the use of which has not been restricted, the spinning of yarn of the finer counts has been generally profitable for mills. On handlooms on the other hand the restriction has in many cases temporarily at any rate resulted in serious hardship. The strong prejudice fostered against the use of imported yarn has in various parts of the country prevented the handloom weaver from finding a sale for cloth of finer counts woven by him; and this has happened at a time when as the result of the protective duty on yarn his cost of material relatively to cloth has been considerably increased. The restriction regarding the use of artificial silk yarn has also had a similar effect. With the increasing competition from imported goods made wholly or partially of artificial silk, the handloom weaver is often compelled as a measure of self-preservation to use artificial silk yarn in cloths woven by him either in the fabric or for decorative purposes. For such goods it has become difficult to find a sale. At the same time there has been no restriction as regards the use of imported artificial silk goods which compete severely with the product of the handloom weaver. It must be remembered that the effect of the swadeshi movement and of the protective duties as regards the prices of Indian made cloth has been felt least in the coarser counts which form the bulk of the output of the handloom industry.

182. From the figures set out in paragraphs 166 to 168 of this Chapter it will be noticed that hand spinning the promotion of which is apparently the chief object of these restrictions has in the meantime shown little progress. Hand spinning as a subsidiary occupation for the agriculturist has considerable economic value and if its progress were substantially assisted by these restrictions, their usefulness could not be questioned. But we have seen no signs of any substantial progress. We have been at considerable pains to collect all available information on the subject and the general impression left on our minds by the evidence of witnesses in close touch with rural industries in different parts of India is that hand spinning has on the whole derived little impetus from the swadeshi movement during the past two years. It follows therefore that neither the handloom weaver nor the agriculturist has so far benefited to any substantial extent by the restrictions imposed on the cotton textile industry in connection with the swadeshi movement. The benefit of these restrictions has been confined to the mill industry of which the Bombay section has probably benefited least.

CHAPTER IX.

Subsidiary Industries.

183. We have received applications for protection from two industries—hosiery manufacture and braid making—the principal raw material of which is cotton yarn which can be procured from Indian mills.

Applications from the subsidiary industries.

184. The industry of hosiery manufacture is well established in several parts of the country. It is organised in a variety of ways. There are several cases in which hosiery departments are attached to large textile mills; there are a number of small factories in which knitting machines are driven by power; and in Bengal and the Punjab it is a widely followed cottage industry manufacturing articles on hand worked machines. We have received representations from the Hosiery Manufacturers' Association of Bengal, from factories in Ahmedabad, Lahore, Pabna in Bengal, and Rangoon, and from one of the large textile mills in Calcutta to which a hosiery department is attached. We have not been able to obtain any precise information regarding the extent and distribution of the industry. The Statistical Abstract published in 1932 mentions thirty-eight factories, fifteen in Bengal, eight in Bombay, eleven in Madras and two in the Punjab. These statistics are evidently incomplete. Our information is that in Bengal there are forty-four factories in which the machines are driven by power, thirty being in and near Calcutta and eight or nine in Pabna, and about a hundred factories in which the machines are worked by hand, while one mill has a hosiery department attached. The power factories employ about 1,000 men and the smaller factories about 2,500. In Bombay there are seven factories which employ 847 persons and in Madras fourteen factories employ 579 persons. In the United Provinces there are hosiery departments attached to four of the textile mills. We are told of six factories in the Central Provinces, but have no information how many persons they employ. We have heard from one factory in Rangoon. And in the Punjab we are told of the existence of 160 factories, of which six employ more than fifty hands and thirty are worked by power; the average number of men to a factory is about twenty-five; the total number of men in the province employed by the industry is upwards of 750 and the total number of machines is about 2,100. Thus so far as

our information goes, the strength and distribution of the industry is as follows:—

TABLE LXXIII.

Province.	Number of factories worked by		Number of men employed.
	Power.	Hand.	
Bengal	44	100	3,500
Punjab	30	130	750
United Provinces	Hosiery Departments in four mills.		
Central Provinces	6	..	Not reported.
Bombay	7	..	847
Madras	14	..	579
Burma	1	..	Not reported.
Total	102	230	5,676

185. For the manufacture of hosiery, yarn must be uniform in diameter and it must also be softer than the yarn used for weaving. This softness is obtained by reducing the twist in spinning. To compensate for the loss of strength caused by the reduction of the twist cotton of a longer staple must be used than is required for the spinning of a weaving yarn of the same count. Thus a mixture suitable for spinning counts 26s weaving yarn will be used to spin hosiery yarn of counts 20s. The power driven factories in Bengal use 91 per cent. Indian yarn which is quite good enough for the manufacture of cheap underwear comparable with the qualities imported from Japan. The factory at Ahmedabad buys all its yarn locally except a very small quantity of deep coloured brownish Egyptian yarn which is used for special purposes. The factory in Rangoon uses Indian yarn of counts 16s to 24s, but imports yarn of counts 30s from Japan. The Lahore factory prefers Indian yarn to Japanese, but uses mostly Japanese yarn both because it is cheaper and because it is always procurable in the market. Indian yarn of superior counts has to be ordered direct from the mills who are not always ready to cater for small orders. The factory at Lahore manufactures only socks and stockings; the other factories from which we have received applications make chiefly underwear. The process of manufacture is the same in each case. The yarn may be bought either on cones or in hanks; if bought on cones it can be worked on the knitting machines direct; otherwise it has to be wound on to bobbins. On the knitting machine the yarn is manufactured into circular rolls of fabrics, of sizes which vary according

to the size of the machine. When the fabric leaves the knitting dried and calendered. It is next sent to the tailoring department machine, it is bleached or dyed according to requirement, and then where it is cut by hand to the shapes required for bodies, sleeves, necks, etc. All the sewing is done on machines which in a power factory are working by power and often at a very high speed. From the tailoring department the articles go to be ironed, pressed, stamped and packed.

186. The monthly statistics of cotton spinning and weaving in Indian mills show the quantity of hosiery manufactured. These figures at the best cover only the production of power driven factories and do not include the production of the cottage industry which, as we have seen, is an important feature in Bengal and in the Punjab. And it is by no means certain that the whole production of power driven factories is shown; for the output in Bengal in 1931-32 is given as 163,000 dozens, whereas the Hosiery Manufacturers' Association of Bengal state the total annual output of all classes of cotton hosiery goods in their power driven factories to be 472,000 dozens. This serious discrepancy throws considerable doubt on the value of the tabulated statistics. But in the absence of more reliable figures we show them in the following Table together with the imports for the last six years:—

TABLE LXXIV.

Hosiery (stockings and socks and underwear).

	Imports.			Indian Manufacture.		
	Quantity thousand dozens.	Value Rs. lakhs.	Average value per dozen. Rs.	Quantity thousand dozens.	Weight thousand pounds.	Average weight per dozen. lbs.
1926-27 . .	4,737	141.71	2.99	352	983	2.79
1927-28 . .	4,513	132.21	2.93	456	1,214	2.66
1928-29 . .	5,149	139.88	2.72	493	1,609	3.26
1929-30 . .	5,106	139.09	2.72	576	1,923	3.34
1930-31 . .	3,843	86.35	2.25	500	1,668	3.34
1931-32 . .	2,593	46.95	1.81	622	1,974	3.17

It is clear that there is considerable scope for the development of the Indian industry, even allowing for omissions in the returns of Indian production.

187. We have made a detailed examination of the cost of manufacture in a factory at Ahmedabad and also the costs of a typical factory placed before us by the Hosiery Manufacturers' Association of Bengal.

Cost of manufacture of underwear. The minimum economical production for a factory is stated to be about 200 dozens of underwear a day. For this production a capital outlay of about Rs. 1.55 lakh is required. There is a widespread complaint that the 5 per cent. allowance made by the Income-tax authorities for depreciation of machinery is inadequate, the wear and tear involved by the constant use both of knitting and sewing machines being such that their effective life can never be more than ten years and is often less. It is urged that in England 10 per cent. is allowed on such machinery, while in the United States of America it is suggested that for sewing machines the allowance may be as high as 20 per cent. We consider that 10 per cent. is a reasonable rate for both sewing and knitting machines. We find that the average cost of manufacturing a dozen vests weighing 3 lbs. 2 oz. a dozen may be put at Rs. 3-5-6, allowing for 16 per cent. wastage of yarn. To this figure we add 8½ annas to provide for interest on working capital at the rate of 6 per cent. on four months' works costs, depreciation at 10 per cent. on the machines, and profit at 8 per cent. on the capital invested. We thus get a fair selling price of Rs. 3-14-0 a dozen. Comparable Japanese vests weighing 2 lbs. 8 oz. a dozen are imported at a c.i.f. price of Rs. 2-6-0 a dozen; so the measure of protection necessary is not less than Rs. 1-8-0 per dozen vests. An alternative statement of cost works out to Rs. 4-8-0 a dozen after providing for depreciation and interest and profit. Owing to the competition of imported articles the utmost that can be realised for these goods which cost Rs. 4-8-0 a dozen to manufacture is Rs. 3-12-0 a dozen; 12 annas out of this represents the present duty at 25 per cent. So the measure of protection required in this case too works out at Rs. 1-8 a dozen. If the duty is levied on the basis of weight, allowance will have to be made for the difference in weight between comparable qualities of Indian and Japanese goods. We understand that the imported goods often weigh not more than two-thirds of the weight of the Indian manufactures with which they compete. Thus Indian goods weighing 3 pounds a dozen have to compete with imported goods whose average weight will not be more than 2 pounds a dozen. To afford adequate protection it will therefore be necessary to fix the duty per pound sufficiently high to cover this difference. This difficulty will not arise if the duty is levied on the basis of quantity. To render any measure of protection effective it will be necessary to impose a protective duty not only on the imported articles which compete with similar articles manufactured in India, but also on imports of knitted fabric; otherwise it might well pay the importer to import knitted fabric and arrange for the tailoring to be done in India; and an arrangement of this sort might render any measure of protection nugatory. It will also be necessary to impose a protective duty

on imports of underwear made from woven fabrics; for there are certain articles such as cotton crepe vests which come into direct competition with the hosiery manufactured in India.

188. The only material available to us for estimating the cost of manufacturing socks and stockings is a statement from the factory at Lahore. This statement is based on an average production of 450 dozen pairs a month, while the capacity of the factory is 600 dozen pairs or even more. Costs at present average Rs. 3-14-0 a dozen pairs; but if the equipment is increased to an economical size, costs should come down to Rs. 2-14-0; and if the factory is worked to full capacity there should be a further saving of at least 6 annas a dozen pairs. We therefore take Rs. 2-8-0 a dozen pairs—including profit, interest and depreciation—as a fair selling price. Comparable Japanese goods are imported at a c.i.f. price of Rs. 2 a dozen pairs. So, the measure of protection required is 8 annas a dozen pairs.

189. The Tariff Board in its 1926-27 report rejected the hosiery industry's application for protection partly for the reason that it was not confronted with unfair competition from Japan, but chiefly because they considered that the grant to the hosiery industry of protection on a scale higher than that applicable to other manufactured cotton goods would merely furnish an incentive to textile mills to devote more attention to this branch of the industry and encourage them to produce hosiery articles in such quantities and at such prices as to ruin the small factories in which hosiery was mostly manufactured. We have made a point of examining this question in some detail in order to understand how far the manufacture of hosiery is an industry in which a mill which is in a position to produce standardised articles in large quantities has an advantage over the smaller producer. While there are certain hosiery articles for which the demand is constant, there are many others of which the patterns and designs are frequently changed. Many varieties of yarn are used, some American and some Egyptian. Where the demand is for comparatively small quantities and for great diversity of design, the mill is at a disadvantage; for a smaller plant can adapt itself to new varieties in less time and with less dislocation of work, which involves waste, than a large mill. And even in the mass production of standardised articles the advantage enjoyed by the mill is not so great as might be expected. Two great advantages which they enjoy are that they can use yarn spun in the mill and so save baling and other charges, and that the power for the hosiery department can be supplied from the same source as the power used in other departments of the mill which saves the cost of a separate staff. We are however informed that competition between the Calcutta Municipal Corporation and the Electric Supply Corporation has reduced the price charged for the supply of electric energy to small factories to

a figure which is comparable with the cost of power supplied to a Bombay mill by the Tata Hydro-Electric Companies. The bulk of the expenditure on labour is incurred in the tailoring department where the mill has no advantage over the small factory. The mills also find that goods which are bleached by hand are preferred in the market to those treated in the mills' bleaching plant, so that in this case too they have no advantage. Expenditure on stores and packing and interest charges will be the same in a small factory as in a mill. While in respect of overhead charges, salaries, and wages of daily labour the small factory should have an advantage in the closer supervision which the proprietor of a small factory is able to exercise; and the small factory is also able to save the expense which a mill incurs in the commission paid to a selling agent. We are thus led to the conclusion that it is only in the limited number of articles which are suitable for mass production that the mill has any advantage over the small factory, and that even in the case of these articles the savings secured by the mill in charges for yarn and power are to a great extent balanced by the advantages which the small factory enjoys under supervision, daily labour and selling expenses. Power represents only 1.06 per cent. of the cost of manufacture of hosiery, and the cost of baling yarn is not likely to be a higher figure; but the items of expenditure in which the advantage is with the small factory represent not less than 4.6 per cent. of the whole expenditure. Thus even if the mills were induced to develop the hosiery business, it is by no means certain that they would be able to displace entirely the small manufacturer; and we do not consider that such a remote contingency should rule out the hosiery industry's claim to protection.

190. There are in Calcutta three factories equipped for the manufacture of cotton braid; there are ten such factories in Dacca and four in Delhi. New Industries, Limited, the firm which owns one of the Calcutta factories, has applied for the protection of the industry by means of a duty of 100 per cent. on all imports. The Company was floated in 1922 with an authorised capital of Rs. 6 lakhs of which Rs. 1 lakh only was paid up. From 1919 to 1922 the factory was under private management. Its original equipment was 600 machines, but from time to time the number has been increased till at present it stands at 2,100. The full capacity of the factory is about 200,000 pounds a year, and the greatest output so far attained was 90,000 pounds in 1929. The process is simple; the yarn is first wound on to spools; each machine consists of six sets of nine spools each and the operation of the machine is planned to move the spools in such a way as to plait nine strands of yarn into one strand of braid. There is also a small dyeing plant in which some of the braid is coloured. The chief use of the braid is for the threading of jewellery and other decorations when worn upon the person; it is used chiefly in Bengal and also to some extent in Upper India; and the manufac-

turer claims that as it is a luxury it should when imported be liable to a revenue duty at 50 per cent. which for protective purposes should be raised to 100 per cent. Most of the imports come from Japan, small quantities only being brought from Germany and Czechoslovakia. This article does not figure separately in the Customs returns being included under "Haberdashery" which as a textile fabric is at present liable to duty at 25 per cent. The representative of New Industries Limited states that he has been informed that the annual imports at the Calcutta port are from 1,200 to 1,500 cases of 100 pounds each. The only other port at which it is imported is Karachi; and the quantity brought there has not been ascertained but is believed to be small. So far as Bengal is concerned, the market in 1929 would appear to have been, say, 200,000 pounds imported, 100,000 pounds manufactured by New Industries, Limited, and 50,000 pounds produced by the two other factories in Calcutta or 350,000 pounds in all. Thus New Industries Limited's factory and the other two factories in Calcutta could, if working to capacity, supply practically the whole requirements of Bengal.

191. The capital cost of a factory equipped to produce 200 lbs. of braid a day or 90,000 lbs. in a year, working double shift, is estimated at Rs. 62,500; and the amount of

Cost of manufacture. working capital required is Rs. 8,000. Works costs cannot exceed 13 annas 10 pies a lb. (including 9 annas for cost of yarn). Depreciation at 5 per cent. is $6\frac{1}{2}$ pies a lb.; interest on working capital at 6 per cent. is 0.34 pies a lb.; and profit at 8 per cent. on capital of Rs. 62,500 is 10.6 pies a lb. The resultant fair selling price is 15 annas 6.6 pies a lb. Last August the landed price (*ex-duty*) of Japanese braid was 9 annas a lb.* at which price a duty of $6\frac{1}{2}$ annas would be required to protect the Indian industry.

192. In the case of the steel industry it has been recognised that once it is decided to foster the manufacture of steel in India, engineering and other works engaged in the

Recommendations. fabrication of steel, which provide an indirect but immediate stimulus to the production of raw steel, are *ipso facto* entitled to claim protection. We consider that the case of the hosiery and other industries, whose raw material is yarn spun in Indian mills, is analogous. The development of these industries means a demand for increased quantities of yarn and is thus calculated to encourage increased production in the mills and thereby to reduce their costs. These industries are so intimately connected with the cotton textile industry that we have not thought it necessary to discuss separately the question whether they fulfil the conditions laid down by the Fiscal Commission. We have seen that they are unable without assistance to meet the competition of imported goods; and we therefore recommend that they be accorded a measure of protection corresponding to what we have ascertained

* $11\frac{1}{2}$ annas (duty paid price) less $2\frac{1}{2}$ annas duty at 25 per cent. = 9 annas.

to be the difference between their fair selling price and the import price of foreign goods of comparable quality. Hosiery goods are usually imported in dozens or dozens of pairs and it will be more convenient to assess the specific duty on these units rather than on weight. The rates which we recommend are:—

	Rs. A.
Hosiery—	
(1) Underwear per dozen	1 8
(2) Socks and stockings per dozen pairs	0 8

or in each case the *ad valorem* rate of revenue duty whichever is greater. We recommend that the duty of Rs. 1-8-0 a dozen be applied not only to underwear made of knitted fabric including knitted garments of all descriptions but also to underwear made of woven fabric. We also recommend that knitted fabric imported in the piece be liable to the duty proposed for "all other kinds" of piecegoods (item 123 of the proposed Tariff Schedule in Chapter XI). As regards cotton braid we recommend that the manufacture of the braids known in the trade as "Ghoonsis or Muktakesis" be protected by a specific duty of $6\frac{1}{2}$ annas a lb. (or the *ad valorem* rate of revenue duty whichever is higher) on those particular braids when imported from abroad. It is not necessary to impose a specific duty on other sorts of braid which are not at present manufactured in India. The distinction is familiar to the trade and will cause no difficulty to the customs administration.

CHAPTER X.

Supplementary Proposals.

193. Under our terms of reference we are asked to examine what rates of duty are required in respect (i) of piecegoods made wholly or partly of artificial silk and (ii) of cotton twist and yarn. As stated in paragraph 22 the imports from Japan of piecegoods made of artificial silk have shown an enormous increase during the past two years. These articles enter into strong indirect competition with coloured piecegoods especially cotton fancies. It will be seen from the Table in paragraph 24 showing the variation in the production of piecegoods in India since 1926-27 that while the total production of piecegoods increased from 2,258.7 million yards in 1926-27 to 2,989.9 million yards in 1931-32, the production of coloured piecegoods showed no increase in 1931-32 and showed a considerable fall in 1930-31 as compared with 1926-27. The fact that the production of coloured piecegoods in India has not kept pace with the general increase in production which has taken place since 1929-30 is to be accounted for partly by the fall in the export trade in piecegoods which consists largely of coloured goods. But it is also due to the severe competition of imported artificial silk goods in the Indian market. From the figures given in the Trade Returns the average value of Japanese goods made entirely of artificial silk fell from 5.7 annas a yard in 1930-31 to 4.5 annas in 1931-32. The figures given in the monthly Trade Returns for August 1932 show an average value of 3.4 annas a yard. The imports come almost entirely from Japan which in 1931-32 accounted for 73.96 million yards out of a total of 74.47. Since the imports of artificial silk goods affect equally the mill industry and handloom weavers, we consider that effective steps should be taken to assist the Indian industry against competition from this source. In view of the fact that artificial silk goods compete chiefly with coloured cotton piecegoods, the rate of duty should be based on the measure of protection estimated for coloured goods. There is, however, one important distinction between cotton goods and artificial silk goods for which allowance should be made in fixing the rate of protection. Artificial silk being much lighter, bulk for bulk, than cotton, the same weight of goods will provide a far greater area in the case of artificial silk than cotton. Unless this factor is adequately provided for, the measure of assistance will prove ineffective. On a comparison of the ordinary types of cotton coloured goods made in Indian mills with the most popular qualities of artificial silk taffetas imported from Japan, we find that a pound of artificial silk cloth may correspond not infrequently to three times the area provided by a pound of

cotton cloth. Taking this difference into account and allowing also for the continuous fall in the recent prices of Japanese artificial silk goods, we propose that the duty per pound of artificial silk fabrics should be fixed at over three times the rate we have proposed for coloured cotton goods. We have recommended a duty of $6\frac{1}{2}$ annas a pound for the latter. We accordingly propose that the duty on artificial silk goods should be fixed at Rs. 1-8-0 a pound or the *ad valorem* rate of revenue duty whichever is higher.

194. Piecegoods composed partly of artificial silk and partly of other materials are now liable to a lower duty than goods made entirely of artificial silk. The duty in the

Duty on goods made partly of artificial silk. former case is $34\frac{3}{8}$ per cent. while in the latter it is 50 per cent. Piecegoods composed partly of artificial silk also compete severely with cotton goods. According to the Trade Returns for August 1932, the average value of piecegoods made of cotton and artificial silk imported from Japan is 3'3 annas a yard which is almost the same as the value of piecegoods made entirely of artificial silk imported from Japan in the same month. We consider that the rate of duty we have proposed on goods made entirely of artificial silk should apply equally to artificial silk mixtures. We think, however, that where the proportion of artificial silk in the mixture is not more than 15 per cent. of the total weight of the fabric, the duty should be lower*. If the bulk of the remaining material is cotton, the duty should be levied at the rate fixed for coloured cotton piecegoods or if wool, at the revenue rate applicable to woollen manufactures. Imports from Japan of goods composed of cotton and waste silk, known in the trade as 'karandy cloth' have shown a large increase recently, especially since a protective duty was applied to coloured woven cotton goods. The total imports in 1931-32 were 4'05 million yards as against 2'01 in 1929-30. The nett value of this class of cloth per piece is almost the same as goods made entirely of artificial silk. We propose that the rate of duty applicable to artificial silk fabrics should be applied to mixtures of cotton and waste silk, except where the proportion of waste silk is not more than 15 per cent. of the total weight. In such cases the duty will be levied at the rate applicable to coloured cotton piecegoods.

195. The duty on imported yarn is now fixed at $6\frac{1}{4}$ per cent. or $1\frac{1}{2}$ annas a pound whichever is higher. While the *ad valorem*

Duty on yarn. duty in this case is a purely revenue duty, the specific duty was introduced in 1927 at a rate of $1\frac{1}{2}$ annas per pound as a measure of assistance against unfair competition from Japan and subsequently renewed in 1930 in view of similar conditions in China. We have found in this enquiry that the cotton textile industry has established a claim to substantive protection, and it is necessary, therefore, to examine

* The distinction employed by the Customs Department in regard to artificial silk mixtures was based on superficial area (paragraph 7, Chapter I). We consider this an unsatisfactory basis in as much as it will exclude the coarser kinds of goods from the protective duty.

the assistance required in respect of yarn on the same basis as piecegoods. The bulk of the yarn imported into India is of grey yarn of counts 31s to 40s. We find from costs submitted by Indian mills that the average works cost at present of grey yarn counting 31s to 40s including raw cotton at current rates (which include the duty on imported cotton) in a reasonably efficient mill is 124 pies per pound. We have allowed 28 pies per pound in the case of piecegoods on account of depreciation, interest on working capital, managing agents' commission and profit. In view of the fact that yarn is a much simpler product involving less expenditure of fixed as well as working capital and less services on the part of the management, we think that an allowance of 12 pies per pound is sufficient under this head. This brings the fair selling price of grey yarn of counts 31s to 40s spun in Indian mills to 136 pies per pound. The duty free price of Chinese grey yarn of 31s to 40s in 1931-32 as shown in the Trade Returns was 130 pies per pound. The average price *ex-duty* of grey yarn of the same counts imported from Japan in August 1932 was 124 pies per pound. We think on these figures that a specific duty of 1 anna per pound of yarn will give the Indian industry adequate protection. We propose, therefore, that the duty on yarn should be fixed at 1 anna per pound or the *ad valorem* rate of revenue duty whichever is higher. In order to give relief to the handloom industry which is the principal consumer of imported yarn, we recommend that the specific duty should not be applied to yarn, single or folded, of counts above 50s the production of which in the Indian mills is negligible.

196. Imported raw cotton is now liable to a duty of 6 pies per lb. under the emergency revenue measures adopted last year. In consequence of the large increase in the import

Duty on raw cotton. of raw cotton in 1931 as compared with the year immediately preceding it, it has been suggested by witnesses interested in the cultivation of cotton that this duty should be made permanent. We recognise that the increased imports of cotton in 1931 were largely due to the decline in the price of foreign cotton as compared with Indian cotton as the result of a short crop in India coinciding with a bumper crop in America. Although disturbance of this kind in the price parity between American and Indian cotton is not a regular occurrence, it must be remembered, as we have already pointed out, that it has occurred three times during the past twelve years. The position of the Indian cultivator is apt to be attended with serious risk at periods of such disturbance especially in view of the fact that the increasing deterioration of American cotton brings it in competition with not merely long staple but also short staple cotton in India. We think that provision should be made for insuring the Indian cultivator against such risks. We recommend, therefore, that the import duty on raw cotton should be retained at the present rate during the period of protection. In view of the fact that in our estimate of the fair selling price the duty on cotton has been taken at this

rate, any increase in the duty will hamper the production of finer varieties of goods. Much the greater part, however, of the cotton imported into India last year was of longer staple than is grown in India and the Indian Central Cotton Committee have, therefore, suggested that the duty should be confined to cotton having a maximum length of staple of $31/32''$ and that in order to provide against errors in testing and against indirect competition from cottons of longer staple, a margin of $3/64''$ may be provided. We think that a distinction between different grades of cotton for duty purposes will seriously disturb their relative values and cause dislocation in the market. We believe also that it will cause grave administrative difficulties at the Custom Houses, especially at ports like Calcutta where no arrangements for testing cotton are in existence. Since we have made full provision for the duty on cotton in our estimate of the fair selling price for the Indian industry, no hardship will be caused by applying the duty to all classes of cotton. We propose, therefore, that the duty should be levied at the present rate on cotton of all kinds imported into India during the period of protection. The East African Cotton Merchants' Association in a representation submitted to us have objected to the imposition of a duty on imported cotton having a longer staple than is grown in India. We have explained our reasons for recommending that the duty should be applied to all classes of imported cotton. We have also considered the contention of the Association that the bulk of the cotton imported from Uganda is ginned in factories owned or leased by Indians and that therefore the duty will cause hardship to an important Indian community living overseas. It does not, however, appear to us that the imposition of a duty applicable to all imported cotton, will place Uganda cotton in the Indian market under any disadvantage as compared with its position when there was no duty at all. We have therefore no recommendations to make regarding the representation of the Association.

197. The Calcutta Flour Mills Association have drawn our attention to the fact that the import duty on wheat of Rs. 2 per cwt.

Duty on starch. places Indian flour mills who produce wheaten starch in a position of unfair disadvantage as compared with foreign exporters of starch to India, imported starch being at present free of duty. The Corn Products Company (India), Limited, who are large importers of corn starch for industrial use have strongly opposed this application on the ground among others that the large falling off in the business of local mills is due to the general trade depression and not to the increased use of imported starching materials. Where an Indian industry confines its application to a mere restoration of tariff equality with foreign manufacturers operating in the Indian market, objections of the kind urged by the Corn Product Company are hardly relevant. It is impossible to arrive at a correct estimate of the extent to which trade depression as distinct from foreign competition has adversely affected an Indian industry. Meanwhile it is an undoubted fact that while the Indian manufacturer has

to bear a heavy charge either in the shape of a duty paid on imported wheat or of higher prices paid on account of the duty for Indian wheat, the foreign article with which his product competes is admitted duty free. This is a clear case of tariff inequality which should be remedied immediately. We are informed that certain classes of imported starching materials such as quellin, textiline, etc., are patented articles not made from corn flour and cannot therefore be made in India. But to the extent that they serve the same purpose as corn starch, their admission into the country free of duty places the Indian manufacturer in a position of tariff inequality. We consider, therefore, that all imported starching materials whether made from corn flour or not should be charged a rate of duty equivalent to the increased cost of Indian manufacturers on account of the duty on their principal material. Having examined the extent to which Indian wheat prices are now in excess of those of comparable classes of imported wheat c.i.f. Indian port and the quantity of wheat used in the manufacture of a hundredweight of starch, making allowance for all utilisable waste, we find that the total disadvantage of the Indian industry is 15 per cent. of the current price of imported starch of the commoner kinds. Considering the fact that the Indian flour mill industry has a total capacity more than sufficient to meet the country's requirement of starch, we recommend that a duty of 15 per cent. should be imposed on imported starching materials so as to place the Indian industry in a position of tariff equality with the foreign manufacturer. A duty of 15 per cent. on starch will raise the average fair selling price of the cotton textile industry by less than $\frac{1}{3}$ rd per cent. We have made enquiries regarding the probable increase in cost in the jute industry on account of a duty at this rate on starch and find it is less than in the cotton industry and almost negligible.

198. The Government of India have referred to us an application from the Bihar Planters' Association for the imposition of an increased duty on synthetic dyes with a view to encouraging the growth of the indigo industry in India. Synthetic dyes are at present subject to a duty of 10 per cent. *ad valorem*. The application is one for the grant of substantive protection and not merely for the removal of tariff inequality as in the case of the Flour Mills Association. This raises a much larger question than we are in a position to consider in connection with the present enquiry. We are, therefore, unable to make any recommendations regarding the application of the Behar Planters' Association.

199. We consider it of the greatest importance that the measure of protection granted to the Indian industry should be secured against any fall in the prices of imported goods during the period of protection. The general application of specific duties which we have proposed will give the industry a greater measure of security in this respect than a tariff composed mainly of *ad valorem* duties. Nevertheless it is essential that more adequate safeguards of a

statutory character should be provided against the risk of protection being impaired by a substantial fall in the price of imported goods. The factors likely to affect the prices of cotton piecegoods are liable to be so uncertain in their operation that every possible precaution should be taken so as to prevent the protection granted to the industry being rendered ineffective. With currencies divorced from the gold standard in the principal countries concerned, there is a serious risk of unexpected developments occurring which may seriously react on the level of prices. It must also be remembered that the cotton textile industry in Japan is one of the most highly rationalised industries in the world having large financial reserves at its disposal. From the cotton statistics of Japan published by the Japan Cotton Spinners' Association, we find that the reserve funds of the companies included in the Association amounted in 1931 to 240 million yen as against a total paid up capital of 350 million yen. The possibility of severe spurts of competition arising under such circumstances which may lead to uneconomical prices over short periods cannot be ignored. We are, therefore, strongly of opinion that provision should be made in the Act granting protection to the cotton textile industry for enabling the Government to take prompt action without reference to the Legislature, if at any time during the period of protection the prices of imported goods fall to such an extent as to render ineffective the protection intended for the industry. It is essential that action in such circumstances should be taken without any delay if it is to prove effective. Suitable arrangements should, therefore, be made for a continuous record of prices at the principal Custom Houses which will keep the Government in close touch with the variations in the level of prices from time to time. Such records have, we believe, been maintained by Collectors of Customs since the passing of the Act of 1930. The average rupee prices of representative goods imported from any particular country as compared with the average price at the time of the grant of protection should provide sufficient evidence without any formal enquiry for judging whether action on the lines proposed is warranted. We have made no suggestion regarding any action by the Government in case of a rise in prices. Section 3 (5) of the Indian Tariff Act confers upon the Government the power to reduce or increase duties according as prices rise or fall. If prices rise during the period of protection, the extent to which the protection granted to the industry will be rendered excessive is considerably smaller under a system of specific duties such as we have proposed. Besides we consider that any suggestion that protection may be reduced during the period for which it is fixed will introduce a serious element of uncertainty into the minds of investors which will hamper the development of the industry.

200. The existence of trade conventions and treaties which require India to grant most favoured nation treatment to countries trading with her is a matter which requires close consideration in this connection. It is not merely illogical but unfair to import-

Modification of Trade Agreements.

ant interests in the country that separate action cannot be taken against countries solely responsible for a fall in prices. We do not necessarily suggest that trade conventions and treaties which are likely to hamper the operation of a provision for off-setting duties should be denounced. But we think that steps should be taken to secure, wherever necessary, a modification of the terms of existing trade agreements which prevent the Government of India from taking such steps as may be necessary to safeguard Indian industries against specified forms of unfair competition. The Tariff Board is primarily interested in protected industries and we would, therefore, ask that at least such modifications of existing arrangements should be obtained as will leave all duties included in Part VII of Schedule II of the Indian Import Tariff outside their scope.

201. We have carefully considered whether any special provision is required immediately in addition to the scheme of protection we have proposed against the depreciation of Japanese exchange. From such evidence as we have received it appears that the c.i.f. yen prices of piecegoods imported recently from Japan are considerably higher than at the time of the emergent enquiry of last August. This is partly accounted for by the large increase in cotton prices which has occurred since we reported. But the proportion in which Japanese prices have increased suggests that the effect of a higher level of prices in Japan on the costs of the industry, especially in respect of imported cotton, is gradually making itself felt. The following list of prices has been supplied to us by the Marwari Chamber of Commerce, Calcutta:—

TABLE LXXV.

	June (average) yen c. i. f.	September yen c. i. f.
Grey shirting (Lady)	4.80	6.75
Ditto (Peaches)	4.50	6.25
Ditto (Flower-Anchor)	4.20	5.90
Ditto (Hosha)	4.00	6.00
Ditto (Milkmaid)	3.30	4.75
Grey Dhuti (Flower and Horsehoof)	1.06	1.55
Ditto (Eagle Crown)	1.05	1.50
White shirting (Bell Pigeon 4848)	2.30	3.00
Ditto ditto 4949	2.42	3.20
Ditto mulls (K. S. O.)	1.75	3.00

These figures show an average increase of approximately 40 per cent. Cotton prices during this period rose by about 50 per cent.; Broach in the latter part of June was at 177 and on the 7th September at 267. An increase of 50 per cent. in the price of cotton should normally cause an increase of not more than about 20 per cent. in the selling price of finished piecegoods against an actual increase of 40 per cent. The yen exchange declined during this period by 12 per cent. The nett increase in the yen price of piecegoods was, therefore, greater than the fall in the rupee value of the yen. According to the figures supplied to us by the Collector of Customs, Calcutta, forward invoice prices in yen of grey shirtings imported from Japan show an increase of 30 per cent. and of white shirtings nearly 40 per cent. It seems, therefore, that the advantage obtained by Japan from a rapidly depreciating exchange is disappearing for the time being and that no special measures are required at present on account of this factor. The situation, however, requires to be carefully watched. The evidence regarding an increase in Japanese prices is not by any means conclusive. Some leading importers appear to think that a fresh decline in prices has set in or may soon be expected. From such figures of October prices as we have seen we find there has been a noticeable tendency to reduce the c.i.f. prices of Japanese goods apparently as a result of the recent temporary increase of duty. The reduction varies from 5 to 10 per cent. of the September prices. Should developments occur which to any substantial extent falsify the tentative conclusions we have formed, there should be no hesitation to put in operation the provision for offsetting duties.

202. The intense competition which has prevailed in the market during the past few years has resulted in practices which appear to call for an extension of the scope of the Merchandise Marks Act. We have seen in the market Japanese dhutis with fictitious names of Indian mills designed to mislead purchasers interested in buying Indian goods. Similarly, we have seen dhutis imported from the United Kingdom with a "Map of India" printed on it and other designs calculated to convey a misleading impression regarding the country of origin. Sometimes also descriptions appear on imported cloth such as "Made out of yarn spun in our mill" in the vernacular. We consider that these practices should be discouraged by a thorough revision of the Merchandise Marks Act. It is necessary also that Indian mills should be required to stamp the correct length on cloth made by them as cases have recently occurred of short lengths in cloths shipped to the Calcutta market by Indian mills situated elsewhere. Similarly, in the case of Indian spun yarn we think that mills should be required to pack their yarn in such a way that the number of knots of hanks should as in the case of imported yarn indicate the number of counts. In the case of undervests and other hosiery goods, it should be laid down that the name of the country of origin should be printed in a conspicuous form, even if no description occurs, instead of being written as is now frequently done in very small characters difficult

to distinguish. We think that the question of revising the Merchandise Marks Act should receive early attention.

203. The Tariff Board in 1926-27 suggested in paragraph 87 of its Report that "the Commercial Intelligence Department should examine the possibility of compiling the statistics of the production of cloth in Indian mills in a form in which a comparison with the figures for imported cloth could be made more satisfactorily than is at present possible". This recommendation was strongly supported by Mr. Hardy in his Report in 1929. No progress has apparently been made in this direction with the result that the figures of Indian production published by the Director General of Commercial Intelligence and Statistics are still presented in a form which serves no intelligible purpose. In respect of certain items such as hosiery goods we have reason to think that the figures of production in the published returns are seriously inaccurate. The compilation of the statistics of cotton goods in a more satisfactory form is an imperative necessity and suitable arrangements for it should be made, if necessary, by the appointment of a special officer with detailed knowledge of the Indian cotton textile industry as well as the import trade in cotton goods.

204. The Indian Merchants' Chamber of Bombay have made a strong plea for the encouragement of various Indian industries engaged in the production of articles used in the cotton textile industry. We are in entire sympathy with the point of view urged by the Chamber that unless the policy of protection results in the development not merely of the industries to which protection is granted, but also of subsidiary industries, it will have failed to achieve its full purpose. We consider that if protection for the cotton textile industry is extended for the period we have proposed, every effort should be made by millowners to encourage use of Indian materials in their mills. This is a matter in which millowners themselves should take the necessary initiative by getting into closer touch with Indian commercial and industrial bodies interested in the sale or production of articles used in the cotton textile industry. The proposals which we have made regarding the measure and period of protection will impose a burden on the country for which in our opinion it is the obvious duty of millowners to provide a commensurate return to the country in the form of additional employment for Indian labour and capital. Similarly it has been brought to our notice that Indian insurance companies do not at present receive enough encouragement from the mill industry. There has been a large expansion of Indian insurance business in recent years which has been of immense advantage to the country in many directions. We desire to impress on Indian millowners the importance in the public interest of supporting the development of this business. In making the recommendations contained in this paragraph, we feel it our duty at the same time to urge the very necessary qualification that nothing in what we have stated is intended to limit the discretion of the mill industry as regards the standards which

may be considered reasonable in the matter of the cost, quality or safety of the goods or services required by it.

205. Before concluding this report, we desire to refer briefly to a matter which has been mentioned by certain witnesses. The

No proposal for assistance applicable exclusively to Bombay mills. Tariff Board in 1926-27 considered the position of the cotton textile industry with particular reference to the Bombay mills, and many of its recommendations were so designed as to meet the special requirements of Bombay. The Board considered that there were primarily two directions in which Bombay mills might be helped to improve their position as compared with upcountry mills. One was the development of the export trade in piecegoods and the other was the spinning of yarn of finer counts from imported cotton and its manufacture into cloth. In both these respects it was considered that the position of Bombay as a seaport would offer special advantages in comparison with upcountry centres of production. As regards the export trade in piecegoods, we have already expressed our opinion (paragraph 64) that while the prices of Japanese goods were so much lower as to render it impossible for Indian mills to meet competition unaided in the Indian market, it was unlikely that in foreign markets they could make any headway unless costs were substantially reduced. As regards the production of finer classes of cloth from imported cotton, we think that while Bombay may possess advantages as compared with inland centres of production, the growth of the cotton textile industry at other Indian seaports such as Calcutta will in course of time deprive Bombay of its special advantages in this respect. It will be seen from Table XI that the mills in Bengal have increased their production from 31.8 million yards in 1926-27 to 79.4 million yards in 1931-32, representing an increase of 150 per cent. If our proposals for assistance are accepted, the progress of mills in Bengal will be much more rapid hereafter, especially in the production of finer classes of cloth. Calcutta is still the largest centre of trade in cotton piecegoods especially in grey goods of medium and finer counts. The mills situated in Calcutta will thus enjoy a considerable freight advantage on finished goods over the Bombay mills. As regards imported cotton, on the other hand, Calcutta mills are at present at a disadvantage as compared with Bombay in consequence of the fact that there are no fumigation arrangements in Calcutta and therefore cotton imported from America has to be shipped *via* Bombay. Although this disadvantage does not exist with regard to East African cotton, the absence of direct steamer service makes it necessary for cotton imported from East Africa to be shipped to Calcutta also *via* Bombay. We estimate the disadvantage of Calcutta in this respect to be at present not more than 3.68 pies per pound of cloth while its advantage over Bombay as regards piecegoods destined for the Calcutta market is about 3.75 pies per pound. It is obvious that in regard to finer classes of cloth, Bombay will soon be faced with severe competition from Calcutta mills. Further, the present disadvantages of Calcutta as regards imported cotton are purely temporary. With the development of the trade

in imported cotton, the disadvantages to which we have referred are bound to disappear and the competitive power of the Calcutta mills will be considerably increased. In course of time Calcutta mills will, we believe, appear also as a strong competitor of Bombay in the export trade in piecegoods. We have referred to these facts partly in explanation of the omission from this report of any proposals calculated to afford special assistance to Bombay. Even if a case is established for such special assistance, we are unable to indicate any directions in which it may be effectively granted, for neither of those suggested by the Tariff Board in 1926-27 appear to be suitable any longer. Although we recognise the great importance of the cotton textile industry to the city of Bombay, we do not think that the future of the industry in Bombay can be safeguarded except by more effective control on the part of the management, by strenuous and sustained efforts to reduce costs all round and by a more general recognition among the people of Bombay of the danger to the cotton industry of disturbances in the economic and business life of the city. If our proposals are accepted, we anticipate a period when Bombay mills will be faced with not less but greater competition than in the past. It will, moreover, be competition against which no tariff measures can provide any relief. It is important that these facts should be clearly apprehended since any false sense of security from the continuance of protection would have unexpected reactions of a grave character.

CHAPTER XI.

The proposed Tariff Schedule.

206. The tariff proposals contained in this report are set forth in the following Schedule:—

Serial No. as per Tariff Schedule printed by the D. G. C. I.	Serial No. in the Statutory Schedule.	Name of articles.	Duty as existing in 1931.	Proposed duty.
120	156 A.	<p><i>Cotton piece-goods</i> (other than fents of not more than 9 yards in length)</p> <p>(a) plain grey, that is not dyed or bleached in the piece or interwoven with or embroidered by any kind of coloured, printed, dyed or bleached yarn, or with any design printed or chemically produced on the ground of the fabric, of all lengths, with or without a transverse heading, woven or printed.</p> <p>(b) bordered grey, that is, not bleached, printed or dyed in the piece or interwoven with or embroidered by any kind of coloured, dyed, printed or bleached yarn or with any design printed or chemically produced on the ground of the fabric, with borders, with or without a 'run', with headings woven or printed of all lengths.</p> <p>(c) white or bleached goods, that is, bleached in the piece, with or without borders and runs and headings, but excluding fabrics where ornamentation of any kind has been developed on the ground of the fabric by means of coloured, dyed or printed yarn either by interweaving or by superimposition or by printing, otherwise than in the borders or headings.</p>	<p>(i) of British manufacture— 4½ annas per lb. or 25 per cent. <i>ad valorem</i> whichever is higher.</p> <p>(ii) not of British manufacture— 4½ annas per lb. or 31¼ per cent. <i>ad valorem</i> whichever is higher.</p> <p>(i) of British manufacture— 25 per cent. <i>ad valorem</i>.</p> <p>(ii) not of British manufacture— 31¼ per cent. <i>ad valorem</i>.</p> <p>(i) of British manufacture— 25 per cent. <i>ad valorem</i>.</p> <p>(ii) not of British manufacture— 31¼ per cent. <i>ad valorem</i>.</p>	<p>5 annas per lb. or the <i>ad valorem</i> rate of revenue duty whichever is higher.</p> <p>5 annas 3 pies per lb. or the <i>ad valorem</i> rate of revenue duty whichever is higher.</p> <p>6 annas per lb. or the <i>ad valorem</i> rate of revenue duty whichever is higher.</p>

Serial No. as per Tariff Schedule printed by the D. G. C. I.	Serial No. in the Statutory Schedule.	Name of articles.	Duty as existing in 1931.	Proposed duty.
150	126 A.	<p>Note to (b) and (c)—</p> <p>Borders include borders woven from all kinds of materials including cotton coloured, bleached or grey, taped, artificial silk, silk and gold or silver thread. "Run" is a stripe running along the length of the fabric. The width of a run is generally the same as that of the borders.</p> <p>(d) coloured, dyed or printed goods, that is, fabrics woven with coloured yarn, dyed in the piece, printed or embroidered, including all checked, striped and embroidered dhutis, saris, shawls and scarves, with or without borders and headings.</p> <p>(e) all other kinds not specified above including knitted fabrics of all descriptions.</p> <p>(f) Cotton fents not more than 9 yards in length.</p>	<p>(1) Coloured woven goods not dyed or bleached in the piece—</p> <p>(i) of British manufacture—</p> <p>4½ annas per lb. or 25 per cent. <i>ad valorem</i> whichever is higher.</p> <p>(ii) not of British manufacture—</p> <p>4½ annas per lb. or 31¼ per cent. <i>ad valorem</i> whichever is higher.</p> <p>(2) Others—</p> <p>(i) of British manufacture—</p> <p>25 per cent. <i>ad valorem</i>.</p> <p>(ii) not of British manufacture—</p> <p>31¼ per cent. <i>ad valorem</i>.</p> <p>(i) of British manufacture—</p> <p>25 per cent. <i>ad valorem</i>.</p> <p>(ii) not of British manufacture.—</p> <p>31¼ per cent. <i>ad valorem</i>.</p> <p>25 per cent. <i>ad valorem</i>.</p>	<p>6 annas 4 pies per lb. or the <i>ad valorem</i> rate of revenue duty whichever is higher.</p> <p>*6 annas per lb. or the <i>ad valorem</i> rate of revenue duty whichever is higher.</p> <p><i>Ad valorem</i> rate of revenue duty.</p>

* We propose that the duty on bleached piecegoods should be applied to cotton piecegoods not included in any of the items specified above.

Serial No. as per Tarriff Schedule printed by the D. G. C. I.	Serial No. in the Statutory Schedule.	Name of Articles.	Duty as existing in 1931.	Proposed duty.
121	44	Cotton twist and yarns of all counts up to 50s single and folded.*	1½ annas per lb. or 6½ per cent. <i>ad valorem</i> whichever is higher.	1 anna per lb. or the <i>ad valorem</i> rate of revenue duty whichever is higher.
		Cotton twist and yarns of all descriptions above 50s and cotton sewing and darning thread.	Ditto	<i>Ad valorem</i> rate of revenue duty.
119	43C	Artificial silk yarn and thread.	18½ per cent. <i>ad valorem</i> .	<i>Ad valorem</i> rate of revenue duty.
162	24C	Starch and Farina	Free	15 per cent. <i>ad valorem</i> .
123	100	Hosiery, excluding articles made of silk or artificial silk—		
		(a) Cotton underwear including knitted garments of all descriptions and underwear made out of woven fabrics.	25 per cent. <i>ad valorem</i> .	Rs. 1-8-0 per dozen or the <i>ad valorem</i> rate of revenue duty whichever is higher.
		(b) Cotton Socks and Stockings.	Ditto	Rs. 0-8-0 a dozen pairs or the <i>ad valorem</i> rate of revenue duty whichever is higher.
		(c) All other kinds not specified above.	Ditto	<i>Ad valorem</i> rate of revenue duty.
		Cotton braids or cords—		
		(a) Square or round known as "Ghoonsis" or "Muktakesis" braids.	Ditto	6 annas 6 pies per lb. or the <i>ad valorem</i> rate of revenue duty whichever is higher.
		(b) All other kinds not specified above.	Ditto	<i>Ad valorem</i> rate of revenue duty.
45	41A	Raw cotton	6 pies per pound	6 pies per pound.

* In calculating the counts of folded yarn, the counts of the single yarn divided by the number of folds or plies would be the resultant counts for duty purposes e.g. $\frac{1}{2} \times 48 = 24s.$

CHAPTER XII.

Summary of Conclusions and Recommendations.

(1) The number of mills at work in India has risen from 274 in 1925 to 312 in 1931. Bombay and Ahmedabad together contain just under half of the mills at work. In Bombay the number of spindles working has fallen by 15 per cent., the number of looms working by 5·4 per cent. and the number of persons employed by 13·5 per cent. Between 1925-26 and 1931-32 the production of yarn and cloth has increased in Bombay by 23·4 and 32 per cent. in Ahmedabad by nearly 50 per cent. and in the rest of India by 52·8 and 62·9 per cent. (paragraph 11).

(2) Between 1926-27 and 1931-32 the annual production of yarn has increased by nearly 160 million lbs. or just under 20 per cent., the most noticeable increase being in counts above 30s especially in Bombay and Ahmedabad (paragraphs 12 and 13).

(3) The production of piecegoods has increased by 32 per cent. in these six years, especially in the classes of dhutis, shirtings and longcloth, T-cloth, domestics and sheetings and cambrics and lawns. The only noteworthy fall is in the production of coloured goods in Bombay (paragraphs 14 and 15).

(4) There has been a substantial increase in the production of the finer qualities of cloth. Of the kinds of cloth which can be woven from the finer counts of yarn, 21·2 per cent. in 1931-32 was woven from yarn of counts above 30s as against 9·7 per cent. in 1926-27. There has also been an increase in the production of bleached goods (paragraph 16).

(5) There has been a fall in the imports of yarn, and much of the yarn which used to come from Japan now comes from China. The chief reduction has been in grey yarns of counts 31s to 40s and in coloured yarns (paragraph 17).

(6) There was a phenomenal fall in the imports of piecegoods from 1,919 million yards in 1929-30 to 890 million yards in 1930-31 and 776 million yards in 1931-32. The United Kingdom has lost much more trade than Japan; and though there has been a fall in the volume of imports from Japan in the last two years, she has steadily increased her proportion of the Indian import trade (paragraph 18).

(7) In grey goods the principal classes in which there has been a reduction of imports are dhutis from the United Kingdom and longcloth and shirtings from Japan (paragraph 19).

(8) In white goods the United Kingdom has lost trade under all heads, but mainly under dhutis and mulls, while Japan has gained chiefly under longcloth and shirtings and nainsooks (paragraph 20).

(9) In coloured goods, there has been a reduction in imports of all classes from the United Kingdom and from the Continent since 1929-30. In the case of Japan the fall occurs chiefly in woven goods to which the minimum specific duty was applied in 1930 (paragraph 21).

(10) There has been a slight increase in the volume of imports of artificial silk yarn, but a marked fall in value. Japan in 1931-32 first began to supply the Indian market and is making rapid progress in its capture (paragraph 22).

(11) There was a noteworthy increase in 1931-32 in the quantity of artificial silk piecegoods imported and Japan has almost succeeded in driving Continental competitors away from the Indian market. There has also been a sharp decline in value (paragraph 22).

(12) Apart from the loss of export trade to Hongkong there has been little variation in the exports of yarn (paragraph 23).

(13) As compared with 1926-27 when the Indian market for piecegoods was supplied 33 per cent. by imported goods, 40.6 per cent. by Indian mill woven goods and 26.4 per cent. by hand woven goods, it is estimated that in 1931-32 these proportions were—imports 13.7 per cent., Indian mill products 56.6 per cent. and handlooms 29.7 per cent. (paragraph 24).

(14) In grey and white dhutis the decline in imports has been made good by Indian mills. In grey longcloth and shirtings the United Kingdom has lost trade to Japan, who is also making a strong bid for the trade in white shirtings; and the Indian mills are steadily increasing their production of this class of goods. In T-cloth, domestics and sheetings as also in drills and jeans the mills are able to hold their own (paragraph 25).

(15) There has been a decline in the imports of all kinds of coloured goods, but there has been no corresponding increase in mill production (paragraph 26).

(16) There has been a serious falling off in the export trade in coloured goods since 1926-27 (paragraph 27).

(17) There have been breaks in the parity of prices of Indian and American cotton in 1920-21, in 1926-27 and again in 1931-32 (paragraph 28).

(18) Prices of Indian cotton follow those of American; the low levels reached in 1931 could not have brought the grower any appreciable profit (paragraph 29).

(19) The difference in the price of cotton between 1926-27 and 1930-31 was 30 per cent. for American, 44 per cent. for Indian and 39 per cent. for Egyptian. The price of yarn fell in the same period between 30 and 40 per cent. and the prices of piece-goods fell between 30 and 45 per cent. (paragraph 30).

(20) The fall in the price of yarn since 1927 has had the effect of rendering liable to the specific duty yarn of the higher counts, which it was intended should be liable only to the *ad valorem* duty (paragraph 31).

(21) 1925-26 was a record year for the Indian cotton grower, when 28.4 million acres were sown and 6,215 thousand bales produced. The area sown in 1931-32 was only 23.5 million acres. The number of bales consumed in Indian mills has risen from 1,983 thousand in 1926 to 2,345 thousand in 1932; but there has been a falling off of exports from 3,729 thousand bales in 1931 to 1,582 thousand bales in 1932 (paragraph 33).

(22) The proportion of effective long staple cotton in the total Indian crop has risen from 6 per cent. in 1925-26 to 18 per cent. in 1931-32 (paragraph 34).

(23) In 1927-28 there were large imports of American cotton: and in 1930-31 and 1931-32 there was a great increase of imports from Egypt and Kenya, while imports from America rose again in 1931-32 (paragraph 35).

(24) The yarn of counts above 24s spun in Indian mills in recent years represents 699 thousand bales: 299 thousand bales were imported: and the remaining 400 thousand represent 56 per cent. of the Indian crop of long staple cotton, of which 35 per cent. is exported (paragraph 36).

(25) No action has been taken by the East India Cotton Association on the Tariff Board's recommendation to reduce the number of hedge contracts, nor has the change recommended by the Bombay Government's Cotton Contracts Act Committee in 1930 been adopted (paragraph 38).

(26) Indian cotton has a notorious reputation for watering and false packing. The East India Cotton Association and the Indian Central Cotton Committee should investigate methods of preventing the malpractices (paragraph 39).

(27) The Bombay Millowners' Association has been able to secure a reduction of the charges for power made by the Tata Hydro-Electric Companies and of the charges for water made by the Bombay Corporation (paragraph 41).

(28) There has been a slight improvement in the percentage of absentee labour in Bombay from 12.25 per cent. in October 1926 to 10.04 per cent. in March 1932 (paragraph 42).

(29) Attempts to improve the efficiency of mill labour in Bombay by the introduction of 'efficiency schemes' led to a series of strikes which culminated in the general strikes of 1928 and 1929. One consequence of these strikes has been the collapse of organised representation of labour in Bombay, so that it has not been possible to make further progress with the introduction of 'efficiency schemes' or standardised rates of wages (paragraph 43).

(30) A labour dispute in Ahmedabad in 1930 was settled by arbitration, weavers obtaining an increase of 5 per cent. and spinners an increase of 8 per cent. in their wages (paragraph 44).

(31) This increase of wages in Ahmedabad has raised the level of wages there above that of Bombay wages (paragraph 45).

(32) There has been no extension of the use of automatic looms (paragraph 46).

(33) But both in Bombay and in Ahmedabad there has been a great extension in the last two years of double shift working (paragraph 47).

(34) Millowners and operatives have come to no agreement regarding the fixation of a definite period of rest for the morning meal (paragraph 48).

(35) An experiment has been made in the substitution of a special labour officer for the system of recruitment through jobbers (paragraph 49).

(36) Since March 1931 a standing order has been in force in Bombay under which fines are credited not to the mill, but to a welfare fund for the benefit of the operatives. And a weaver who damages cloth is given the option of a fine instead of being compelled to take over the damaged cloth at its full value (paragraph 50).

(37) Little advance has been made in the housing of labour or in the organisation of welfare work (paragraphs 51 and 52).

(38) Some progress has been made in the provision of technical education by altering the course at the Victoria Jubilee Technical Institute and by the extension of the scope of the Textile Technical School at Parel (paragraph 53).

(39) The Tariff Board's recommendation that millowners in Bombay might introduce a system of mutual insurance against fire has not been adopted (paragraph 54).

(40) The Bombay Millowners' Association has adopted the recommendation that it should maintain a record of the prices of imported goods. It has also succeeded in establishing a scheme of registration of Trade Marks and Numbers (paragraphs 56 and 57).

(41) There has been a substantial writing down of capital in Bombay Mills since 1926 (paragraph 59).

(42) A proposal for the amalgamation of thirty four mills in Bombay was discussed in detail, but finally abandoned (paragraph 60).

(43) The Indian Stores Department in its Report for 1931-32 testifies to the quality of the goods produced in the mills and to the growing diversification of their production (paragraph 61).

(44) Energetic measures have been adopted by the Bombay Millowners' Association to improve the system of sales (paragraph 63).

(45) Nothing has been done to develop the export trade in cotton goods (paragraph 64).

(46) The cotton textile industry in India is generally carried on under the managing agency system; but there are important differences in the manner in which this system is worked between such centres as Bombay, Ahmedabad and Calcutta. The most important variations are found, from an examination of representa-

five managing agency agreements, to relate to such matters as the period for which the agreement remains in force, the method by which the agents' remuneration is calculated, the relations between the agents and directors of the company, the agent's right to compensation in case his agreement is terminated by the winding up of the company or otherwise, and the agent's right to assign his interest or duties under the agreement (paragraph 67).

(47) The chief functions of the managing agency system in the industrial economy of India are first the pioneering of new enterprises, secondly the provision of finance, and thirdly the day to day management of industrial concerns. The first of these functions has now little application to the cotton textile industry (paragraph 69).

(48) The managing agent still plays an important part in financing the industry, both by direct loans and by guaranteeing advances made by banks and upon the reputation and influence of the managing agent depends to a great extent the facility with which a company can obtain share capital or attract deposits (paragraph 70).

(49) It is not at present possible to transfer these financial responsibilities to any other agency (paragraph 71).

(50) There is some force in the criticism that the financial methods of managing agents are unsound in so far as they are inclined to finance fixed capital expenditure by short term funds; but in practice these methods are successful so long as the management is in careful and competent hands. The personal factor cannot be ignored in judging the managing agency system (paragraph 72).

(51) There is little justification for the practice which is not uncommon, of investing the surplus funds, or funds raised on the credit, of one company in another concern under the same management (paragraph 73).

(52) The larger the holding of a managing agent in the share capital of a company, the closer the identity of his interests with those of the company, but the less effective the control of the shareholders over him. Here too it is the personal element which determines the character of the management (paragraph 74).

(53) In their daily management of the industry managing agents are criticised chiefly for the manner in which they perform such subsidiary services as purchases, sales and insurance for their companies. The abuse of the system occurs when the managing agent has a financial interest in these services. It is the agent's duty to pass on to the company the benefit of any discount, rebate or commission which he may receive in excess of his out of pocket expenses (paragraph 75).

(54) The agent's remuneration should as a rule be in the form of a commission on profits (paragraph 76).

(55) Office allowance should not be regarded as an additional remuneration; but as a recovery of out of pocket expenditure on behalf of the company (paragraph 77).

(56) Better results are likely to be attained from close personal attention than from large scale production or management; and it is significant that most of the irregularities brought to our notice have occurred in mills included in large groups (paragraph 78).

(57) Any transfer of interest in the managing agency agreement should be subject to the approval of the shareholders. No transfer of the agreement itself should be valid without the consent of the company. There is little justification for the payment of compensation to the managing agent on the winding up of the company (paragraph 79).

(58) Abuses of the managing agency system can best be checked by the influence of the better managing agents themselves and of the Millowners' Associations, and by increased co-operation between managing agents and organisations representative of the interests of investors (paragraph 80).

(59) Legislation is desirable in order to define the extent and nature of the control and supervision to be exercised by the directors and shareholders of the company over the managing agents. A committee should be appointed to report on the manner in which the Company Law should be amended (paragraphs 81 and 82).

(60) To determine the measure of substantive protection required by the industry it is necessary to consider the costs of mills of a reasonable standard of efficiency (paragraph 84).

(61) The conditions of the industry make the task of estimating standard costs one of extraordinary difficulty, involving a somewhat arbitrary allocation of the total expenditure among individual classes of cloth and a selection of mills of reasonable capacity, output and equipment (paragraphs 85 to 88).

(62) On the average the cost of cotton represents 40 per cent. and manufacturing costs 60 per cent. of the total works expenditure (paragraph 89).

(63) The determining factor in fixing the size of a mill in India is the advantage which a large mill may gain in the cost of power. The standard size of a mill in Ahmedabad is 600 to 700 looms with 20,000 to 25,000 spindles: elsewhere the standard size is 1,000 looms and 35,000 to 40,000 spindles (paragraph 90).

(64) The minimum standard of efficiency reasonable under existing conditions in India is an output per loom per day of 11.4 lbs. average count 40s and an output per spindle per day of 3.85 oz. of 40s count yarn. Wastage of raw cotton $12\frac{1}{2}$ per cent. and of yarn $2\frac{1}{4}$ per cent. Complement of labour per day of 10 hours—15 per 1,000 spindles and 80 for 100 looms (including preparatory processes in each case). Output in 1931, 79 per cent. of total capacity (single shift) (paragraph 91).

(65) The standard costs for each class of cloth are based on the returns of 11 mills in Bombay, 4 in Ahmedabad and 10 in other centres of production (paragraph 92).

(66) Depreciation is allowed at an average rate of $3\frac{3}{4}$ per cent. on the whole block. Interest on working capital is fixed at 6 per cent. on a figure corresponding to one-third of the year's works expenditure. Managing agent's commission is allowed at 10 per cent. of the profit including depreciation. Profit is fixed at 8 per cent. on the fixed capital. Capitalisation is taken at Re. 1 per pound of cloth (paragraphs 93 and 94).

(67) No comparison is possible between particular classes of Indian and imported cloth; hence it is impossible to estimate the measure of protection by comparing the fair selling price of an Indian article with the duty free price at which a comparable imported article is sold. The only practicable method is to compare the fair selling price estimated for Indian cloth with the price—less duty—actually realised by the Indian mill (paragraph 95).

(68) The objection that the realised price reflects not only external but also internal competition has no validity (paragraph 96).

(69) The average fair selling prices, the realised prices less duty and the measure of assistance required for each class of cloth are as follows:—

Class of cloth.	Average fair selling price. Pies per lb.	Average realised price (less duty). Pies per lb.	Measure of assistance required. Pies per lb.
Plain grey	170	118	52
Bordered grey	196	141	55
Bleached	253	189	64
Coloured	259	190	69

(paragraph 97).

(70) These results are based on the figures of 1931. Since then the cost of manufacture has been increased by the new duties on raw cotton, dyes and machinery imposed in September 1931. To allow for this extra cost, and for the 15 per cent. duty on starch which we propose, the fair selling price should be raised by 7 pies a pound for each class of cloth, and the measure of assistance needed may be put at 5 annas a pound for plain grey, $5\frac{1}{4}$ annas for bordered grey, 6 annas for bleached and $6\frac{1}{4}$ annas for coloured goods (paragraph 98).

(71) The claim to substantive protection is to be judged both by the conditions laid down in paragraph 97 of the Indian Fiscal

Commission's Report and by the national importance of the industry (paragraph 100).

(72) India has a virtual monopoly of short staple cotton. She also produces sufficient long staple cotton to meet the country's requirements of yarn up to counts 40s (paragraph 101).

(73) The consumption of cloth represented by yarn of counts above 40s is not more than 20 per cent. of the total consumption in the country and it is to this extent alone that India is dependent upon imported cotton. Thus so far as raw material is concerned the industry substantially fulfils the first condition of the Fiscal Commission (paragraph 102).

(74) Some of the most important mill stores are now produced in India and three of them are protected articles. It is probable that the production of others will be undertaken (paragraph 103).

(75) Although the imports into India in 1931 represented only 15 per cent. of the total consumption in the country, India is the largest single export market for piecegoods both for the United Kingdom and for Japan (paragraph 104).

(76) The higher cost of power per unit of output in Indian mills as compared with Japan is due partly to the higher price of electricity but mainly to the lower efficiency in the Indian mills. The cost of power is generally less than 8 per cent. of the manufacturing charges (paragraph 105).

(77) The greatest disability of the Indian industry as compared with Japan is in respect of labour. The labour cost per pound of yarn of average count 16s in a Bombay mill exceeds the cost in a Japanese mill by over 60 per cent., and the labour cost per loom per day on plain grey cloth in a Bombay mill is over 3 times the cost in a Japanese mill (paragraph 106).

(78) The labour cost of weaving in a Bombay mill is estimated at 15 per cent. below that in an American mill; and the labour cost per pound of yarn in Bombay is less than half the cost in a Lancashire mill (paragraph 107).

(79) The number of hours worked per week (single shift) in India is 25 per cent. higher than in Lancashire. The complement of labour in each department is larger in India. The efficiency of loom and spindle in India is lower. But the rates of wages in India are so much lower that in the aggregate the labour cost in India per unit of the staple line of goods is generally not higher than in Lancashire (paragraph 108).

(80) In the finer classes of goods some mills have already attained a high standard of quality (paragraph 109).

(81) Attempts to increase the output of the labour in Bombay mills have largely failed owing to the opposition of organised labour; but there is scope for securing economy in this direction (paragraph 110).

(82) The efficiency of Indian labour may be improved by the establishment of closer personal contact between the management

and labour as well as by the adoption of the recommendations of the Royal Commission on Labour in India (paragraph 111).

(83) The majority of mills in India will find it impossible, without the aid of protection, to realise any return on capital or to find adequate sums for depreciation, and in many cases even to meet the whole of their out of pocket expenses (paragraph 112).

(84) Continued depression of the industry in Bombay is bound to depress prices throughout the country. The immediate result of a serious decline in the production of the Bombay mills, such as might result from the withdrawal of protection, will be a substantial increase in imports. That mills in other parts of India cannot adapt their production to the varying requirements of the market with the flexibility and quickness which are characteristic of the Japanese industry is shown by the experience of the years 1928 to 1930 when the production of the Bombay mills was curtailed by strikes (paragraph 113).

(85) The cotton textile industry in India has been affected by two developments since 1926-27. One is the rapid progress made by Japan in technical efficiency (paragraph 114).

(86) The other is the general economic depression since 1929, which has reduced the purchasing power of the consumer and necessitated a substantial cut in prices (paragraph 115).

(87) The introduction of protective duties on piecegoods in 1930 prevented a greater fall in their prices than is explained by the fall in the prices of raw cotton. The reduction of purchasing power diverted the demand from high priced to low priced goods, and so favoured the Indian industry, which was also assisted by the swadeshi movement. But the withdrawal of protection before the depression is past will cause a serious setback to the industry (paragraph 115).

(88) The Indian industry has also had to face an element of unfair competition in the depreciation of the exchange value of the yen (paragraph 116).

(89) The amount of assistance which the industry now requires makes it difficult to forecast the time when it will be able to dispense with protection (paragraph 117).

(90) But our estimate of the assistance required is based on the costs of good second class mills. Of the first class mills a few even now need no protection and the others should within the period of protection make such progress as to render them independent of protection (paragraph 118).

(91) Protection will enable the more efficient mills to develop and extend their operations and so stimulate internal competition (paragraph 119).

(92) A general rise in the level of wholesale prices to that of 1929 would enable the industry to dispense with about one-fourth of the measure of protection which we recommend (paragraph 120).

(93) The national importance of the cotton textile industry is proved first by the number of people who are supported both by the mill and by the handloom sections of the industry. External competition affects the handloom weaver no less than the mill industry (paragraph 122).

(94) Secondly, the amount of capital invested in the industry is a consideration of the greatest importance. This amounts to not less than 80 crores of rupees representing a potential contribution to the national income of nearly 4 crores a year (paragraph 123).

(95) Thirdly, any decline in the production of Indian mills will have a serious reaction upon the cultivator of cotton; for it is the demand of the Indian mills which ensures him a reasonable price (paragraph 124).

(96) Lastly, any substantial decline in the fortunes of the cotton textile industry must have a most serious effect upon the City and Presidency of Bombay (paragraph 125).

(97) For the purpose of protection specific duties are more appropriate than *ad valorem* duties (paragraph 126).

(98) If protection is to be effective, provision must be made to maintain the required measure of protection in a period of falling prices (paragraph 127).

(99) When there is a decline in the general level of world prices a system of *ad valorem* duties reduces the measure of protection enjoyed by an industry at a time when the manufacturer is incurring losses in a falling market (paragraph 128).

(100) Between 1929-30 and 1931-32 imports into India from Japan of the goods liable to specific duty fell by 63 per cent., while imports of the cotton goods liable only to the *ad valorem* duty increased by 25 per cent., and imports of artificial silk goods, which are also liable only to the *ad valorem* duty, increased by nearly 90 per cent. (paragraph 129).

(101) The loss of revenue resulting from a system of specific duties may be avoided by combining the specific duty as a minimum duty with an alternative *ad valorem* duty at a rate not lower than the rate of revenue duty (paragraph 130).

(102) Custom Houses have gained experience in applying specific duties based on weight to certain classes of piecegoods. The difficulties of administering the system or extending it to other classes of piecegoods are not insuperable (paragraphs 132 and 133).

(103) A decision to protect an industry by means of import duties implies a scale of duties so arranged that their incidence is heavier on the classes of goods which compete with local manufactures than on those which do not compete (paragraph 134).

(104) The piecegoods market in recent years has been so seriously dislocated by such influences as the general trade depression, the fall in purchasing power, political unrest, the present protective duties and the increasing competition of Japanese goods,

that it can no longer be an objection to specific duties that they are calculated to disturb the relative values of goods (paragraph 134).

(105) Specific duties based solely on weight are not likely to cause any serious disturbance of the relative incidence of taxation, except that goods of the coarser counts, in which the need for protection is greater, will be liable to proportionately higher rates of duty (paragraphs 136 and 137).

(106) Area is not so suitable a basis for assessment as weight (paragraph 138).

(107) Any system of specific duties should be based on as broad a classification as possible. It is unnecessary to have more classes than four:—(1) plain grey, (2) bordered grey, (3) bleached, (4) printed dyed and coloured woven (paragraph 139).

(108) No effective protection can be given by *ad valorem* duties in the present conditions of the industry. Nor is it possible to determine an *ad valorem* rate of duty based on import prices which will be equivalent to a measure of protection fixed with reference to prices realised by the mills. The need for protection being greatest in respect of cloth woven from medium and the less fine counts, the burden of protection can only be adjusted to the needs of the industry, without unduly complicating the administration, by specific duties based on weight (paragraph 140).

(109) The specific duties which we propose should be applied to goods of all counts and kinds of weave. The specific duty, being our estimate of the measure of protection needed, is a minimum below which the import duty should not be reduced during the period of protection. Revenue should be safeguarded by an *ad valorem* duty which may be varied from time to time according to the Government's revenue requirements (paragraph 141).

(110) The period of protection should be fixed at ten years. Nothing less will afford adequate opportunity for the reorganisation and consolidation of the industry (paragraph 142).

(111) Mr. Hardy's conclusion that the quantity of bleached goods manufactured by Indian mills was about one per cent. of their total 'grey or bleached' production was an underestimate (paragraph 145).

(112) There was also more competition from the United Kingdom in respect of dhutis woven from counts 30s to 40s than was recognised either by Mr. Hardy or by the Government of India (paragraph 146).

(113) Protective duties should be applied to goods of finer counts both because they compete indirectly with goods manufactured from Indian cotton, and also to encourage the manufacture of goods from imported long staple cotton (paragraph 147).

(114) The progress of the Indian industry in the production of fine quality goods is seen not only from the statistics of production, but also from the character of the raw cotton imported (paragraph 148).

(115) It is also seen from the extent to which it supplies the market for the finer qualities of cloth. The production of cloth from yarn of counts 26s to 40s in 1931-32 was approximately 765 million yards, nearly equal to the total quantity of imports that year; and the production of cloth from yarn of counts above 40s was approximately 256 million yards, or nearly one-third of the total imports (paragraph 149).

(116) The specific duties which we propose represent practically the average of the rates applicable to British and to Japanese goods. It is impossible to make any estimate of a normal difference in the prices of comparable classes of goods between imports from the United Kingdom and those from Japan (paragraphs 150 to 152).

(117) In the lines in which competition is keenest British goods are often sold at prices closely approximating to those of Japanese goods (paragraph 153).

(118) The specific duties proposed are based mainly on the difference between the costs of manufacturing goods of medium counts and the prices realised for these goods, and it is therefore necessary, in order to safeguard the industry, to apply the duties to all imported goods including those from the United Kingdom (paragraph 153).

(119) In cloth of the coarser counts internal competition will keep the level of prices considerably below the level of import prices *plus* duty (paragraph 154).

(120) In cloth of medium counts 25s to 40s the specific duties will at first average $33\frac{1}{2}$ per cent. *ad valorem* on British goods and considerably more on Japanese goods. It is anticipated that within a year or two the prices of these goods will be determined mainly by internal competition, when the level will fall appreciably (paragraph 155).

(121) In cloth of counts 40s to 50s the specific duties will represent a general *ad valorem* rate of 25 per cent; and in cloth of counts above 50s they will not exceed 20 per cent. (paragraph 156).

(122) The proposition that "area for area fine cloth is often cheaper than coarse cloth" is correct only within very narrow limits (paragraph 157).

(123) In our scheme the *ad valorem* duty is intended to protect the revenue and the level at which it is fixed will depend on the financial requirements of the Government. The protection necessary for the Indian industry is given by the specific duties alone. The scheme of protection will not be affected if the Government and the Legislature decide to levy the *ad valorem* duty at differential rates in pursuance of the agreement reached at Ottawa (paragraph 158).

(124) Our investigation of the handloom industry has been hampered by the absence of authoritative statistics (paragraph 159).

(125) The number of handlooms appears to be not less than 2,500,000 and the number of persons wholly or partly dependent

on the industry must be in the neighbourhood of ten millions. Many of the looms must be idle for the greater part of the year (paragraph 160).

(126) The best estimate we can make of the average annual production of handspun yarn is about 24 million lbs. This represents about 6.6 per cent. of the total quantity of yarn used on handlooms, mill spun yarn amounting to 85.2 per cent. and imported yarn 8.2 per cent. The chief competition between mill yarn and imported yarn is in counts 30s to 60s (paragraphs 161 to 163).

(127) There is great variety in the kinds of cloth woven on handlooms. The great bulk of the production consists of coarse saris and dhutis, and in these varieties the competition of the mill is severely felt (paragraph 164).

(128) Since most handloom weavers are entirely financed by middlemen who supply yarn and market the cloth, the only item of cost which matters to the weaver is the rate at which he is paid for his labour. The wages which a handspinner can earn amount to rather less than two annas a day (paragraphs 165 and 166).

(129) The imposition of the specific duty on yarn in 1927 was followed by a rise in varying degrees in the prices charged by the mills for all kinds of yarn (paragraph 167).

(130) The collapse of prices from 1929 onwards has completely obliterated the slight rise which followed the imposition of the protective duty in 1927 (paragraph 168).

(131) At the present depressed rates a weaver can earn from $7\frac{1}{2}$ annas to Rs. 1-4-0 a day according to the kind of cloth upon which he is working. In Bombay the increase of the duty on yarn led to a reduction in wages only in places where the industry is not organised and where the handloom industry is producing cloth in competition with the mills (paragraph 169).

(132) In Madras a dhuti which costs 6 annas 1 pie a yard to weave on a handloom is sold for 7 annas a yard in competition with a similar article woven in a mill which sells at 5 annas a yard. The evidence, though far from precise, points to the fact that there is little competition between mills and handlooms in the finer qualities; that there is some competition in the coarse varieties: but that in the medium ranges, woven from counts 20s to 40s, the competition of the mills is severely felt (paragraph 170).

(133) The protective duties on cotton piecegoods have been a benefit to the handloom industry. The protective duty on cotton yarn by enabling the mills to raise the prices of the yarns which they spin has injured the handloom industry (paragraphs 171 and 172).

(134) Artificial silk yarn is used by handloom weavers in South India, in the Punjab and in Burma. There is great divergence of opinion whether the use of artificial silk yarn should be encouraged or not. In so far as it competes with Indian silk and cotton its use is deprecated, but it is recognised as a material which enables the hand weaver at a low cost to improve the appearance of his

manufacture. There is practical agreement in the view that the competition of artificial silk piecegoods is a serious menace which must be met by a sufficiently high duty (paragraphs 173 and 174).

(135) The position of the handloom weaver has been seriously affected by the removal of the cotton excise duty followed by the imposition of the protective duty on yarn (paragraph 175).

(136) In coarser counts handloom production is not uneconomical. In medium and finer counts it is doubtful if the handloom industry can survive (paragraph 176).

(137) We recommend reduction of the specific duty on yarn to one anna a pound and its restriction to counts 50s and below. We do not recommend any restriction of the mill production (paragraph 177).

(138) Nor do we recommend the levy of a cess on mill production without a corresponding increase in the specific duties which we propose, and without the power to impose such a measure on mills in Indian States as well as on mills in British India (paragraph 178).

(139) The swadeshi movement has assisted the Indian mills by increasing the demand for their manufactures and by assisting to prevent a fall in prices (paragraph 179).

(140) By frequent interference with the normal course of business, especially in Bombay, the movement has prevented the Bombay mills from taking full advantage of the situation (paragraph 180).

(141) And by the restriction imposed on the use of imported yarn, either cotton or artificial silk, hardship has been caused to the handloom industry (paragraph 181).

(142) Handspinning has shown little progress, and the restrictions imposed on the use of imported yarn have been of practically no benefit to anyone except the mills (paragraph 182).

143. The hosiery industry is well established in several parts of the country especially in Bengal and in the Punjab. It is carried on both in power driven factories and as a cottage industry with hand machines. It sometimes constitutes a department of a textile mill (paragraph 184).

(144) Yarn suitable for the manufacture of hosiery is spun in mills in several parts of India (paragraph 185).

145. The recorded statistics of production are not reliable. They certainly do not include the products of the cottage industry; and it is doubtful whether they include all the products of power driven factories. The quantity imported during the last six years has ranged between 2,500 and 5,000 thousand dozens with a value between Rs. 47 lakhs and Rs. 140 lakhs (paragraph 186).

(146) The measure of protection required by the manufacturer of underwear may be put at the difference between a fair selling

price of Rs. 3-14 a dozen and Rs. 2-6 a dozen the c.i.f. price of Japanese vests of comparable quality, *i.e.*, Rs. 1-8 a dozen. Protection should be rendered effective by a specific duty on knitted fabrics and on underwear made from woven goods (paragraph 187).

(147) In the case of socks and stockings we estimate the fair selling price, with economical production, at Rs. 2-8 a dozen pairs: comparable Japanese goods are imported at Rs. 2 a dozen pairs, and the measure of protection needed is 8 annas a dozen pairs (paragraph 188).

(148) We do not consider that the grant of protection to the hosiery industry is likely to encourage textile mills to develop their hosiery departments to such an extent as to displace the small manufacturer (paragraph 189).

(149) The yarn used for braid making is bought from Indian mills. The existing factories—if worked to capacity—can supply the whole requirements of the country. We estimate the fair selling price at 15 annas 6-6 pies a pound, while the c.i.f. price of imported braid is 9 annas a pound. Thus the measure of protection needed is $6\frac{1}{2}$ annas a lb. (paragraphs 190 and 191).

(150) The claim of these subsidiary industries to protection is analogous with that of the engineering and other industries whose raw material is rolled steel. We recommend that protection be given by (1) a specific duty of Rs. 1-8 a dozen on underwear including knitted garments of all descriptions and underwear made from woven fabrics; (2) by a specific duty of 8 annas a dozen pairs on socks and stockings; (3) by a specific duty of 6 annas a pound on knitted fabrics in the piece and (4) by a specific duty of $6\frac{1}{2}$ annas a pound on the braids known as “Ghoonsis” or “Muktakesis” (paragraph 192).

(151) Piecegoods made entirely of artificial silk compete both with the mill industry and with the handloom weaver. In respect of the area provided by it, one pound of artificial silk cloth in some cases corresponds to three pounds of cotton cloth. For these reasons and because of the continuous fall in the price of Japanese artificial silk goods, a specific duty should be fixed on artificial silk goods at over three times the rate fixed for coloured cotton goods: we recommend Rs. 1-8 a pound (paragraph 193).

(152) Piecegoods made partly of artificial silk also compete with coloured cotton goods made in India. There is hardly any difference in price between goods entirely and goods partly made of artificial silk. The specific duty proposed for goods made entirely of artificial silk should, therefore, be applied also to goods made partly of artificial silk. If, however, the proportion of artificial silk in the mixture does not exceed 15 per cent. of the total weight, the goods should be assessed as coloured cotton piecegoods or woollen manufactures (paragraph 194).

(153) The duty applicable to artificial silk goods should also be applied to mixtures of cotton and waste silk, except when the proportion of waste silk is not more than 15 per cent. of the total weight, when the goods should be assessed as coloured cotton piece-goods (paragraph 194).

(154) The fair selling price of grey yarn—counts 31s to 40s—spun in Indian mills is estimated at 136 pies a pound. The duty free price of similar yarn from China in 1931-32 was 130 pies a pound while Japanese yarn in August 1932 cost 124 pies a pound. A specific duty of one anna a pound will give the Indian industry all the protection it needs. The specific duty should not be applied to yarn of counts above 50s hardly any of which is obtainable from Indian mills (paragraph 195).

(155) In the interests of the Indian cultivator of cotton the duty on raw cotton should be continued. For administrative reasons it is undesirable to restrict the duty to cotton with a staple of one inch or less (paragraph 196).

(156) Starch is now imported free of duty. But the Indian flour mills which manufacture starch have to meet a duty of Rs. 2 per cwt. on wheat. This involves a disadvantage to the Indian industry of 15 per cent. on current import prices and a duty of 15 per cent. should be imposed on all imported starch (paragraph 197).

(157) An application for an increase in the duty on synthetic dyes as an encouragement to the growth of the Indian indigo industry raises too wide an issue to be dealt with in this enquiry (paragraph 198).

(158) Power should be given to the Government by the Act protecting the cotton textile industry to take immediate action, in case the protection granted should be impaired by any considerable fall in the price of imported goods (paragraph 199).

(159) Steps should be taken to secure the modification of the terms of existing trade agreements which deprive the Government of the power to safeguard protected industries against unfair competition from particular countries (paragraph 200).

(160) There appears to be no case at present for the adoption of any special measure to counter the effects of the depreciation of Japanese exchange in addition to the duties we have proposed (paragraph 201).

(161) It is desirable that the Merchandise Marks Act should be amended without delay so as to penalise dishonest practices on the part both of importers and of millowners (paragraph 202).

(162) The improvement of the statistics of production of cotton goods is an imperative necessity (paragraph 203).

(163) Millowners should make a point of giving to Indian industries and Indian insurance business such support and encouragement as is consistent with the interests of the mills (paragraph 204).

(164) In the production of the finer classes of cloth Bombay is likely soon to be faced with severe competition from Calcutta which will demand special efforts on the part of the Bombay mills (paragraph 205).

J. MATTHAI,
President.

FAZAL IBRAHIM RAHIMTOOLA,
Member.

G. T. BOAG,
Member.

BOMBAY;
The 10th November, 1932.

APPENDIX I.

(1) *Press Communiqué issued by the Tariff Board on the 11th April, 1932.*

The Government of India in their Resolution No. 341-T. (150), dated the 9th April, 1932, have directed the Tariff Board to enquire into the question of granting protection to the cotton textile industry.

2. The following points have been specifically referred to the Board for investigation:—

- (1) whether the claim of the Indian cotton textile industry to protection has been established;
- (2) if the claim is found to be established, in what form protection should be given, and to what extent;
- (3) if it is proposed that protection should be given by means of import duties—
 - (a) whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere; and
 - (b) what rates of duty are recommended in respect of—
 - (i) cotton piecegoods;
 - (ii) piecegoods made wholly or partly of artificial silk; and
 - (iii) cotton twist and yarn, according as they are manufactured—
 - (a) in the United Kingdom,
 - (b) elsewhere.

3. The Board has also been requested to consider how its recommendations will affect the handloom weaving industry.

4. Firms or persons interested who desire that their views should be considered by the Board should address their representations (with six spare copies) to the Secretary, Tariff Board, Old Custom House, Bombay, so as to reach the Board's office *not later than the 25th May*. On receipt of such representations, the Board will issue as early as possible a questionnaire setting out the points on which detailed information will be required. The dates for the public examination of witnesses will be notified in due course.

(2) *List of firms and persons from whom representations were received.*

1. Millowners' Association, Bombay.
2. Bombay Shareholders' Association.
3. Calcutta Flour Mills Association.
4. Ahmedabad Millowners' Association.
5. Textile League, Bombay.
6. Buyers' and Shippers' Chamber, Karachi.
7. Guzrat Hosiery Factory, Ahmedabad.
8. Model Mills, Nagpur.
9. A. Ebrahim Bros., Rangoon.
10. Burhanpur Tapti Mills, Bombay.

11. Indian Chamber of Commerce, Calcutta.
12. Madras Chamber of Commerce, Madras.
13. Bengal Chamber of Commerce, Calcutta.
14. Berar Manufacturing Company, Badnera.
15. South Indian Chamber of Commerce, Madras.
16. Factory Owners' Association, Central Provinces.
17. Weavers' Association, Bulandshahr.
18. Bengal National Chamber of Commerce.
19. Bombay Textile and Engineering Association, Bombay.
20. Burma Chamber of Commerce, Rangoon.
21. Upper India Chamber of Commerce, Cawnpore.
22. Mr. Ramsingh Dongersingh, Bombay.
23. Consul General for the Netherlands, Bombay.
24. Karachi Chamber of Commerce, Karachi.
25. Madras Trades Association, Madras.
26. Mr. S. B. Tachakra, Bombay.
27. Delhi Piecegoods Association, Delhi.
28. Southern India Textile Association, Coimbatore.
29. East African Cotton Merchants' Association, Bombay.
30. Hosiery Manufacturers' Association of Bengal, Calcutta.
31. Punjab Chamber of Commerce, Delhi.
32. Association for the Development of Swadeshi Industries, Delhi.
33. Dr. V. R. Kokutnur, Bombay.
34. Gwalior Chamber of Commerce, Lashkar.
35. The Hindustani Native Merchants' Association, Bombay.
36. The Japan and Shanghai Silk Merchants' Association, Bombay.
37. Maharashtra Chamber of Commerce, Bombay.
38. Mr. A. S. Faruqui, Kamptee.
39. New Industries, Limited, Calcutta.
40. Behar Planters' Association, Limited, Motihari.
41. Calcutta Import Trade Association, Calcutta.
42. Indian Merchants' Chamber, Bombay.
43. Shaikh Abdul Aziz, Dhulia, West Khandesh.
44. Mr. A. D. Addy, Calcutta.
45. Baroda Millowners' Association, Baroda.
46. Dr. L. Nomenyi, Calcutta.
47. United Provinces Chamber of Commerce.

APPENDIX II.

Programme of visits made and examinations held by the Tariff Board.

- 2nd April, 1932: Visited the Spring and the Textile Mills, Bombay.
- 20th June, 1932: Visited Imperial Mills, Bombay.
- 20th June, 1932: Visited Pearl Mills, Bombay.
- 21st June, 1932: Visited Tata Mills, Bombay.
- 22nd June, 1932: Visited New Great Eastern Mills, Bombay.
- 23rd June, 1932: Visited Jacob Sassoon Mills, Bombay.
- 24th June, 1932: Visited Indian Manufacturing Company, Bombay.
- 28th June, 1932: Visited Technological Laboratory, Bombay.
- 28th June, 1932: Visited Victoria Jubilee Technical Institute, Bombay.
- 29th June, 1932: Visited Toyo Poddar Cotton Mills, Bombay.
- 4th July, 1932: Visited Cotton Exchange, Bombay.
- 27th July, 1932: Visited Handloom Weavers' Settlement at Madanpur, Bombay, and at the Development Chawls at Byculla.
- 4th August, 1932: Visited Handloom Weavers' Centre at Poona and at Momenpur near Poona.
- 5th and 6th August, 1932: Visited Handloom Weavers' Centre at Malegaon and the Bazar at Malegaon where all the handloom products are disposed of.
- 7th August, 1932: Visited Handloom Weavers' Settlement at Dhulia.
- 16th August, 1932: Examined Bombay Millowners' Association.
- 17th August, 1932: Examined Bombay Millowners' Association.
- 18th August, 1932: Examined Bombay Millowners' Association (Confidential).
- 19th August, 1932: Examined Indian Central Cotton Committee, Bombay.
- 21st August, 1932: Visited Handloom Weavers' Centre at Bhiwandi near Thana.
- 22nd August, 1932: Examined Bombay Shareholders' Association.
- 23rd August, 1932: Examined Bombay Shareholders' Association.
- 25th August, 1932: Examined Director of Industries, Bombay.
- 25th August, 1932: Examined Chamber of Commerce, Bombay.
- 26th August, 1932: Examined Indian Merchants' Chamber, Bombay.
- 29th August, 1932: Visited Ahmedabad Spinning and Weaving Mills, Ahmedabad.
- 29th August, 1932: Visited Jehangir Vakil Mills, Ahmedabad.
- 29th August, 1932: Visited Aruna Mills, Ahmedabad.
- 29th August, 1932: Visited Aravind Mills, Ahmedabad.
- 29th August, 1932: Visited Gujarat Hosiery Factory, Ahmedabad.
- 31st August, 1932: Examined Millowners' Association, Ahmedabad.
- 1st September, 1932: Examined Millowners' Association, Ahmedabad (Confidential).
- 2nd September, 1932: Examined Gujarat Hosiery Factory, Ahmedabad.
- 8th September, 1932: Visited Beliaghata Hosiery Factory, Calcutta.
- 8th September 1932: Visited Hand Knitting Factory, Chittaranjan Avenue, Calcutta.
- 8th September, 1932: Visited Kesoram Cotton Mills, Calcutta.
- 8th September, 1932: Visited New Industries, Limited, Howrah.

- 9th September, 1932: Visited the Khadi Pratisthan at Sodepur near Calcutta.
- 12th September, 1932: Examined Indian Chamber of Commerce, Calcutta.
- 13th September, 1932: Examined Bengal National Chamber of Commerce, Calcutta.
- 13th September, 1932: Examined Marwari Chamber of Commerce, Calcutta.
- 14th September, 1932: Examined Bengal Chamber of Commerce, Calcutta.
- 14th September, 1932: Examined Hosiery Manufacturers' Association of Bengal, Calcutta.
- 15th September, 1932: Examined Calcutta Flour Mills Association, Calcutta.
- 15th September, 1932: Examined New Industries, Limited, Howrah.
- 15th September, 1932: Examined Messrs. Martin and Company, Calcutta.

APPENDIX III.

Statement showing the progress of the Cotton Mill Industry in India (working and not working).

Year ending 31st August.	Number of mills working.	Number of spindles.	Number of looms.	Number of mills not working.	Number of spindles.	Number of looms.	Number of mills in course of erection.	Number of spindles.	Number of looms.	Total number of mills.	Number of spindles.	Number of looms.	Average number of hands employed daily.*	Approximate quantity of cotton consumed in bales of 893 pounds.
1925-26	270	8,200,820	153,113	30	325,012	5,239	34	188,336	1,112	334	8,714,168	159,464	373,508	2,113,384
1926-27	277	8,198,817	154,616	35	405,579	7,008	24	98,364	328	336	8,702,760	161,952	384,623	2,417,412
1927-28	281	8,218,086	159,052	34	395,244	6,212	20	90,842	1,268	335	8,704,172	166,532	360,921	2,008,782
1928-29	294	8,496,480	166,705	32	410,584	8,287	18	47,552	1,566	344	8,954,616	176,558	346,925	2,161,166
1929-30	301	8,739,042	171,806	30	385,726	7,644	17	35,080	1,035	348	9,159,848	180,285	384,022	2,393,774
1930-31	312	8,890,723	171,975	27	421,230	10,454	24	51,620	1,328	363	9,363,573	183,757	395,475	2,623,176

* The figures in this column, supplied by the Bombay Millowner's Association, correspond with those in column 14 of Part II of Appendix II to the Board's Report of 1926-27, but are different from those given in the Statistical Abstract for British India (*see* Chapter VI, paragraph 122).

APPENDIX IV.

Detailed statement of average works costs in Typical Mills.

(1) PLAIN GREY.

Mills considered—

4 Bombay.

3 Ahmedabad.

2 Calcutta.

Number.	Styles.	Dimension.	Threads per square Inch.	Counts of yarn used.	Raw cotton waste.	Yarn waste.	Cost of cotton per pound of cloth.	Manufacturing and other expenses per pound of cloth.
					Per cent.	Per cent.	Pies.	Pies.
1	Plain Grey	37" × 37½	81	24s × 22s	18·40	3·0	52·29	68·89
2	Do .	43" × 32	128	28s × 30s	17·10	2·75	72·00	89·50
3	Do .	37" × 37½	90	20s × 30s	13·75	2·75	61·48	66·59
4	Do .	41" × 37½	76	20s × 32s	14·60	4·63	60·00	62·98
5	Do .	32" × 37½	76	19s × 20s	19·50	2·50	72·22	55·21
6	Do .	32" × 37½	70	20s × 32s	15	2·50	72·22	49·36
7	Do .	39" × 38	96	22s × 21s	17·40	2·50	50·97	62·77
8	Do .	36" × 37½	94	24s × 18s	17	2·75	62·00	58·09
9	Do .	39" × 37½	70	20s × 30s	15	2·50	52·75	49·28
Average .			78	..	16·42	2·87	61·77	62·50

A wide range of variation occurs in the cost of cotton as well as in the manufacturing expenses. Apart from differences in local conditions, the variation is to be accounted for by the differences in the counts of yarn, in the proportion of wastage of raw cotton and also of yarn and above all in the proportion of sizing used which in some cases is as high as 60 per cent. of the whole fabric taking warp and weft together. In view of the fact that the competition from imported plain grey cloth is principally in counts 30s and above, we consider it necessary to fix the cost on the basis of average counts 30s. The realised price we have taken into account corresponds to this class. The second item in the table above represents the nearest to this class of cloth. The manufacturing expenses of this class of plain grey cloth in the table amount to 89·50 pies. Adjusting this with reference to the standard of efficiency we have assumed and making allowance for immediate economies, we have reduced this figure

to 80 pies. The average cost of cotton in the table is 61.77 pies. Since the average count of yarn of the cloths included in this table is considerably lower than 30s, it is necessary to make a larger allowance for the price of cotton. This however may be set off against possible economies in the consumption of cotton by reduction of wastage. We consider the following costs reasonable:—

Cost of cotton per pound of cloth	62 pies.
Manufacturing and other expenses per pound of cloth	80 ..
	142 ..

(2) BORDERED GREY.

Mills considered—

- 5 Bombay.
- 3 Ahmedabad.
- 3 Calcutta.
- 2 Baroda.
- 1 Nagpur.

Numbet.	Styles.	Dimension.	Threads per square inch.	Counts of yarn.	Raw cotton waste.	Yarn waste.	Cost of cotton per pound of cloth.	Manufacturing and other expenses per pound of cloth.
1	Bordered grey.	44" × 10	104	32s × 44s	13.4	3.5	66.28	108.81
2	Do.	44" × 10	80	30s × 40s	10.2	2.5	76.08	107.14
3	Do.	44" × 10	86	30s × 40s	10	3.75	86	104.82
4	Do.	40" × 10	104	22s × 21s	18	2.50	55.59	71.23
5	Do.	44" × 10	84	30s × 40s	10.71	2.27	79.75	107.75
6	Do.	45" × 10	80	30s × 40s	15	2.5	52.75	131.36
7	Lo.	55" × 6½	92	19s × 20s	19.5	2.5	74.73	55.22
8	Do.	40" × 10	96	21s × 21s	15	2.50	60.00	70.53
9	Do.	44" × 10	100	24s × 20s	17	2.00	60.00	78.62
10	Do.	42" × 10	100	40s × 60s	12.5	2.50	96.00	135.00
11	Do.	42" × 10	100	40s × 60s	12.5	2.5	98.00	163.00
12	Do.	44" × 10	108	46s × 54s	14.65	2.25	98	97.85
13	Do.	44" × 10	102	40s × 40s	14.65	2.25	98	180.50
14	Do.	44" × 10	80	20s × 32s	14.65	2.25	60	66.09
	Average		94	..	14.12	2.48	75.65	105.57

We have carefully considered the several items of expenditure under "Manufacturing expenses" in each of the mills. Taking into account the standard of efficiency we have assumed and making allowance for immediate economies, we consider that a reasonable estimate of manufacturing expenses for bordered grey cloth of average count 40s should not exceed 96 pies per pound (see item 12). The realised prices taken into account correspond to this class in which foreign competition is particularly keen. The average cost of cotton shown in the table may be reduced to 72 pies by reduction of wastage. We consider the following costs reasonable:—

Cost of cotton per pound of cloth	72 pies.
Manufacturing and other expenses per pound of cloth	96 "
	<hr/>
	168 "

(3) BLEACHED GOODS.

Mills considered—

- 6 Bombay.
- 1 Ahmedabad.
- 1 Calcutta.
- 2 Baroda.

Number.	Style of cloth.	Dimension.	Threads per sq. inch.	Counts of yarn used.	Raw cotton waste	Yarn waste (in grey)	Cost of cotton per	Manufacturing and
					(in grey).	(in grey)	lb. of cloth.	other expenses per
		Yds.			Per cent.	Per cent.	Pies.	Pies.
1	Bleached shirting.	32" × 42	120	32s × 40s	14.50	3.50	87	133.94
2	Bleached mull	36" × 20	128	30s × 40s	13.40	3.25	75.96	151.45
3	Bleached nainsook.	25" × 18	66	36s × 40s	13.25	2.75	92.13	150.13
4	Bleached long-cloth.	35" × 20	160	32s × 40s	12.50	2.50	79.56	136.40
5	Bleached mull	47" × 20	120	60s × 70s	16.77	2.49	100.04	262.50
6	Bleached dhuti	50" × 10	132	60s × 80s	12.00	2.50	86.00	184.03
7	Bleached mull	44" × 20	104	40s × 60s	12.50	2.50	96.00	127.72
8	Bleached shirting.	30" × 40	88	32s × 34s	12.50	2.50	72.00	113.62
9	Bleached dhuti	50" × 8	144	80s × 100s	15.00	3.00	96.00	287.87
10	Bleached dhuti	44" × 10	88	36s × 46s	15.00	2.50	74.00	117.78
Average			115	...	13.79	2.75	86.66	166.54

In bleached goods the fabrics after bleaching lose an appreciable part of their weight partly because the sizing given in the preparatory stages is removed and partly also by loss in weight of fibre in bleaching. Full allowance has been made for this factor. It will be noticed in the Table that in several cases the average count is considerably higher than 40s which is the class in which competition is keenest and for which costs should be estimated. The manufacturing charges should therefore be reduced. Taking this into account and also the normal standard of efficiency we have assumed, we have estimated the manufacturing expenses at 141 pies per lb. The average cotton cost in the Table is 86·86 pies per lb. which may be reduced to 84 pies. Considering the loss of material in bleaching and also the fact that the average wastage in the grey condition as shown in the Table is not unduly high, we have made a higher allowance for the cost of cotton than in other. The following may be regarded as reasonable costs:—

Cost of cotton per pound of cloth	84 pies.
Manufacturing and other expenses per pound of cloth	141 ,,
	<u>225 ,,</u>

(4) COLOURED WOVEN, DYED AND PRINTED GOODS.

Mills considered—

- 7 Bombay.
- 1 Ahmedabad.
- 1 Nagpur.
- 1 Baroda.

Number.	Styles of cloth.	Dimension.	Threads per sq. inch.	Counts of yarn used.	Raw cotton waste.		Cost of cotton per lb. of cloth.	Manufacturing and other expenses per lb. of cloth.
					Per cent.	Per cent.		
1	Printed chundries.	44" × 135	86	32s × 40s	13·3	3·5	66·61	200·36
2	Striped poplin.	29" × 24	148	40s × 40s	14·0	3·0	91·63	197·95
3	Dyed striped shirting.	30" × 30	148	30s × 40s	13·41	2·75	74·60	169·10
4	Dyed coating.	32" × 24	126	30s × 40s	12·75	2·75	87·75	177·89
5	Striped shirting.	28" × 24	112	2/30s × 2/20s	13·41	2·75	74·60	200·124
6	Striped (coloured, woven and then bleached).	30" × 30	148	30s × 40s	13·41	2·75	74·60	169·104
7	Do.	27" × 24	128	36s × 44s	13·0	2·5	79·56	185·15
8	Striped susis.	31" × 24	152	40s × 60s	12·5	2·5	96·00	154·47
9	Dyed shirting.	30" × 40	88	32s × 34s	12·5	2·5	73·00	113·62
10	Dyed long-cloth.	27/26" × 40	70	24s × 32s	13·38	4·0	69·00	103·85
	Average .		...	...	13·16	2·80	78·62	167·16

Taking into account the standard of efficiency assumed by us and the immediate economies possible especially in the consumption of dyeing materials, we have reduced the average manufacturing expenses to 156 pies per pound. More suitable mixing should reduce the cost of cotton to 75 pies per pound. The following costs may be regarded as reasonable:—

Cost of cotton per pound of cloth	75	pies.
Manufacturing and other expenses per pound of cloth	156	„
	<u>231</u>	„

APPENDIX V.

Statement showing proportion of goods imported in bales and cases.

(1) DESCRIPTION OF COTTON PIECEGOODS AND PACKAGES IMPORTED INTO CALCUTTA.

Classes of Cotton piecegoods.	Description of packing.	No. of packages imported.		
		1926-27.	1930-31.	1931-32.
Grey jaconnet dhutis . . .	Bales . . .	54,474	26,525	3,637
Grey shirting dhutis . . .	D. . . .	35,717	33,123	26,727
Grey mull dhutis	D. . . .	19,888	4,743	116
White yarn dhutis	70% cases & 30% bales.	22,453	10,443	3,111
Grey shirtings	Bales . . .	37,130	35,482	25,832
Other kinds	Do. . . .	26,663	5,921	827
White goods	15% bales & 85% cases.	50,083	30,175	18,007
Coloured woven, dyed and printed	10% bales & 90% cases.	89,048	66,217	39,813
Total . . . .	...	335,456	217,629	118,070

(2) COLLECTED FROM "THE CALCUTTA MONTHLY PIECEGOODS IMPORT CIRCULAR" ISSUED BY MR. A. C. LAKHANL.

	Total number of bales imported.	Total number of cases imported.	Bales.	Cases.
1926-27	197,025	138,431	58.26%	41.74%
1930-31	125,075	92,554	57.50%	42.50%
1931-32	64,154	53,916	54.50%	45.50%

Shirting dhutis—average counts below 40s. } From United Kingdom and Japan alone.

Grey shirting—average counts below 40s. }
 Jaconnets dhutis—average counts below 50s. } Principally from United Kingdom
 Mull dhutis—average counts 60s and over. }

	1930-31. Cases.	1931-32. Cases.
1 per cent. of grey of shirting dhutis with printed heading and striped shirtings form	54,649 25.2%	33,756 28.6%

The above number of packages had been assessed under the minimum rate of duty fixed on plain grey in 1930-31.

APPENDIX VI.

Method of determining tare allowance.

Classes.	Country of origin.	Description of package.	Contents per package.	Gross weight pounds.	Net weight of contents pounds.	Tare pounds.	Ratio of the tare to the nett contents.
Grey shirting dhutis	United Kingdom	Bales	450	940	914	26	Average 6.75 per cent.
Ditto	"	"	400	934	904	30	
Ditto	"	"	500	664	613	51	
Grey Jacconnet	"	"	400	819	789	30	
Ditto	"	"	400	879	839	40	
White yarn dhutis	"	"	400	580	558	22	
Ditto	"	"	600	368	345	23	
Ditto	"	"	400	316	292	24	
Ditto	"	"	400	611	583	28	
Ditto	"	"	400	457	434	23	
Ditto	"	"	400	453	432	26	
Ditto	"	"	300	362	294	68	
Ditto	"	"	300	410	348	62	
Ditto	"	"	400	276	216	60	
Ditto	"	"	400	450	366	84	
Ditto	"	"	300	406	352	24	
Grey dhutis	Japan	"	200	386	366	20	Average 5.30 per cent.
Ditto	"	"	200	332	314	18	
Whites and Fancies	United Kingdom	Cases	50	530	456	74	Average 17.7 per cent.
Ditto	"	"	50	422	366	56	
Ditto	"	"	150	216	163	48	
Ditto	"	"	75	388	239	99	Average 4.55 per cent.
Ditto	"	Bales	25	359	338	21	
Ditto	"	"	35	399	330	19	
Ditto	"	"	17	283	272	17	

(a) The average tare for *baled cargo* (bordered) is 5.65 per cent. A ratio of 6 per cent. for British goods and 5 per cent. for non-British goods may be taken for three months subject to adjustment.

(b) *Case cargo*.—Ten pieces may be examined and the total weight may be fixed on this basis for three months or 70 pounds per case may be taken provisionally subject to check weighment of 10 per cent. of the consignment for the next three months. This would be applicable to non-British case cargoes as well as British.

The above may be adjusted in the light of the experience of working for three months in the Custom Houses.

APPENDIX VII.

Analysis of samples of cloth imported from the United Kingdom.

Style of cloth.	Dimension.	Weight.	Reed and pick.	Count of yarn used—warp and weft.
		lb. oz.		
Grey Jaconnets . . .	42" x 20 yds	4 3	21 x 19	40s x 40s
		4 5	21 x 20	
		4 7	21 x 21	
		4 9	21 x 22	
Ditto . . .	44" x 20 "	4 7	20 x 19	40s x 40s
Grey Glased . . .	44" x 20 "	4 0	20 x 18	40s x 40s
Ditto . . .	42" x 20 "	3 13	20 x 18	44s x 44s
Ditto . . .	42" x 20 "	3 0	15 x 15	40s x 40s
Ditto . . .	36" x 18 "	2 2	14 x 14	44s x 44s
Grey Madaspollam . . .	52" x 28 "	2 15	7 x 6	36s x 42s
Grey Dhutis . . .	44" x 10 "	...	16 x 18	40s x 50s } Jaconnet dhuties. 38s x 46s } Shirting 44" x 10 " } dhuties. 44" x 10 " } 32s x 40s
	44" x 10 "	...	18 x 18	
	44" x 10 "	...	17 x 14	
White shirtings . . .	35" x 40 "	...	16 x 16	32s x 36s
			17 x 17	
			18 x 18	
			19 x 19	
			19 x 20	
			19 x 18½	
Ditto . . .	34" x 40 "	...	18 x 18½	36s x 32s
			19 x 20	
			19½ x 22	

Style of cloth.	Dimensions.	Weight.	Reed and pick.	Count of yarn used—warp and weft.
		lb. oz.		
White Jaconnets . . .	42" x 18 yds.	...	{ 14 x 14 16 x 13	32s x 36s 32s x 32s
White Nainsooks . . .	32" x 18 "	...	{ 15 x 15 16 x 14 17 x 16 18 x 17 19 x 18 20 x 19 20 x 20	36s x 38s
Ditto . . .	40" x 18 "	...	{ 12 x 10 13 x 10 13 x 11 13 x 12 14 x 12 15 x 13 16 x 14	38s x 42s
Ditto . . .	42-44" x 20 "	...	{ 14 x 12 15 x 13 16 x 14 17 x 15	36s x 36s
Ditto . . .	29" x 18 "	...	16 x 13	42s x 44s
Ditto . . .	40" x 2 "	...	22 x 20	40s x 50s
Ditto . . .	30" x 18 "	...	10 x 7 14 x 12	32s x 32s
White Mulls . . .	38" x 20 "	...	16 x 12 18 x 14	40s x 40s
Ditto . . .	38" x 20 "	...	14 x 12	50s x 50s
Ditto . . .	42" x 20 "	...	14 x 12	40s x 50s
Ditto . . .	38½" x 20 "	...	19 x 17	38s x 46s

Style of cloth.	Dimensions.	Weight.	Reed and pick.	Count of yarn used—warp and weft.
		lb. oz.		
<i>Prints and Fancies.</i>				
Part Red shirtings . . .	37" x 40 yds.	...	15 x 11	32s x 40s
Red and yellow print . . .	26" x 48 "	...	14 x 11	32s x 50s
White ground print shirtings.	32" x 48 "	...	17½ x 18	36s x 38s
White ground print shirtings.	32" x 48 "	...	17 x 16	32s x 40s
Para Red 3 col. discharge . . .	37" x 48 "	...	15½ x 13½	32s x 40s
Chocolate Blotch Jean . . .	27" x 54 "	...	23½ x 13½	28s x 40s
Dyed Glazed splits shirting.	24" x 39 "	...	9 x 13½	36s x 54s
White shirtings . . .	35" x 40 "	...	17½ x 18	40s x 50s
Ditto . . .	35" x 40 "	...	{ 18 x 18 20 x 18 20 x 20 }	32s x 36s
White nainsooks . . .	36" x 18 "	...	{ 19 x 19 20 x 20 18 x 18 }	36s x 36s
Ditto . . .	36" x 18 "	...	{ 17½ x 16 17½ x 17 17½ x 18 }	40s x 40s
Ditto . . .	40 x 18 "	...	16 x 13	40s x 40s
White Mulls . . .	37½ x 20 "	...	14 x 12	40s x 50s
Tals . . .	41½ x 20 "	...	16 x 12	
Black Heading white mull.	42/44" x 20 "	..	18 x 18	40s x 40s
White jaconnets . . .	44" x 20 "	...	{ 20 x 18 20 x 20 20 x 22 }	40s x 40s

APPENDIX VIII.

TABLE NO. I.

Average value of bleached goods from the United Kingdom.

Principal classes.	A	B	C
	Average No. of yards per lb.	Average value per yard.	Average value per lb.
		Pics.	Pics.
Checks, spots and stripes	7	58	406
Dhutis, saris and scarves	11	53	585
Drills and Jeans	3½	112	420
Jaconnets, madapollams, cambrics and muslins .	8	76	607
Lawns	9½	88	834
Longcloths and white shirtings	5	59	294
Mulls	9	46	419
Nainsooks	7½	38	286
Twills	5½	71	388
Total average .	7.36	66.8	471

Table No. I has been based on the figures of the principal classes of imports which form 98.4 per cent. of the total imports of white goods during the last five years from 1926-27 to 1931-32. The figures for the minor class of imports registered under "other kinds" have been omitted.

A. *Average number of yards per pound.*—The figures have been calculated from the data supplied by different Custom Houses and on analysis of a big range of samples. Without knowing the actual proportions of each quality included in each of the various classes it is difficult to ascertain the exact average. Again, the figure is liable to vary from year to year and also according to dimensions and other attributes of cloth. But from the standard qualities prevalent in the principal markets of India and Burma, the approximate yardage per unit of weight has been calculated and this may be accepted as correct for all purposes.

B. *Average value per yard.*—This has been calculated on the average values of the last five years of imports from 1926-27 to 1931-32.

C. *Average value per pound.*—This has been calculated by multiplying the figures in Column A by figures in Column B.

TABLE NO. II.

Principal classes.	Import percentage of each class to the total values.	A Proportion of number of yards per lb. weight.	B Proportional value per yard.	C Proportional value per pound.
	Per cent.	Yds.	Pies.	Pies.
Checks, spots and stripes	2.50	0.175	1.45	10.15
Dhuti, saris and scarves	13.50	1.485	7.155	78.97
Drills and jeans	2.00	0.075	2.240	8.40
Jaconnets, madapollams, muselins and cambrics.	2.50	0.200	1.900	15.175
Lawns	3.50	0.333	3.080	29.19
Longcloths and white shirtings	22.00	1.100	12.980	64.68
Mulls	40.00	3.60	18.400	167.60
Nainsooks	10.00	0.750	3.800	28.60
Twills	4.00	0.220	2.840	15.52
	100	7.938 yds./lb.	53.845	418.285 pies per unit.

In the Table No. II is shown the five years average proportion of the total value represented by each class of imports. The average units shown in Columns A, B, C in Table No. I have been adjusted with reference to this proportion. From this it follows that 54 pies per yard, 418 pies per pound and 8 yards to a pound are correct representative figures for the whole range of white goods in general imported from the United Kingdom.

The average value according to the trade returns of bleached goods imported from the United Kingdom in 1930-31 was 43.7 pies per yard. Taking 8 yards to a pound this works out at 350 pies per pound.

APPENDIX IX.

Cost of production for various kinds of handwoven goods.

(1) MADRAS.

Class of goods.	Dimension.	Weight per yd.	Ends and pick per inch.	Counts of warp and weft.	No. of yards per lb.	Cost of yarn.	Sizing charges.	Weaving charges.	Dyeing charges.	Total cost per yard.	Total cost per piece.	Output per weaver per day.	Average daily wages of weavers.
	Inch. yds.	Oz.				A. p.	A. p.	A. p.	A. p.	A. p.	Rs. a. p.	yds.	A. p.
Coarse dhutis . . .	45 × 8	4.74	48 × 52	20 × 20	3.40	1 9	0 6	0 9	...	3 0	1 8 0	10	7 6
Fine dhutis . . .	48 × 8	2.30	72 × 72	60 × 60	6.90	8 5	0 8	2 0	...	6 1	3 0 8	5	10 0
Saris . . .	48 × 9	3.00	60 × 64	40 × 40	5.30	2 5	0 7	1 6	...	4 6	2 8 6	6	9 0
Turban cloth . . .	48 × 7	2.00	72 × 72	80 × 80	8.00	3 6	0 10	3 10	...	7 4	3 9 2	4	15 4
Angavastram . . .	45 × 5	1.80	90 × 90	100 × 100	8.80	4 1	0 10	4 5	...	9 4	2 14 8	3	13 3
Madras handkerchief	36 × 36	3.50	80 × 128	60 × 40	4.50	4 0	0 9	3 6	2 0	10 3	...	3	10 6
Towels . . .	36 × 4 ft.	3.75	48 × 48	20 × 20	4.25	2 6	0 5	0 11	...	3 10	0 5 1	10	9 2
Twill shirting . . .	36 × 24	4.00	52 × 52	20 × 20	4.00	2 8	0 6	1 2	...	4 4	6 8 0	9	10 6
Coating . . .	36 × 24	6.75	60 × 52	3-30 × 10	2.60	5 3	...	1 6	0 1	6 10	10 4 0	6	9 0
Bedsheets . . .	48 × 3½	12.50	80 × 80	2-30 × 10	1.33	10 0	...	2 0	0 3	12 3	2 10 11	5	12 0
Lungis . . .	29 × 2½	8.00	68 × 80	60 × 40	5.30	3 9	0 9	1 6	0 9	6 9	1 0 11	6	9 0

(2) BOMBAY.

Class of goods.	Dimension per piece.	Approximate weight per piece.	Counts of warp and weft per piece.	Cost of yarn per piece.	Warping and sizing charges per piece.	Weft winding and weaving charges per piece.	Dyeing charges per piece.	Bleaching charges per piece.	Total cost of manufacture per piece.	Output per day.	Weavers' wages per day.
	Inch. yds.	lb. tolas.		Rs. a	A. p.	Rs. a p.	A. p.	A.	Rs. a. p.	yds.	A. p.
Mercerised border sari	44 × 8	1 15	40 × 40, 84s mercerised for border.	1 3	4 0	0 11 0	10 0	...	2 12 0	6	7 6
Panohas	36 × 8	1 0	20 × 16	0 8	2 0	0 5 0	...	1	1 0 0	8	8 0
Lal chaudrakala sari	45 × 8	1 17	32 × 30, 2/80s, 64s mercerised and silk for borders.	1 5 25	2 0	0 8 6	1 0	...	2 1 0	8	8 6
Hirvikadi sari	45 × 8	1 19	30 × 30, 2/80s, 64s mercerised and silk.	1 5	2 0	0 10 0	1 0	...	2 2 0	8	8 0
Coating cloth	30 × 8	2 0	40/3 × 40/3	2 4	2 0	0 15 0	7 0	...	3 12 0	8	15 0
Twill shirting	30 × 8	1 33	2/40 × 20	1 4	2 0	0 11 0	...	...	2 1 0	8	11 0
Mirani saris	31½ × 7	1 20	20 × 26	1 3	3 0	0 12 6	1 6	...	2 4 0	8	12 6
Sushi hala	23 × 19	2 2	40 × 30	2 2	4 6	1 8 6	...	...	3 10 0	6	6 6
Khali hala	35 × 19	3 12	10½ × 10½	1 7	4 6	0 14 0	...	...	2 9 6	12	10 0
Bamgani sari	45 × 8½	1 18	40 × 40, 2/84s, 64s mercerised and silk borders.	5 1	4 0	1 12 6	2 6	...	7 4 0	4½	14 3

(3) BENGAL.

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Class of goods.	Dimensions.	Counts of warp and weft.	Cost of yarn.		Labour charges.	Cost of manufacture.	Output per weaver per day.	Average daily wages per weaver.
			Rs. a. p.	Rs. a. p.				Rs. a. p.
Coloured saris.	45" x 5 ^{Yds.}	40 x 40	0 15 9	0 5 6	1 5 3	10	0 11 0	
Chadars	54" x 3	20 x 10½	0 15 0	0 5 0	1 4 0	12	1 4 0	
Towels	22" x 1	42 x 10½	0 2 3	0 1 0	0 3 3	12 pieces	0 12 0	
Langis	45" x 2½	40 x 40	0 9 0	0 3 0	0 12 0	7½	0 9 0	
Check saris	45" x 5	½ x ½	1 5 0	0 9 6	1 14 6	5	0 9 6	
Dhutis	44" x 5	40 x 40	0 11 6	0 5 3	1 0 9	10	0 11 6	
Striped shirting	34" x 24	½ x 22	4 12 0	1 8 0	6 4 0	18	1 2 0	
Dobby bordered dhutis	44" x 5	40 x 40	0 12 0	1 1 0	1 13 0	4	0 12 3	
Gumchas	27" x 1½	48 x 40	0 4 0	0 1 0	0 5 0	12	0 8 0	
Mosquito nets	36" x 20	½ x 40	1 2 0	1 6 0	2 8 0	12	0 12 0	

APPENDIX.

(4) BIHAR AND ORISSA.

Class of goods.	Dimensions.	Weight.	Counts of warp and weft.	Cost of yarn.	Weavers' earning.	Approximate daily output.	Approximate weavers' daily wages.
	Yds.	lb. oz.		Rs. a. p.	Rs. a. p.	Yds.	Rs. a. p.
<i>Orissa.</i>							
Dhutis (imported Japanese yarn)	44" × 10	1 8	40 × 40	1 3 6	1 4 6	5	0 10 3
Ditto ditto	44" × 6	0 12	40 × 32	0 9 0	0 10 0	5	0 8 6
Coarse grey saris of Indian yarn	40" × 4½	1 4	19 × 10 (double)	0 8 9	0 11 3	6½	1 0 3
Gamchas	34" × 5	0 14	20 × 20	0 7 6	0 6 6	10	0 13 0
<i>Bihar.</i>							
Motia thans	36" × 24	5 0	18½ × 16½	2 4 0	1 8 0	12	0 12 0
Dhutis	42" × 10	1 6	40 × 40	1 1 0	0 13 0	7½	0 9 9
Motia thans (Patna)	32" × 24	5 0	16½ × 10½	2 0 0	2 0 0	12	1 0 0

(5) UNITED PROVINCES.

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Class of goods.	Dimensions.	Weight.	Counts of yarn.	Cost of yarn.	Labour charges.	Cost of manufacture.	Approximate output per loom per day.	Approximate weaver's wages.
	Yds.	Pounds		Rs. a. p.	Rs. a. p.	Rs. a. p.		Rs. a. p.
Garhas	27" × 12	1½	12½ × 12½	0 9 11	0 15 7	1 9 6	12	0 15 0
Coating cloth	32" × 12	2½	10 × 10	1 7 1	1 8 0	2 15 1	8	1 0 0
Towels	27" × 12	2	10 × 10	1 1 9	0 15 0	2 0 9	10	0 12 6
Bed sheets	54" × 2½	2½	10 × 10	1 10 6	0 11 0	2 5 6	7½	0 15 0

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APPENDIX.

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