

# INDIAN TARIFF BOARD

## Cotton Textile Industry

### Volume I

The representations submitted  
to the Indian Tariff Board by  
the applicants for protection



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### Volume I

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No. 341-T. (150).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

*New Delhi, the 9th April 1932.*

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RESOLUTION.

TARIFFS.

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.

ORDER.—Ordered that a copy of the above Resolution be communicated to all local Governments and Administrations, all Departments of the Government of India, the Director General of Commercial Intelligence and Statistics, the Central Board of Revenue, the Indian Trade Commissioners, London and Hamburg, the Secretary, Tariff Board, the High Commissioner for India, London, His Majesty's Trade Commissioner in India, the Canadian Trade Commissioner in India, all Chambers of Commerce and Associations, the French Trade Commissioner in India, Burma and Ceylon and the Secretary, Imperial Council of Agricultural Research.

Ordered also that it be published in the *Gazette of India*.

**Press Communique 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.

**(1) Questionnaire relating to the Cotton Textile Industry.**

**NOTE.**—(1) Please confine your answers to matters with which you are directly acquainted and on which you are in a position to supply the Board with detailed evidence.

(2) Replies to the questionnaire (with six spare copies) should reach the Secretary, Tariff Board, Old Custom House, Bombay, not later than the 15th of July.

1. In his *Report on the Import Tariff on Cotton piecegoods and on external competition in the cotton piecegoods Trade* (1929, Calcutta: Government of India Central Publication Branch). Mr. G. S. Hardy examined in detail the extent and severity of the competition which the Indian Mill industry had to meet from imported piecegoods. His principal conclusions are summarised below. Please state how far, from your knowledge of the present condition of the Indian market and the Indian industry, you consider that these conclusions still hold good or should be modified. If you think that the conclusions should be modified, please give full reasons for your answer in each case and a detailed statement of such statistical evidence as you can produce in support of your opinion:—

- (i) Only about one per cent. of the cloth returned as "Grey or Bleached" by the Indian mills is bleached (paragraph 8).
- (ii) Calcutta is the principal market for grey cloth of Indian production, and 90 per cent. of the Dhutis and 65 per cent. of other grey goods are sold either on the Calcutta market or in the area served in respect of imports by Calcutta (paragraph 9).
- (iii) Less than 30 per cent. of the coloured goods produced in the Indian mills are sold in the Calcutta area (paragraph 9).
- (iv) Roughly 80 per cent. of the total output of piecegoods in the Indian mills and 75 per cent. of the output of Dhutis and shirtings are woven from counts below 25s. About 13 per cent. of the Dhutis and shirtings are woven from yarns 26s to 30s 9 per cent. from 31s to 40s and 3 per cent. from 41s and over (paragraph 10).
- (v) The trade in Dhutis imported from the United Kingdom and the Indian mill production overlap only to a small extent in the region of medium counts (paragraph 12).
- (vi) The imports of Dhutis from Japan consist almost entirely of goods woven from yarn of counts 30s and above (paragraph 12).
- (vii) Competition in heavy shirtings from Japan reacts unfavourably on sales of Indian sheetings (paragraph 14).
- (viii) Indian mills hold their own in the production of grey drills and jeans in which the demand is almost entirely for a heavy class of goods (paragraph 15).
- (ix) There is little, if any, production of the finer classes of grey goods in India (paragraph 15).
- (x) The import trade in white goods remains mostly in the hands of Lancashire and consists largely of goods whose fineness is above the limit at which production from Indian cotton is possible (paragraph 16).
- (xi) Printed drills and jeans from Japan and printed shirtings from Japan and Italy compete with Indian woven striped shirtings. Fancy "Prints and Chintz" from the United Kingdom do not compete with any Indian product (paragraph 17).
- (xii) Competition in dyed goods has not shown any increase since 1927 (paragraph 17).

- (xiii) In colour-woven goods, the principal competition is from Japanese striped shirtings, twills and coarse drills (paragraph 17).
- (xiv) The maintenance of the export trade in Indian coloured cloth suggests that competition is not as severely felt as in the grey goods trade (paragraph 17).
- (xv) There is very little direct competition in coloured goods between the United Kingdom and Indian mills. The only serious external competitor is Japan, though Italy may become a formidable rival (paragraph 17).
- (xvi) If allowance be made for fluctuations in the price of raw cotton, there has been no general reduction in the price of Japanese cloth since 1926-27 (paragraph 19).
- (xvii) Over a range of cloth in which the cost of raw cotton per pound of cloth does not vary appreciably, the severity of competition increases with the price (paragraph 20).
- (xviii) The fact that, area for area, fine cloth is often cheaper than coarse cloth causes indirect competition between imported fine cloths and locally made coarse cloths (paragraph 22).
- (xix) A general movement of prices in any particular range of cloth is apt to react on the price of other cloths of an entirely different nature (paragraph 22).
- (xx) Artificial silk yarn is being used to an increasing extent in the weaving of striped cotton goods and the borders of Dhutis. To this extent artificial silk yarn is an ally rather than a competitor of cotton (paragraph 22).
- (xxi) The imports of artificial silk cloth and of mixed cotton and artificial silk fabrics are in competition with real silk goods rather than with cotton goods (paragraph 22).

2. Please prepare a statement of recent prices, if possible both (i) c.i.f. and (ii) wholesale market prices, of comparable classes of cloth imported from the United Kingdom and from Japan. It would assist the Board greatly if, besides recent prices, you could furnish also a statement of average prices for each year from 1926.

N.B.—It is important that the prices should relate to the same period in each case and that the goods of each class for which prices are supplied should, if they are not exactly comparable, be at least near each other in respect of dimensions, counts of warp and weft and reed and pick. These particulars should, if possible, be stated in each case. The list of piecegoods selected for the purpose should contain those classes of which considerable quantities are imported both from the United Kingdom and from Japan.

3. It has been suggested that in the case of Indian mill cloth woven from inferior counts of yarn, of which the bulk of the Indian consumption is supplied by the indigenous industry, the existence of internal competition prevents an excessive rise in prices relatively to imported cloth when additional import duties are levied. Do you agree with this suggestion? Please prepare a statement for the past five years showing the wholesale market prices at the beginning of each half year, of typical classes of Indian cloth woven from yarn falling approximately within the following counts:—

- (a) 1s to 20s
- (b) 21s to 30s
- (c) 31s to 40s and
- (d) 41s and above.

4. Is there generally any marked difference between the wholesale prices published by Millowners' Associations and the prices actually realised by

individual mills? Please support your answer by figures and explain the reasons for the difference, if any.

5. To what extent do the prices prevailing at important centres of production such as Bombay and Ahmedabad affect the general level of prices in the country? If, for instance, Bombay mills are compelled for any reason to cut prices, is it your experience that a similar reduction of prices occurs at other centres of production?

6. Are there any circumstances which in your opinion render it likely that if the protective duties were withdrawn in 1933 and there was in consequence a substantial decline in Indian production at certain centres, the deficiency would be supplied, if at all, only partially by increased production at other centres in India but mainly by a permanent increase in imports from other countries? If so, please explain what these circumstances are.

7. Please give the following information regarding freights:—

- (i) the railway freight on raw cotton from the principal centres of cultivation in India;
- (ii) the railway freight on cotton piecegoods from (a) Bombay, (b) Ahmedabad, (c) Calcutta and (d) Karachi to the principal piecegoods markets in Upper India;
- (iii) the railway freight on cotton piecegoods from (a) Bombay and (b) Ahmedabad to Calcutta;
- (iv) the steamer freight on cotton piecegoods from Bombay to (a) Calcutta and (b) Karachi;
- (v) the steamer freight on cotton piecegoods from (a) Japanese and (b) United Kingdom ports to Indian ports.

8. Please explain what steps, if any, have been taken to develop the export market for Indian yarn and piecegoods since the publication of the Report of the Trade Mission to the Near East in 1928.

9. Please supply any information which you may possess on the following points regarding the handloom weaving industry:—

- (i) Extent of the industry—number of weavers and of handlooms and approximate estimate of maximum and present production.
- (ii) Principal classes of cloth woven and the extent to which they compete in the market with mill products and with imported piecegoods.
- (iii) Approximate cost of manufacture of typical classes of cloth.
- (iv) Prices realised for principal classes of cloth in 1929, 1930 and 1931 and current prices; prices of comparable classes of mill made and imported cloth at each period.
- (v) Kinds of yarn—Indian or foreign mill made or hand spun; counts of yarn; approximate proportion in which each is used; prices of different kinds of yarn.
- (vi) Extent to which protective duties on cotton (a) yarn and (b) piecegoods will affect the handloom industry.
- (vii) Effects, if any, on the handloom weaving industry of the existing import duties on artificial silk yarn and piecegoods.

10. Please supply any information which you may possess on the following points regarding the hand spinning industry:—

- (i) The present output, as approximately estimated, of handspun yarn in India, and its distribution among the different provinces. Please explain how the output is estimated.

- (ii) The main sources and qualities of raw cotton used.
- (iii) The prices at which handspun yarn is sold and the prices of comparable classes of mill made yarn.
- (iv) The cost of manufacturing handspun yarn.
- (v) Whether handspun yarn is used entirely by handloom weavers or also by Indian mills; in the latter case, to what extent?
- (vi) How far protective duties on cotton (a) yarn and (b) piecegoods will affect the hand spinning industry.
- (vii) Effects, if any, on the hand spinning industry of the existing import duties on artificial silk yarn and piecegoods.

11. Do you consider that a decline in the output of Indian mills either generally or in particular lines of goods will adversely affect the Indian cultivator or cotton—

- (a) by reducing the nett demand for Indian cotton, or
- (b) by discouraging the growth of long staple cotton?

*N.B.*—In order to facilitate discussion, some considerations relevant to this question are indicated below. If there is a decline in the production of Indian mills as the result of foreign competition, it may be argued that it will be replaced mainly by imports from Japan which is the largest foreign purchaser of Indian cotton. There will therefore be little, if any, reduction in the nett demand for Indian cotton. On the other hand, it may be possible for Japan hereafter to draw its supplies of cotton increasingly from other sources. This may happen normally, but the danger is specially great whenever there is a break in the price relation between Indian and other cotton in the direction of a lowering of the latter. Such a break has apparently occurred at least twice during the past six years. Does the Indian cultivator normally realise a lower nett price for cotton exported than for cotton sold in India? If so, even if a reduced demand for cotton in India were followed by an increased demand from Japan, the nett earning of the ryot would be diminished. As regards the cultivation of long staple cotton, it is economically advantageous to the ryot to increase the area under improved varieties so as to meet the demand of Indian mills in respect of finer yarn. Nevertheless a stage may be reached when it may prove of doubtful advantage to the Indian cultivator to replace short by long staple cotton. Climatic conditions in most parts of the country favour the growth of short rather than long staple cotton. The former being to a large extent a monopoly of the Indian cultivator would probably give him in the long run a more dependable market.

12. To what extent is the raw cotton now imported into India of the same quality as Indian long staple cotton? Do you consider that the present import duty on raw cotton materially helps the Indian cultivator?

13. (a) Please state the most important classes of Indian mill made cloth—grey, bleached and coloured—which come into competition directly or indirectly with imported cloth.

(b) Please give the following particulars regarding any one kind of cloth included in each class which may be regarded as typical of that class:—

- (i) Dimensions and weight.
- (ii) Counts of warp and weft.
- (iii) Reed and pick.

14. Please state the principal classes of imported cloth, giving the correct trade description in each case, which generally enter into competition, directly or indirectly, with each class of Indian cloth mentioned in reply to question 13 (a).



15. Please prepare a statement in the following form showing the total works expenditure at your mill or mills for each of the past five years:—

—	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
1. Labour inclusive of bonus and all allowances.					
2. Fuel and Power . . . .					
3. Water . . . . .					
4. Stores consumed . . . .					
5. Repairs and maintenance					
6. Supervision and office allowance and establishment.					
7. Insurance . . . . .					
8. Rent, rates and taxes (excluding income and super-tax).					
9. Packing . . . . .					
10. Selling expenses (showing separately expenses of sales through (a) agents and (b) shops)					
11. Other expenses incurred .					
Total output of cloth lbs. yards.					
Total output of yarn lbs. including both yarn used at the mill and yarn sold out.					

16. Please prepare a statement in the following form of the works cost at selected mills per unit of each typical kind of cloth mentioned in reply to Question 13 (b) for each of the past five years:—

—	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
1. Labour inclusive of bonus and all allowances.					
2. Fuel and Power . . . .					
3. Water . . . . .					
4. Stores consumed . . . .					
5. Repairs and maintenance					
6. Supervision and office allowance and establishment.					
7. Insurance . . . . .					
8. Rent, rates and taxes (excluding income and super-tax).					
9. Packing . . . . .					
10. Selling expenses (showing separately expenses of sales through (a) agents and (b) shops).					
11. Other expenses, in lbs. incurred. Output of yards. the particular kind of cloth.					

*N.B.*—(1) The cost of raw cotton is excluded from the above statements.

(2) The following items of expenditure are also excluded depreciation, commission of managing agents, interest on working capital. These are referred to in subsequent questions.

(3) It is essential that the costs given should be those of mills possessing a reasonable degree of efficiency. It is therefore suggested that in the case of the Bombay and Ahmedabad Millowners' Associations, costs in the form prescribed should, if possible, be supplied for, say, five mills and in the case of other associations or bodies, for two or three mills, in their area of reasonable equipment, capacity and output. Particulars regarding the equipment, capacity and output of each mill should be stated. Not more than one mill should be selected from the same group. Individual millowners not represented by any Millowners' Association or other body are requested to fill up the forms in respect of their own mills.

(4) In the case of those items of expenditure which are not directly charged to each kind of cloth, the method by which the total expenditure at the mill is allocated among the different kinds of cloth should be explained. It will be obvious that unless the method of allocation is explained, it will be impossible for the Board to judge the accuracy of the costs given.

(5) The Board will undertake not to disclose the identity of the mills of which costs are supplied or to publish any figures given in reply to these questions, if it is so desired.

17. Please state—

- (i) the average price realised *ex-mill* in each year during the past five years for each kind of cloth for which costs are given,
- (ii) the most recent price realised *ex-mill* for each kind of cloth.

*N.B.*—The prices should be those realised by the mills of which costs are given. They should be nett prices realised *ex-mill*.

18. Please state—

- (i) the average price per pound (delivered at mill) in each year during the past five years of raw cotton of the kind used in the manufacture of each kind of cloth,
- (ii) the average price per pound (delivered at mill) in the current year of raw cotton of the kind used in the manufacture of each kind of cloth.

*N.B.*—The prices should be those actually paid by the mills of which costs are given.

19. Please submit figures, for the past five years, of profits or losses made by the mills of which costs are given in forward transactions in cotton, distinguishing those relating to hedging operations.

20. With regard to each kind of cloth for which costs are given, please state the percentage of wastage (i) of raw cotton in the manufacture of yarn and (ii) of yarn in the manufacture of cloth.

21. What is the additional weight given to each kind of cloth by the sizing and other materials normally used in its manufacture?

22. Please explain as fully as possible the reasons for the variation in the works costs since the year 1927 as shown in reply to questions 15 and 16. Details should be given regarding the progress, if any, in the efficiency of spinning and weaving operations.

23. To what extent are the present costs of manufacture higher than those shown for 1931 as the result of new or increased import duties on raw cotton and other materials and on machinery, increased railway freight, labour legislation or other causes?

24. Please prepare a statement, in the form shown in Question 16, of the present cost of manufacturing a typical class of Indian yarn competing with imported yarn.

25. Please state the current prices, if possible both (i) c.i.f. and (ii) wholesale market prices, of the principal classes of imported yarn which compete with Indian. Please state the prices realised by you for corresponding kinds of yarn spun in Indian mills.

26. To what extent are Indian mills in a position to manufacture yarn of the kind required for the manufacture of hosiery goods? What is the quantity supplied by Indian mills at present for this purpose?

27. What do you consider a reasonably economical size for a combined spinning and weaving mill in India? Taking the qualities in which competition is greatest, what is the normal annual capacity, stated in quantities of yarn and cloth, of a mill equipped on this scale?

28. Please prepare an estimate of the capital expenditure required for equipping and erecting a mill of this size in India, according to the prices of machinery, etc., prevailing (i) in 1928 and (ii) at present. The cost of (a) buildings and (b) plant and machinery should be shown separately.

29. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider these rates reasonable in the case of mills working (i) single shift and (ii) double shift?

30. Please furnish figures for the past five years showing (i) the average value of the stocks of materials (including raw cotton) and of finished goods and (ii) the average outstandings in respect of goods sold.

31. Do you consider that sufficient facilities are available for borrowing working capital? What is the rate of interest generally payable?

32. Please state the amount annually charged by managing agents for (i) office allowance and expenses and (ii) commission during the past five years. Do you consider that these charges represent a fair standard of remuneration?

33. In addition to remuneration by commission on production or profit, do the Managing Agents of the mills of which costs are given, receive either directly or indirectly any allowance or commission on (a) purchases of cotton, machinery, stores, coal, etc., (b) sales of cotton, yarn and cloth and (c) insurance, advertisements, etc. If so, please state the rates at which such allowance or commission is charged.

34. (a) Please supply copies of the balance sheets for the past five years of the mills of which costs are given.

(b) Please supply also copies of the managing agency agreements of these mills.

35. (A) What are the directions in which you consider that by reorganisation of the labour conditions, processes of manufacture, management, system of purchases and sales, or finances of the industry, or in other ways, further reductions in the costs of manufacture may be effected?

(B) Please furnish as detailed an estimate as the data in your possession will permit of the extent of the economies which may be expected in the directions mentioned in reply to Question 35 (A).

*N.B.*—In replying to this question, reference should be made particularly to the following matters:—

- (i) What steps can be taken to facilitate the introduction of the scheme of standardisation in respect of muster rolls and wages and to secure the co-operation of labour?
- (ii) What steps can be taken to facilitate the adoption of efficiency schemes involving such measures as—
  - (a) the extension of the piece-work system to spinners and an increase in the number of spindles allotted to each spinner,
  - (b) an increase in the number of looms attended by a weaver,
  - (c) similar measures in the preparatory departments, and
  - (d) the adoption of automatic looms and other improved types of machinery?

- (iii) What steps can be taken to secure further facilities for the technical education of mill operatives?
- (iv) To what extent can the difficulties under which the mill industry labour be relieved by the specialisation of particular mills in the manufacture of particular kinds of cloth, what are the difficulties which have to be met before specialisation to the extent found to be desirable can be carried out and how are these difficulties to be overcome?
- (v) Is the existing organisation of the mill industry satisfactory and to what extent can it be improved by amalgamation and grouping of mills so as to constitute larger units under one general control?
- (vi) What measures can be taken to improve the existing system of management of the mills so as to reduce costs to the utmost and secure the highest degree of efficiency?
- (vii) Is it desirable and practicable in the existing circumstances of the industry that the mills should bind themselves to regard depreciation as a first charge on profits?
- (viii) What steps are necessary to bring about the writing down of capital in the case of those mills which have not already taken steps to that end?
- (ix) Is it desirable that the mills should bind themselves to limit dividends until certain conditions have been satisfied?
- (x) What steps (if any) should be taken by the Millowners' Association as an organised body to bring about—
  - (a) co-operation in the purchase of raw cotton,
  - (b) closer touch with the consuming centres in the interior of India,
  - (c) co-operative marketing of lines of cloth in general demand,
  - (d) co-operation in the export of cotton cloth?
- (xi) What steps can be taken to bring about better relations between the mill management and the labour employed in the mills?
- (xii) What steps have been taken to remedy or prevent the undesirable practices referred to by the Indian Tariff Board in 1927 in paragraphs 58, 79, 83 and 84 of its Report?
- (xiii) What progress has been made since 1927 in securing sufficient technical knowledge among members of managing agency firms?

36. Do you consider that the development of the Indian Cotton Textile industry is hampered in any respect by the existing Company law in India? If so, what definite suggestions have you to make?

37. Do you consider that inferior labour conditions still prevail in the cotton textile industry in countries competing with India? If so, please estimate the advantage possessed by the Cotton industry in those countries over the Indian industry?

38. Have there been any developments in respect of bounties and subsidies, exchange depreciation or other circumstances subsequent to 1926 which call for a reconsideration of the conclusions stated in paragraph 35 of the Report of the Indian Tariff Board, 1927, regarding unfair competition on the part of countries competing with India?

39. If you consider that protection should be continued, please state (i) in what form, (ii) at what rates, (iii) for what period and (iv) against imported goods of what classes and countries of origin, protection should be granted in future?

40. If you think that protection should be granted in the form of specific duties, please state, in view of the difficulties pointed out by Mr. Hardy in Chapter VI of his report as regards the administration of specific duties on cotton piecegoods, what you consider to be the most suitable basis for such duties?

41. The present tariff on cotton twist and yarn has been fixed with reference to the advantage possessed in the first instance by Japan and subsequently by China in respect of inferior labour conditions. Do you propose any change in the present basis of the duty on yarn? Please explain fully the grounds on which your proposal is based.

42. Do you consider that the present tariff definition of "plain grey" piecegoods requires modification? If so, in what respects?

43. If you consider that protection is required against imported piecegoods made wholly or partly of artificial silk, please state (i) what duties you propose, (ii) the grounds on which your proposal is based and (iii) whether you consider the present tariff definition and grouping of artificial silk goods satisfactory (see Articles 100-A, 45-A and 133 of the Statutory Tariff Schedule).

44. If a case for protection is established, how far is it possible in your opinion to adopt a system of preferential duties on cotton goods imported from the United Kingdom consistently with the interests of (i) the Indian cotton textile industry, (ii) the Indian consumer of cotton goods and (iii) the general tax-payer in India.

45. Do you propose that any assistance should be granted to the industry by other means than tariffs? If so, please explain what your proposals are?

**(2) Questionnaire relating to the Hosiery Industry.**

1. What is (i) the total number of factories engaged in the manufacture of hosiery goods in India and (ii) the total number of labourers employed?
2. How many factories are worked (a) by power and (b) by hand?
3. Please give a brief description of (a) the plant and equipment of the hosiery factory or factories in which you are interested and (b) the methods of manufacture followed.
4. Please state the principal classes of hosiery goods manufactured by you and the approximate quantity of each class manufactured annually.
5. Please state in the following form the cost of manufacturing a typical class of hosiery goods for the latest year for which figures are available:—

*Works expenditure per unit of typical class of hosiery goods.*

- (1) Yarn (stating quantity required per unit of hosiery goods).
- (2) Other materials.
- (3) Labour.
- (4) Power and fuel.
- (5) Repairs and maintenance.
- (6) Supervision and office establishment.
- (7) Packing and selling expenses.
- (8) Miscellaneous.

Annual output of all classes of hosiery goods in your factory  
No./lbs.

6. What is the maximum capacity of your factory?
7. Please estimate the capital expenditure required for equipping and erecting in India a hosiery factory of reasonably economical capacity and equipment under present day conditions.
8. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider these rates reasonable?
9. What are the current prices (i) c.i.f. and (ii) wholesale, at which imported hosiery goods comparable with your products are sold in India?
10. Please state the quantity of (i) Indian spun and (ii) imported, hosiery yarn purchased annually by you.
11. Are Indian mills in a position, if required, to supply the whole of the yarn consumed by you? Please specify the quality and kind of yarn required by you.
12. To what extent can you obtain in India the machinery or parts of machinery required for the manufacture of hosiery goods?

### The Millowners' Association, Bombay.

(1) *Letter No. 777/121 of 1932, dated the 20th April, 1932.*

As desired, I am sending you a statement showing the number of mills completely idle in Bombay and in India from 1925-26 onwards. I might, however, point out that these figures do not give a correct indication of the activity of the industry. To obtain this one would have to ascertain from all mills exactly what proportion of their looms and spindles were working each month during these years. I could probably give a very close approximation for Bombay City and Island, but I am not in a position to give anything more than a rough estimate.

Enclosure.

*Statement showing the progress of the Cotton Mill Industry in Bombay (working and not working).*

Year ending 31st Aug.	No. of mills working.	Number of spindles.	Number of looms.	Number of mills not working.	Number of spindles.	No. of looms.
1925-26	79	3,387,980	72,673	4	84,662	1,028
1926-27	78	3,367,200	73,290	4	99,626	1,255
1927-28	76	3,291,654	73,120	6	159,522	1,705
1928-29	75	3,276,785	73,164	6	170,648	3,211
1929-30	75	3,260,111	73,486	6	170,622	3,211
1930-31	73	3,159,444	70,115	8	267,556	6,860

*Statement showing the progress of the Cotton Mill Industry in India (working and not working).*

Year ending 31st Aug.	No. of mills working.	Number of spindles.	Number of looms.	Number of mills not working.	Number of spindles.	No. of looms.
1925-26	270	8,200,820	153,113	30	325,012	5,239
1926-27	277	8,198,817	154,616	35	405,579	7,008
1927-28	281	8,218,086	159,052	34	395,244	6,212
1928-29	294	8,496,480	166,705	32	410,584	8,287
1929-30	301	8,739,042	171,606	30	385,726	7,644
1930-31	312	8,890,723	171,975	27	421,230	10,454

(2) *Letter No. 1042/121 of 1932, dated the 31st May, 1932, from the Millowners' Association, Bombay.*

With reference to Government Resolution No. 341-T. (150), dated the 9th April, 1932, I have pleasure in submitting herewith, under direction of the Committee of the Millowners' Association, Bombay, their written statement on certain matters covered by the terms of reference mentioned in the Resolution referred to above.

In order that the Board may be in a better position to appreciate the condition of the Industry as it exists to-day, it is, in the opinion of this Association, desirable to preface their case by a brief summary of the events which led up to the appointment of the first Tariff Board in 1926, and of subsequent developments culminating in the passage into law of two measures of Protection dealing with yarn and cloth. The historical summary is followed by a statement of the measures taken by the Industry to rehabilitate itself on the lines laid down by the Tariff Board of 1926, and later on, by an examination of the reasons why the Protection granted in 1930 has failed to secure in many respects the relief that was intended. The Association have tried to submit a comprehensive statement in as brief a compass as possible, and they trust it will help the Board to form a proper picture of the position and difficulties of the Industry.

Enclosure.

*Historical Summary.*

It was in 1924 that the Millowners' Association first approached the Government of India for assistance to the Industry. Although at the time the attention of the Association was primarily devoted to establishing a case for the abolition of the Cotton Excise Duty, the severity of external competition and the need for Protection of the Industry was fully realized even then. In a representation addressed to the Government of India in March, 1924, urging the abolition of the duty, it was stated:—

“Perhaps the most disturbing feature of the cotton trade in India is the enormous growth of Japanese competition in the home market. When the Cotton Excise Duties were first imposed, Indian mills were chiefly exporters; since then, chiefly as a result of the expansion of the mill industry in China and Japan, the currency policy of the Government of India, the high cost of freights, the excessive taxation which has been placed on the Indian cotton mills and the increased cost of labour and machinery, the foreign trade of Indian mills has, for all practical purposes, disappeared, and to-day, the only market left to Indian mills is that in India itself. Even this market is now in danger, for at the present time the Japanese, in spite of having to purchase cotton in India, to pay carriage to Japan and back again, can afford to pay 11 per cent. import duty and still undersell the Indian manufactures in the home market.”

The representation then went on to say that what the Association desired to impress upon the Government of India was the absolute necessity of counteracting this unfair competition from Japan in the interests of the Indian Cotton Industry and the Indian people, and that it was the duty of the Government of India to investigate fully the means which would best ensure preserving and eventually extending the Industry, which formed such a valuable asset to the economic stability of this country.

2. In a demi-official letter to the Secretary of the Association, Mr. (now Sir David) Chadwick, the then Secretary to the Government of India, endeavoured to belittle the danger of Japanese penetration. In their reply, the Association inquired whether Indian mills were expected to wait until Japanese imports of yarn had increased perhaps to 100 million lbs. and piecegoods to 300 million yards, before anything was done in the matter. It is interesting to note in this connection that Protection was not accorded until piecegoods imports from Japan exceeded 500 million yards per annum.

3. In the September Session of the Legislative Assembly in the same year, the Member for Commerce, Sir Charles Innes, speaking on a motion brought forward by Seth Kasturbhai Lalbhai recommending the abolition of the Excise Duty, referred to the plea for Protection urged by the Industry, and stated that it was difficult to say that “even a *prima facie* case had been made out for protection for the mill industry in India”. The attention of the Industry continued to be concentrated on the Excise Duty, but it might be noted that in a joint memorial addressed to the Viceroy on behalf of the Bombay and Ahmedabad Millowners' Associations in March, 1925, urging the abolition of the duty, the intense competition from Japan was again referred to in some detail.

4. In April, 1925, Sir Charles Innes met the Committee of the Association, and discussed the serious position of the Industry. The menace of Japanese competition was emphasised, and a suggestion was made that a higher import duty on coarse yarns and cloth should be imposed. The same ground was traversed at a meeting which the Committee of the Association had with Sir Basil Blackett and Sir David Chadwick in July of the same year. The subject of Japanese competition, and the means which should be adopted to prevent further penetration into India, were again discussed at a later date with Sir David Chadwick, but there appeared to be very great reluctance on the part of Government to admit the existence of the menace.



In a letter written to the Association about this time by the Government of India, it was contended that the statistics given in the letter did not indicate that the Industry as a whole was in great danger, and Government turned down the suggestion made to them for an additional import duty on yarn and piecegoods.

5. In August, 1925, a deputation from the Bombay and Ahmedabad Mill-owners' Associations led by Sir Ness Wadia waited on Lord Reading, the then Viceroy. The object of the deputation was to place before the Viceroy the grave position in which the Industry in the Bombay Presidency found itself, and to urge the immediate abolition of the Excise Duty. Lord Reading stated that he was willing to believe that the prices at which Japanese goods were being sold depressed the prices which could be got for Indian mill cloth, and was further impressed with what the deputation told him about the conditions of factory labour in Japan. He then went on to suggest that the Tariff Board should enquire into the condition of the Industry in India for the purpose of determining whether it was in need of Protection, and if so, what modifications were required in the cotton tariff duties. In the Association's opinion, however, what the Industry immediately needed was relief from the Cotton Excise Duty, and it appeared incongruous to ask for protective measures so long as the Excise Duty was allowed to remain on the Statute Book.

6. Events moved rapidly after the deputation to the Viceroy, and the Cotton Excise Duty was suspended in December, 1925, and ultimately abolished in March, 1926. Thereafter, the Association turned their immediate attention to the Protection issue, and on the 9th March, 1926, submitted to the Government of India a concise statement of their case for Protection against Japanese competition. In this statement, reference was made to Japan's failure to ratify or carry out the Washington Convention regarding the employment of women and children at night, and her failure to limit the working week to 57 hours, and it was suggested that an additional import duty should be imposed on Japanese goods equivalent to the approximate saving in cost of production which would accrue to Japanese mills as a result of Japan not having given effect to the Conventions previously referred to. For the specific purpose referred to above, the Association recommended the appointment of an *ad hoc* committee containing some technical experts whose duty would be to report to Government immediately. In reply to this demand, Government stated that they were prepared to recognize that the Mill Industry, especially in Bombay, was passing through a period of depression and that the imports of piecegoods and yarn from Japan were increasing. They also recognized that Japanese mills had an advantage over Indian mills in that they worked double shifts, and they were willing to believe that the working of double shifts in Japan was facilitated by the fact that the employment of women at night was not prohibited. Thus they admitted at long last that there was a *prima facie* case for inquiry, but held that such an inquiry should be of a very comprehensive nature, and that the whole field should be opened to the body entrusted with it. The question was discussed by the Committee of the Association with Sir Charles Innes in April, 1926, and as a result of that discussion, a formal application was made to the Government of India in the following month to direct the Tariff Board, or some other body similarly constituted, and with similar powers, to inquire into the causes of the present severe depression in the Bombay Cotton Textile Industry, and to suggest measures which might be taken to restore it to prosperity. If the Association's proposal for the appointment of an *ad hoc* committee had been accepted by Government, and the recommendations of such a committee had been speedily adopted, the inroads of Japan would have been checked, and the Industry would not have been crippled to the extent to which it has been crippled.

7. A special Tariff Board was thereafter appointed by Government Resolution, dated the 10th June, 1926, their terms of reference being of a very comprehensive character. In presenting their case to the Tariff Board, the Industry concentrated upon Japanese penetration and the unfairness of

that competition, and only asked for Protection sufficient to offset the unfair advantages which Japan appeared to enjoy. The Board presented their report to Government in January, 1927, but it was not published until six months later, the reason given by Government for the delay being that they desired to express their decisions on the report simultaneously with its publication. This delay was all the more inexplicable in view of the fact that on 24th January, 1927, His Excellency the Viceroy had given an assurance to the Legislative Assembly that on receipt of the report from the Tariff Board, the Government of India would arrive at a speedy decision on the recommendations made therein. The Industry was in a hopeless plight, and it was of the utmost importance that if any assistance was to be given to the Industry, it should be given without any delay.

8. The Tariff Board unanimously found that Japanese competition had exercised and continued to exercise a depressing effect on the Indian Cotton Mill Industry as a whole, and that to the extent that this competition was facilitated by unfair conditions of labour in Japan, the Industry had established its claim to Protection against it. The majority of the Board recommended the grant of a bounty of one anna per pound or its equivalent on yarn of 32s and over produced in Indian mills, and a small additional import duty of 4 per cent. on cotton manufactures other than yarn. The President of the Board disagreed with this recommendation for a bounty on the production of fine count yarns on the ground that the difficulties in the way of administering the bounty would be insuperable. He was also of the opinion that the measure of Protection given should be that which was actually required to offset the advantages which Japan derived from inferior labour conditions, and, therefore, recommended the imposition of a differential duty of 4 per cent. on all cotton manufactures imported into India from Japan.

9. Government's decisions on the Tariff Board's recommendations were utterly disappointing. They rejected the majority recommendation for the grant of a bounty on fine count yarns on the ground of administrative difficulties. They tried to make out that the recommendation of the majority to impose an additional import duty of 4 per cent. was made only with the object of enabling Government to find funds for the payment of the proposed bounty, and as this proposal was negatived by Government, they contended that the necessity for an all-round increase of 4 per cent. in the import duty on piecegoods disappeared. In paragraph 107 of the report, the majority had made it clear that they had recommended an additional 4 per cent. duty in order to assist the Industry against unfair competition from Japan and afford relief against the maladjustment between costs of production and falling prices. The majority no doubt had also in mind the necessity of providing funds for the proposed bounty, but this certainly was not their only reason for recommending the increase. The Government of India also rejected the minority recommendation on the specious plea that although they accepted the findings of the Board, that the advantage derived from inferior labour conditions in Japan might be assessed at 4 per cent.—or 10 per cent. if a reasonable return on capital were included—they held that this was already covered by the existing revenue duty of 11 per cent. That the interpretation which Government sought to place on Sir Frank Noyce's minute was altogether unwarranted, is clear from his remark on page 221:—

“It may be held that a differential duty of four per cent. is so small that it will give the industry no material assistance in meeting unfair competition. It must be remembered that it is in addition to an existing duty of five per cent. on yarn and of eleven per cent. on cloth. The history of the Indian cotton textile industry, moreover, furnishes convincing proof that a duty of four per cent. has never been regarded as inappreciable.”

and also on page 222:—

“Our concern is with the facts of the industry before us. On those facts it has been established that the industry is suffering from unfair

competition but that the extent of that competition does not justify an increase in the present level of duty beyond four per cent."

10. An urgent conference of millowners from all parts of India was held in Bombay on 20th June, 1927, under the chairmanship of Mr. H. P. Mody, to protest against Government's decision, and this conference urged on Government the need for an immediate reconsideration of the matter. A week later, the subject was discussed at great length with Sir George Rainy, and thereafter, a deputation, which included representatives of the Industry in other centres, led by Mr. Mody, waited on the then Viceroy, Lord Irwin. The proceedings at this conference were of an informal character, and the Viceroy was good enough to allow the deputation the greatest possible latitude in criticising Government's decisions, and listened with great sympathy and attention to Mr. Mody's exposition of the difficulties of the Industry.

11. Thereafter, on 6th August, after a most instructive debate, the following resolution moved by Mr. J. B. Petit, the Association's representative, was accepted by the Government of Bombay and the Legislative Council without a division:—

"This Council recommends to His Excellency the Governor-in-Council to take the necessary steps to bring to the notice of the Government of India the necessity of revising their decisions on the Tariff Board's report in the interests of this Presidency generally and of the large classes of people whose well-being depends directly and indirectly on the cotton textile industry."

12. On 16th August the Government of India took an unusual, and to them very creditable step, and in a Press Communiqué stated that they had revised their decisions on the Tariff Board's report, and announced *inter alia* their intention of imposing a minimum duty of 1½ annas per lb. on imported yarn. The Industry was thankful for this small measure of relief, but it was clear that even the revised decisions of the Government of India fell far short of the actual necessities of the case, and left the Industry practically in the same position as it was before the Tariff Board was appointed.

13. The revised decisions of the Government of India formed the basis of the Yarn Protection Bill introduced in the Assembly on the 18th August, and finally passed in the form in which it emerged from the Select Committee. It is interesting to note that in the course of the debate on the Bill, a large number of members emphasised the fact that the weaving section of the Industry remained inadequately protected, and that the legislation introduced would not effectively assist the Industry in tiding over its difficulties. In the course of his speech, Sir Victor Sassoon, the Association's representative in the Assembly, said:—

"I say on the floor of this House that unless there is a change in world conditions, this protection which is offered us is not enough. I tell the Government that it is taking a very serious risk. I tell the Government that it is taking the risk of receiving the congratulations of our foreign competitors for having so successfully crippled, if not killed, the second largest industry in this country."

The utter inadequacy of the Protection given to the Industry by the Yarn Protection Act of 1927 was abundantly evidenced in the years immediately following. In 1926, the imports of cotton piecegoods from Japan were about 232 million yards; in 1929, they had risen to 521 million yards.

14. Soon after the passage of the Yarn Protection Bill, the Government of India, in conjunction with the Association, took action on the recommendation of the Tariff Board that a rapid survey of the potentialities of certain foreign markets for Indian manufactures should be made by a small mission. The Trade Mission's report, if anything, demonstrated the smallness of the field for the export of Indian piecegoods in the markets which they visited. The data which they collected of the prices at which competitive lines were being sold indirectly, proved the inadequacy of the existing scale of import duties in India, and called attention to the large proportion of imported piecegoods still being used in this country.

15. Owing to the adventitious circumstance of a continued rise in the price of cotton since the beginning of the year, 1927 brought comparative prosperity to the Industry. A number of mills were in a position to make profits, but thereafter, the position steadily deteriorated, especially in Bombay. The most disastrous strike in the history of the Industry which took place in Bombay in 1928, and which resulted in a complete cessation of work for a period of six months, may be said to have been largely due to the conscientious efforts which the Bombay Mill Industry was making to put into operation certain recommendations made by the Tariff Board for increasing the efficiency of the operative, and removing the disparity which existed between the wages of weavers and the wages of the employees in other departments. During this strike, the Communists obtained a great hold over the working population of Bombay, particularly in the mills, and even after the general strike had come to an end, a large number of strikes in individual mills, took place, and internal discipline was seriously undermined.

16. At a meeting which the Committee of the Association had with Sir George Rainy on 28th April, 1928, the Chairman of the Association traced briefly the course of events since the publication of the Tariff Board's report, and expressed great dissatisfaction at the fact that no Protection had been granted to the weaving section of the Industry. Sir George Rainy said that he was not prepared to re-open questions arising from the Tariff Board's report and that the Government of India were not prepared to reconsider the matter. Mr. Mody drew his attention to the large increase in stocks and the number of idle looms and spindles and the great advance in the rate of importations from Japan, and protested against the attitude shown by the Government of India in persistently ignoring the plight of the Industry.

17. After the meeting with Sir George Rainy in April, further correspondence took place with the Government of India in which attention was drawn to the depreciation of the yen exchange, which was at that time giving Japan a further advantage. While Government went so far as to admit that the nett advantage accruing to the Japanese manufacturer was one-half of the gross advantage deducible from the fall in exchange, they did not think that sufficient justification existed for undertaking any legislative measures to counteract the fall in Japanese exchange.

18. During the latter half of 1928 and in the first few months of the year 1929, the Committee of the Association were fully occupied first in fighting the strike and later in submitting evidence before the Fawcett Committee of Enquiry, and it was not until April, 1929, that the Protection issue was again taken up in real earnest. By that time, the situation in the Mill Industry in Bombay had become extremely critical. On 23rd April, 1929, Sir George Schuster paid his first visit to the Association, and an informal discussion on the action taken by the Association on the recommendations made by the Tariff Board and the need for Protection took place. Sir George Schuster indicated that if any help was to be given by the Government to the Industry, they must first be assured that they were building on sound foundations. As a result of this meeting, a letter setting forth briefly the exact position of the Industry and what had been done since the Tariff Board reported, to improve its efficiency and reduce cost of production, was addressed to Sir George Schuster on the 27th June. The two months' delay which intervened between the meeting with Sir George Schuster and the date of the letter was due to the outbreak of serious labour troubles about that time.

19. On the 28th June, a deputation from the Association waited on Lord Irwin at Poona, and placed before him the critical position of the Industry in Bombay. The next day, the Committee met Sir George Schuster and Sir George Rainy in Bombay, and discussed among other things a suggestion which had been made by the Association that if Government agreed that Protection to the Industry was necessary, it should be given by a system of specific duties after a special investigation.

20. On 22nd July, the Government of India took action on the suggestion made by the Association, and appointed Mr. Hardy to examine the possibility of substituting a system of specific duties for the existing system of *ad valorem* assessment of piecegoods, and also to report what changes had taken place since the Tariff Board reported in the volume of imports and the class of goods imported, and the extent and severity of external competition with the products of Indian mills. The Association thereafter appointed a special sub-committee to co-operate with Mr. Hardy in his investigation, and the Government of India was also from time to time kept informed of the position of the Industry and the action taken by the Association on the recommendations made by the Tariff Board. Mr. Hardy's report was published in December, 1929. He held that on administrative grounds a change from the existing *ad valorem* method of assessment was undesirable. His examination of the imports and production statistics proved that Japanese competition was extremely severe in certain classes of goods manufactured in India. The report was the subject of discussion between representatives of the Government of India and millowners from all parts of the country at Delhi in December. As a result of the conference, the Association agreed to supply the Government of India with particulars relating to the financial position of the Industry in all important centres. The conference appeared generally to agree that the substitution of a scientific system of specific duties for *ad valorem* duties might create administrative difficulties, but were of the opinion that any measure of Protection which might be given to the Industry should include a provision for a specific minimum duty on certain types of goods. In the opinion of the millowners present at the conference, the Industry required a duty of at least 20 per cent. *ad valorem* on piecegoods with a minimum specific duty of 3½ annas per lb.

21. In a letter dated the 12th January, in which the results of the Delhi conference were discussed, Government admitted that the Industry was in serious danger of collapsing owing to foreign competition unless assistance was given by means of a protective duty at least for a period, and that the Government of India could not overlook the national importance of the interests involved. At the same time, they desired to be assured that if Protection were to be accorded, Government should be satisfied that the opportunity would be utilized to the full, and a strenuous and organized effort made to re-establish the Industry on a firm basis. On 4th February, 1930, the Chairman of the Association replied to the specific questions which had been put to him regarding the Bombay Mill Industry, and assured the Government of India that the Association would leave no method of re-organization unexplored which might aid in cutting down costs and assist in keeping the Industry in existence and those dependent on it fully employed.

22. The position of the Industry was in the meantime causing grave anxiety to all concerned, and in addressing the Legislative Council on 17th February, 1930, His Excellency the Governor of Bombay said:—

“The problems which beset the Mill Industry of Bombay at this moment are indeed serious, and the prosperity, not only of this City, but with it of the whole Presidency, is deeply involved in their solution.”

His Excellency also indicated that Government had for a long time been devoting most anxious thought and study to questions affecting the Industry, and that he hoped to place the results before the public in the form of a White Book. His Excellency further added:—

“I will only mention that, as part of a systematic effort to re-organize and adapt the Industry to changing conditions, the millowners have already taken such steps as were immediately possible.”

23. The White Book which followed His Excellency's announcement in the Legislative Council, contained a fairly comprehensive exposition of the position of the Industry from all points of view. The Note dealt with the enormous stake involved in the Industry, the origin and causes of the prolonged strikes of 1928 and 1929, the steps taken by the millowners for improv-

ing the efficiency of labour and re-organizing the Industry, the activities of the Girni Kamgar Union, and in conclusion, stated:—

“To sum up, the position is that the textile industry in Bombay City is suffering from severe depression, partly due to the impossibility of selling the cloth it produces at remunerative rates and partly owing to unsettled labour conditions. The millowners are now making strong efforts to set their own house in order and remedy the defects which the Noyce Committee pointed out. They are also endeavouring to improve their relations with their labour. If the millowners clearly demonstrate their definite steps towards and good faith in establishing a sound position, it would seem very desirable that the industry should receive assistance during the transitional period. With regard to the question of a tariff, it seems to the Government of Bombay that, provided effect is given to the considerations mentioned, a case has been made out for protection against foreign competition.”

24. It is perhaps unnecessary to refer in detail to the large amount of statistical and other data subsequently furnished by the Association to the Government of India for the purpose of showing the exact position of the Industry and what has been done since the Tariff Board reported. Suffice it to say that the efforts made by the Association finally culminated in the introduction of the Cotton Industry Protection Bill in the Legislative Assembly on 28th February, 1930. The Bill provided for:—

- (1) the continuance of the minimum specific duty on yarn for a further period of three years; and
- (2) an increase in duties on piecegoods as below:—
  - (a) 15 per cent. *ad valorem* in case of cotton goods of British manufacture;
  - (b) in case of non-British goods:—
    - Plain Grey Goods:—(i) 20 per cent. *ad valorem* or a minimum specific duty of 3½ annas per lb. whichever is higher; and
    - Others:—(ii) 20 per cent. *ad valorem*.

The continuance of the specific duty on yarn was justified, according to the Statement of Objects and Reasons appended to the Bill, by the heavy importations of yarn from China, where no effective steps had been taken to make effective the law prohibiting the employment of women and children at night, and where there was no satisfactory limitation in hours of work in factories generally.

25. The element of discrimination which the Bill contained evoked very strong opposition in the Assembly, where the Opposition sought to read in to the measure an acceptance of the principle of Imperial Preference. There was, however, practical unanimity with regard to the question of adequately protecting the Industry against foreign competition, and the Leader of the Opposition, Pandit Madan Mohan Malaviya, went so far as to fasten the responsibility for the Industry's present plight on the Government of India for not taking action in time, and stated that the Industry would not have been in the most deplorable and perilous position in which it was found, if adequate Protection had been afforded to it immediately after the Tariff Board reported. For some time, the fate of the Bill remained uncertain. Government made it clear that it would be impossible for them to accept any drastic alterations in the principle of the Bill. On the preference issue, Sir George Rainy made the Government position clear:—

“Let me turn for a moment to an aspect of the case which has been very frequently referred to by previous speakers, I mean the question whether this is Imperial Preference or not.....I think I must say something on the subject in order to explain what the view of the Government of India is. When they say that they are not asking the House to accept Imperial Preference as a principle, they are undoubtedly asking the House to approve in this particular case the imposition

of duties, which will give preference to British goods. That is written quite plainly on the face of the Bill itself. But at the same time, we say that we do not ask the House to accept Imperial Preference as a principle. Now what do we mean by that? What we mean is this. If India were to accept Imperial Preference as a principle, then I suppose it would involve the establishment of at least a two-decker tariff with lower rates for Empire goods and higher rates for goods from elsewhere, and that would be done as evidence of India's consciousness of the benefit she derives from membership of the Empire. We are not asking India to do that. We are proceeding on different lines in this matter altogether."

26. It was, however, found possible for Government to accept a motion brought forward by Mr. Shanmukham Chetty, which sought to abolish the differentiation between British and non-British manufactures in plain grey goods in so far as the minimum specific duty of  $3\frac{1}{2}$  annas per lb. was concerned. The Bill as finally passed into law had the following effect:—

(a) Plain Grey Goods:—

- (i) of British Manufacture—15 per cent. *ad valorem* or  $3\frac{1}{2}$  annas per lb. whichever is higher;
- (ii) not of British Manufacture—20 per cent. *ad valorem* or  $3\frac{1}{2}$  annas per lb. whichever is higher.

(b) Others:—

- (i) of British Manufacture—15 per cent. *ad valorem*.
- (ii) not of British Manufacture—20 per cent. *ad valorem*.

27. The obvious limitations of the relief sought to be given by the Bill were accurately placed before the Legislative Assembly by the representative of the Association, Mr. Mody:—

"Without entering into any controversy, I would say, though we have not obtained what we set out to obtain, the proposals now before the House are calculated to arrest the decline in our fortunes, and to give us a little breathing time within which to carry on and complete the re-organization on which we are engaged. The only point I would like to make in this connection is that the period of three years is much too short. The duty will not be felt for another six months, because of the heavy consignments of foreign goods which have already been sent to our markets and 18 months thereafter the Tariff Board will pounce upon us and will want to know exactly what we have done. Be that as it may, it must be stated that the proposals now before us will enable us to have a little breathing time, and to carry on that re-organization which we regard as essential to the well-being of the Industry."

The point stressed by Mr. Mody derives special emphasis from the conditions which have prevailed since Protection was given to the Industry in 1930. The re-organization, which it was hoped to achieve, has been greatly hampered by the abnormal difficulties through which trade and industry in every country have been passing, and it is very unfortunate that the Industry should be called upon under such conditions to establish its claim to Protection, and to say what measure of relief it requires.

28. The severe economic depression which prevailed in the country in 1930 very adversely affected the revenues of the Government of India, and in March, 1931, import duties on all classes of piecegoods were raised by 5 per cent., no alteration being made in the rate of minimum specific duty. The continued financial stringency which resulted from the accentuation of the world depression necessitated still further increases in the import duty on cotton piecegoods and yarn in October, 1931, and a surcharge amounting to 25 per cent. of the existing scale of duties was levied.

The present position in regard to the duties on textiles is as under:—

Artificial Silk Yarn and Thread . . . . .	<i>Ad valorem</i> 18½ per cent.
Cotton piecegoods (other than fents of not more than nine yards in length):—	
(a) Plain grey, <i>i.e.</i> , 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. <i>ad valorem</i> or 4½ as. per lb. whichever is higher.
(ii) Not of British manufacture . . . . .	31½ per cent. <i>ad valorem</i> or 4½ as. per lb. whichever is higher.
(b) Others:—	
(i) Of British manufacture . . . . .	25 per cent. <i>ad valorem</i> .
(ii) Not of British manufacture . . . . .	31½ per cent. <i>ad valorem</i> .
Cotton Twist and Yarn . . . . .	6½ per cent. <i>ad valorem</i> or 1½ as. per lb. whichever is higher.
Artificial Silk Piecegoods:—	
Piecegoods made entirely of artificial silk . . . . .	50 per cent. <i>ad valorem</i> .
Artificial Silk Mixtures:—	
(a) Piecegoods in which any portion of the warp or weft, but not both, contains artificial silk . . . . .	34½ per cent. <i>ad valorem</i> .
(b) Piecegoods containing artificial silk both in the warp and weft . . . . .	50 per cent. <i>ad valorem</i> .

29. The duty on artificial silk piecegoods, which stood at 15 per cent. up to February, 1931, was raised to 20 per cent. in March, 1931, and again to 50 per cent. by the Supplementary Budget which was introduced in the Legislative Assembly in September, 1931. The Millowners' Association, Bombay, had sent up an urgent representation a month previously, to the Government of India, stressing the immediate necessity of raising the duty on artificial silk piecegoods, and it is a matter of satisfaction to record that prompt action was taken on this representation. It has, however, to be noted that, at the same time, an additional duty was imposed on imports of artificial silk yarns, raising the duty to 18½ per cent. *ad valorem*, thus seriously affecting the competitive capacity of the handloom industry, already placed at a disadvantage in regard to their purchases of raw materials from countries continuing to be on the Gold Standard.

30. This picture of the events leading up to the present position of the Industry would not be complete without a reference to the action taken by Great Britain in going off the Gold Standard in September, 1931, and the subsequent linking of the rupee with sterling. Amongst the other consequences of this measure, the most notable was the embargo placed on the export of gold by the Government of Japan a few months later, which resulted in bringing down the Rupee/Yen exchange from 200 in December, 1931, to 118 at the time of writing. It is of particular interest to note that, in the few months during which Japan continued to be on the Gold Standard, she purchased abnormal quantities of American cotton, and is also believed to have remitted large funds abroad to finance her future



purchases of commodities. It will be necessary in another place to emphasize the danger which confronts the Industry in India through these operations.

*Object for which protection was given.*

31. In the foregoing paragraphs, we have summarized the events which led the Government of India to accede, in some measure, to the Industry's demand for Protection. The action was dictated by the serious position of the mills in Bombay, and the steadily deteriorating conditions of the Industry in other parts of the country, owing largely to the serious inroads made by Japan as disclosed in the Hardy report. The purpose for which Protection was given was clearly stated by Sir George Rainy while introducing the Tariff Amendment Bill. He said:

"My Honourable Friend, the Finance Member, explained in his Budget speech that what we were proposing was a scheme with a limited objective for a limited period, and that the immediate object was the preservation of the industry or an important section of it, and not its ultimate development. The latter point is reserved for consideration during the Tariff Board's inquiry, which, if the provisions of this Bill are accepted by the House, would be held in the year 1932-33. When I say a limited objective, I refer especially to the condition of things which exists in the cotton mill industry in the Bombay Island. The situation there has been a cause of anxiety to Government throughout the past year; and they have given much anxious time and thought to it. About the situation as it exists to-day, I do not think there can be any doubt, for all information that reaches Government is to the effect that emergent measures are necessary if very dangerous results are to be avoided. Quite obviously repercussions on the economic life in the City and the Presidency of any collapse in the Bombay Mill Industry would be exceedingly serious. It is on this ground that the Government of India are asking the House to take emergency action and to proceed with this Bill, notwithstanding the fact that it is not based on any detailed recommendations made by the Tariff Board."

32. Those in control of the Industry fully appreciated the magnitude and urgency of the task laid on their shoulders by the conditions implicit in the Tariff Protection Bill, and the point made by Mr. Mody, the representative of the Industry in the Legislative Assembly, was that the period within which the Industry would be asked to render an account of itself was far too short for the purpose of achieving the re-organization of an industry, whose life-blood had been drained away by a long succession of losses, due, in the main, to factors over which it had no control. In this connection, the following may be quoted from Mr. Mody's observations at the conference which the representatives of the Industry in all parts of India had with the Commerce and Acting Finance Member in December, 1929:—

" . . . . given adequate protection for five years, the Industry would be ready to submit to an examination of its production costs at the end of that period, and if it was then found that the efficiency of the Industry had not improved, he would agree to the withdrawal of protection. . . . "

33. The Industry was alive even at that time to the inadequacy of the stimulus afforded by the duties to the extension of its field of manufactures to lines which had hitherto been practically monopolised by other countries. The object of the Government of India was primarily to preserve the trade in which Indian mills had up to that time specialised, namely, the coarse grey goods trade, and to that extent, it may be said, the purpose has been fairly achieved, though, at the conference referred to above, it was made plain to the Government of India that several of the representatives of the Industry regarded a 20 per cent. duty as inadequate even for that purpose.

*Measures of Re-organization.*

34. Whatever the adequacy or otherwise of the measure for assistance proposed by Government, the Bombay Industry set to work to do what it could to rehabilitate its fortunes. The measures taken by it fall under the following heads:—

- (a) writing down of capital and reconstruction;
  - (b) reduction of production costs;
  - (c) improvement of selling organization;
  - (d) action taken on Tariff Board's recommendations;
- and
- (e) diversification of production.

35. It is proposed to deal with the heads as briefly as possible, and indicate the progress which has been achieved. Fuller information on these and other points is contained in the statement showing the action taken on the recommendations of the Tariff Board, and which is appended to this representation (Appendix I). If the occasion requires it, the information contained in the appendix will be supplemented.

(a) *Writing down of capital and reconstruction.*—From the statement annexed (Appendix 2) it will be seen that, up to date, 11 mills have reduced their capital without going into liquidation. The original paid-up capital of these mills amounting to 8.82 crores was, after reconstruction, brought down to 2.75 crores. Since the original writing down of capital, new capital has been found—chiefly by the managing agents—to the extent of 1.92 crores.

The second list of 11 mills in the statement shows the position in respect of mills which were taken into liquidation and afterwards reconstructed, and which are now working. The original capital of these 11 concerns was 2.52 crores. They were bought by the new owners for 1.29 crores. Assuming that the capital of the Ramdass and the Indo-China Mills which were purchased by the Mysore Spinning and Manufacturing Co., Ltd., Bangalore, and the Jam Manufacturing Co., Ltd., and are now working as subsidiaries to these concerns, corresponds to the purchase price, the present paid-up capital of these 11 concerns amounts to 1.41 crores. In other words, the paid-up capital of these 11 concerns is to-day 1.11 crores less than it was in 1926.

In all, therefore, the paid-up capital of the 22 mills making up lists A and B in the statement is to-day 5.25 crores less than it was in 1926. Actually, the position in respect of the 22 mills in lists A and B is that 8.59 crores of capital has been written off or lost, and 3.33 crores of new capital has been put into the Industry in replacement. The position of these reconstructed concerns is, however, in certain instances, still somewhat precarious, and two of them, the Jamshed and Mathradas Mills, have actually had to be taken into liquidation in spite of reconstruction which took place in 1929 and 1927 respectively, and the Premier Mills had to be closed down indefinitely. List O gives the names and capital of 5 mills which are at present in liquidation, and of one which has been dismantled. Of the mills in this list, the Manockjee Petit Mills, which originally formed part of the Manockjee Petit Manufacturing Co., Ltd., was recently sold for 15 lacs, and the Mathradas and the Madhorao Scindia Mills have been leased by the liquidators, and are at present working. The Atlas and Jamshed Mills are still closed.

Even with this drastic reconstruction, it cannot be said that the process has come to an end. There are several mills whose financial position requires adjustment, and it may be expected to be undertaken in the near future. On the whole, it must be considered a matter of great good fortune that the disastrous inflation which took place in every industry throughout the world during the hectic days of the boom which followed the conclusion of the War, did not overwhelm the Indian Textile Industry to the extent of permanently crippling it.

36. Reference must be made in this place to the ambitious scheme of rationalisation undertaken some two years ago by certain prominent mill-owners of Bombay. The idea was to amalgamate a number of mills if a suitable basis and satisfactory assistance from the State were forthcoming. An expert valuer from Lancashire was engaged by the mills which had favoured the idea of amalgamation, and informal negotiations took place with the Finance Member of the Government of India and the Imperial Bank of India with a view to determine the exact measure of financial assistance which would be forthcoming in the carrying out of this idea. After prolonged consideration, however, the scheme had to be abandoned owing to the financial and other difficulties inherent in it.

(b) *Reduction in Production Costs.*—The Tariff Board in 1926 stated that by far the greatest disability from which Bombay suffered was in regard to its high cost of labour. It would be readily understood that, in view of the very high proportion of the total cost of manufacture represented by wages, reductions in cost of manufacture are bound to be relatively small, if circumstances confine the economies which can be made to the other items contributing to the cost of manufacture. In the appendix to this representation, which deals with the action taken on the recommendations of the Tariff Board, the costly and unsuccessful efforts made by the Industry to bring about a substantial reduction in labour costs by the introduction of "Efficiency" measures and the "Standardisation of Wages and Musters" have been referred to in detail. The fact is that, unless the work-people themselves and those who have any influence with them can be persuaded to give up their unreasoning opposition to reforms of the nature projected in 1928, the disparity in manufacturing costs, which exists between India and some of her competitors for the Indian piece-goods trade, is likely to continue.

It is a somewhat difficult matter to dogmatise, when scores of individual firms and a very large range of products are concerned, as to the exact extent of the savings in the cost of manufacture which have been effected in every mill, but despite the difficulties which have been experienced, there is no doubt that since 1927, the last full working year, substantial reductions in cost of manufacture have taken place in the great majority of mills. Definite economies have been effected in the cost of power, fuel, stores and insurance, and savings have also been found possible by effecting cuts in the salaries and numbers of the supervising staff. There has also been a reduction in the number of workers employed. This has been brought about by the elimination of all superfluous workers and the introduction of High Drafting and other improvements in machinery. The greater spindle and loom activity in 1931 as compared with 1927 has also tended in most cases to bring down the cost of manufacture per pound by spreading the standing overhead charges over a larger production.

From such figures as the Association have obtained, it would appear that, compared with 1927, the cost of manufacture of a pound of 20s grey warp yarn has come down by over 5 pies. The cost of weaving of a pound of standard calendered shirting has during the same period been reduced by between 2 and 3 pies. As regards bleaching charges, the reduction amounts to 3 pies per pound. Detailed figures will be supplied to the Board at a later stage.

The general conclusion to be derived from the various returns received by the Association is that substantial economies have been effected in the spinning department. But it has not been found possible to reduce weaving charges to the same extent. It may be added that owing to the duties imposed on certain types of mill stores, which were hitherto imported free of duty, and the drop in the gold value of the rupee since September last, which has resulted in a considerable increase in the price of dye-stuffs, manufacturing charges will show an increase hereafter over the figures of 1931.

(c) *Improvement of Selling Organization.*—Although the Tariff Board were unable to make any definite recommendations as to the relative advan-

tages of different methods of sale, consideration of their observations led the Millowners' Association to focus attention more closely than before on sales methods and other allied questions. It was deemed neither feasible nor advisable that the selling agency system, which had so firmly established itself in Bombay, should be uprooted, but experience had shown the necessity of re-organizing it, and bringing it more in line with the altered conditions of trade. With this object, a number of meetings was held by the Chairman of the Association with the selling agents of the mills, and various suggestions were discussed. As a result, several improvements have been made in regard to the selling organization of mills. The political disturbances, which in 1930 led to frequent 'hartals' and closure of the Mulji Jetha Market, provided an additional stimulus to the movement for establishing a more intimate contact between Bombay mills and the various consuming centres throughout India. From a very recent return received from 19 of our members, covering 35 mills, it appears that 25 sub-agencies and/or retail shops have been opened in Bombay, and 130 in the rest of the country in the course of the last four years. The amount spent during that time on travelling agencies and advertising propaganda is Rs. 2,31,000. When the full figures are compiled, it will be seen that mills in Bombay have made very considerable progress in the matter of establishing direct contact with up-country centres by means of sub-agencies, travelling agencies and the like.

In addition, many mills have taken advantage of the exhibitions being held throughout India to advertise their goods. In 1930, a special Exhibition Train was run by the Association at considerable cost. It toured the Northern India markets, and attracted widespread attention. Since then, individual mills have taken advantage of other Exhibition Trains run on the Eastern Bengal and Great Indian Peninsula Railways, and from the reports which have been received, the latest effort in this direction has proved a great success.

For the last two years, a special display has been organized at the Victoria Terminus, and every two or three weeks, individual members of the Association in turn display their goods. The display is most effective, and thousands of people have an opportunity of seeing it every day. Very recently, space has been booked by a large group of mills at the Church-gate and the Bombay Central stations for similar displays.

Last year, a special label was prepared by the Association for the use of their members. Its object was to single out the goods made by the members of the Association, and to convey to the buyers a warranty that the goods bearing the label were made out of Indian yarn, with Indian labour, by an Indian company. Up to date, nearly a hundred million of these labels have found their way into all parts of India, constituting one of the most effective pieces of propaganda undertaken by the Association.

(d) *Action taken on the recommendations of the Tariff Board.*—This has been dealt with in a separate statement annexed to this representation, and all that need be said here is that every recommendation of importance has received careful consideration, and where action on the lines laid down has been found possible and desirable, such action has either been taken or, at any rate, attempted. In certain directions, the success achieved has been very considerable; in others, owing often to difficulties beyond the Industry's control, it has been disappointing. In the former category, the Industry's most noteworthy achievement has been the progress made in the production of fine count cloth, and in the latter, the failure to get the workers to tend a larger number of spindles and looms per individual.

(e) *Growth and Diversification of Production.*—This subject has been dealt with at some length in the statement referred to above. What is sought to be emphasized in this place is that, as in most other lines of advance connected with cotton manufacture, the key to rapid progress in new styles and lines is the availability of sufficient finance for special equipment. The position of Bombay mills in this respect has been parti-

cularly unhappy. Protection was not given until 1930 when it was on the verge of collapse. The funds of the Industry had been almost entirely dissipated by six or seven years of continuous losses, and since 1930, the slump in the price of all commodities so reduced the purchasing power of India's masses that the price of cloth had to be cut down to levels which made profits impossible even after Protection was given. Sir George Rainy circulated a note to the members of the Legislative Assembly when the Tariff Bill of 1930 was introduced in which he set forth the economic grounds behind the differential duties proposed by the Government of India. In that note, which also endeavoured to specify the extent of direct competition between Indian and imported goods, Sir George made the following important statement:

"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. Any substantial increase in the production of finer goods means the expenditure of capital, the purchase of new equipment and improvements in the efficiency of labour, and three years would be over before much progress could be made. 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."

In the light of this statement, and considering the poor financial position of several mills, the progress made by the Industry in certain directions in the last two years must be considered most satisfactory. The production statistics published by the Government of India would need to be supplemented in order to obtain anything more than a very general idea as to what has been accomplished; but they provide a general picture, the details of which can be filled in to some extent from information collected from other sources.

In the appendix we have dealt with the progress achieved in Bombay in the production of finer counts. It will be useful in this place to analyse briefly the developments which have taken place both in regard to the quantity and varieties of goods produced in mills in India.

In the year 1927, the total production of cotton yarn in India amounted to 830 million pounds of which 43 million pounds were over 30s; in 1931 the production had increased to 937 million pounds of which 101 million pounds were over 30s counts. In Bombay, the total production of yarn in 1927 amounted to 338 million pounds of which 16.5 million pounds were over 30s counts. In 1931, the total production of yarn was 311 million pounds, but this drop in production was due to the average counts spun being finer than in 1927.

The average count of yarn *spun* in Indian mills during the year 1931-32 was 20.5 against 18.4 in 1925-26, whereas in Bombay it was 17.2 in 1925-26 and 20.6 in 1931-32.

In piecegoods, India's total production in 1927 amounted to 2,372 milliards; in 1931 production had reached a record figure of 2,900 milliards. The production of dhoties, a large proportion of which is made from medium and fine count yarn, increased from 614 milliards in 1927 to 941 milliards in 1931. In cambrics and lawns, all of which are made from fine count yarn, production increased, from about 5 milliards in 1927 to 38 milliards in 1931. There was also a substantial increase from 612 milliards to 770 milliards in the case of longcloth and shirtings, but the figures give no indication of the proportion of grey and bleached cloth produced, nor is it possible to deduce from them whether larger quantities of fine counts shirtings were produced to match imported qualities. In T-cloth, Domestics and Sheetings, which are essentially coarse count cloth, production rose from 98

to 150 milliards. Coloured goods were produced to the extent of 695 milliards in 1927 but only to the extent of 647 milliards in 1931. This drop in production of coloured goods is perhaps the most unsatisfactory feature of the 1931 production statistics. The drop in the total was entirely due to the falling off in production of coloured goods in Bombay City and Island Mills, which can be attributed to intense competition from coloured, printed and dyed goods and art. silk goods imported at phenomenally low prices from Japan. This type of competition in coloured goods from Japan though severe in 1927 was nothing like so serious as it is at present, when the total imports of coloured, printed and dyed goods and art. silk manufactures from Japan have amounted to 162 milliards as against 109 milliards in 1927.

*Reasons for comparative failure.*

37. In the preceding paragraphs, we have given an account of the action taken by the Industry in different directions for rehabilitating itself in the light of the recommendations of the Tariff Board. The Industry, however, in spite of all these measures, is still in a depressed condition, and it is perhaps necessary to examine the reasons why the position has not improved since 1930, particularly in Bombay, and why the Protection given has been found to be ineffectual.

38. (a) *Delay in giving Protection.*—In the first place it has to be emphasized that Protection was not given until nearly four years after its demand by the Industry, and during this period its financial position rapidly deteriorated. Had the Government of India appreciated at an earlier date the seriousness of the inroads that were being made by Japan, and the necessity of giving the Industry adequate assistance to enable it to launch out into new lines of manufactures, the position to-day would undoubtedly have been more satisfactory. As it was, the mills in Bombay had to wait for a number of years and put up an unequal fight against foreign competition aggravated by labour troubles due to Communistic influences, and no help was forthcoming until a crisis had been reached, which Government considered might affect the whole future of this important centre of commerce and finance. Even when Protection was at last given, it was given for a limited period and for the limited object of maintaining its position in respect of business for which it was already equipped. As Mr. Mody had pointed out at the time, the period for which Protection was given was far too short in which to accomplish anything substantial in the way of re-organization. When it is remembered that, at the time of writing, the Industry has only had just over two years of Protection, adequate in some directions, but inadequate in others, and that the whole of this period has been one of abnormal depression throughout the world, it will be recognized that the Industry could not possibly have benefited to any great extent.

39. (b) *Strikes of 1928 and 1929.*—So far as Bombay is concerned, progress was also hampered by the extreme disorganization caused by the two long and disastrous strikes during the years immediately preceding the passage of the Cotton Textile Industry Protection Act. They seriously crippled the Industry's capacity in every direction, and retarded the recovery which might otherwise have taken place. On both occasions, Government had to intervene, and after the strikes had gone on for a considerable length of time, committees were appointed under the chairmanship of Mr. Justice Fawcett and Mr. Justice Pearson respectively. Both these committees vindicated the fairness and justice with which the millowners dealt with their workmen, and a perusal of the reports of these two bodies will bring home to the Tariff Board the extreme difficulties millowners in Bombay are experiencing owing to the attitude of labour and its unwillingness to move with the times. The first strike took place as a result of the efforts the Industry was making to give effect to the recommendations of the Tariff Board, particularly those relating to the Standardization of Wages and Musters. The second strike broke out in the midst of the friendly discussion the Committee of the Association

were carrying on with the labour leaders on the various conclusions and recommendations of the Fawcett Committee. Both strikes were either engineered or kept alive by the Communist element which had acquired a hold over labour, and drastic measures had to be adopted by Government to deal with the critical situation which had arisen owing to its activities.

40. The Association cannot too strongly emphasize the injury done to the Industry by these two prolonged and exhausting strikes during the two years preceding the grant of Protection to the Industry. These strikes entailed heavy losses on the Industry, and the dislocation they caused added to the difficulties experienced in the work of re-organization.

41. Perhaps the most serious consequence of the prolonged strikes was the diversion of a substantial proportion of the business of Bombay mills to other centres. Cloth merchants naturally began to place their orders with mills in centres which could guarantee delivery with greater certainty, and once trade begins to go through other channels, it is difficult to regain it. This movement towards other centres was greatly encouraged later on by the frequent closing down of business in the Mulji Jetha Market through which Bombay Mills sold the bulk of their production.

42. (c) *Economic Crisis*.—During the two years which have followed the grant of Protection, other factors have arisen to add to the difficulties of the situation. Since 1930, all the great countries of the world have been passing through an economic and financial crisis of unparalleled magnitude. The prices of agricultural products as well as manufactured articles have come tumbling down, and India like other countries is in the grip of a great economic depression. By the middle of 1931, the situation had taken an extremely grave turn, and the country's credit and finances were in a most serious position. The whole situation was reviewed by His Excellency the Viceroy on 14th September while addressing both Houses of the Legislature. In the course of his address, His Excellency said "the situation for a country which is as dependent as India on the prices she realizes for the products of her fields is one of great anxiety".

43. An idea of the fall in the purchasing power of the Indian ryot can be obtained by a study of the Calcutta Index Numbers of Wholesale Prices for important commodities. We give below the index number for all commodities taking the price in July 1914 as 100:—

1929 . . . . .	141
1930 . . . . .	116
1931 . . . . .	96

It will be noticed that in 1930 there was a fall of about 18 per cent. over the 1929 figure, and in 1931, 32 per cent. The extraordinarily low level of prices prevailing since 1930 has further crippled the already low purchasing power of the agriculturist on which the Cotton Mill Industry almost entirely depends. The prices of Indian cotton, like the prices of other commodities, touched very low levels, and the constantly declining tendency in prices from month to month from the commencement of 1930 until September, 1931, added greatly to the difficulties of the Industry. The value of stocks of cotton and cloth had constantly to be written down with disastrous consequences to the working results. The gradual fall in prices also caused merchants to adopt a hand to mouth buying policy, and cloth and yarn offtake was reduced to the lowest possible limits.

44. In September, 1931, the rupee was unlinked from gold and subsequently linked to sterling. As a direct consequence of this, prices of raw materials at once increased, and hopes were entertained of much better times for the Industry in general. Few mills, were, however, long of cotton at the time so as to benefit from a rise in the value of their cotton stocks. It was equally unfortunate that no increase took place in the prices realized for cloth until several months later. Even then, the rise in price was extremely short-lived owing to the fact that in December, 1931, Japan also

went off the Gold Standard, and in the interval, between September and December, had purchased very large quantities of American cotton. After Japan had gone off the Gold Standard, the value of the Yen fell with great rapidity to a level which made it very easy for Japanese manufacturers to compete effectively in price in all medium and fine count goods.

45. (d) *Lack of Capital for new equipment.*—In a previous paragraph reference has been made to a statement by Sir George Rainy which indicated that he was fully aware of the need for heavy capital, expenditure before really substantial progress could be made by Indian mills in the matter of supplying certain types of imported goods. He referred especially to fine count cloths, but it is perhaps even more necessary to point out the need for capital expenditure in other directions such as mercerizing, printing and finishing machinery, and last, but by no means least, the provision of wider reed space looms. In Bombay, the rapid development of trade in fine shirtings, mulls and Calcutta dhoties is being held up owing to the relatively small proportion of looms capable of producing cloth of over 40 inches in width, and until this disability is removed, the imports of Japanese grey shirting and Japanese and English mulls and dhoties are likely to continue to be substantial. In coloured goods, both imports and production are mainly of narrow widths, but to-day, Indian mills have difficulty in keeping their narrow looms running owing largely to the importations of cheap artificial silk and printed cloths, which are rapidly displacing Indian coloured and fancy cloths. A start has been made in removing the disability from which India suffers in the matter of printing and mercerizing plant, combing machinery and loom widening, but the very slender financial resources of Bombay mills following seven years of heavy losses are undoubtedly holding up what must now necessarily be considered as essential for the satisfactory development of the Industry. Apart from expenditure on machinery for the production of new types of goods, the losses of Bombay City mills during the last seven years have also added to the difficulties which mills have felt in keeping abreast of the latest developments in spinning and weaving machinery. It has, for instance, been impossible for many mills to replace old machinery of low productive capacity, as measured by the latest standards; it has also not been possible for most mills to adopt the High Draft system of spinning which cuts out certain preliminary operations and reduces spinning costs. In many other directions also, lack of finance has prevented the adoption of new methods and systems of manufacture, which increase production and reduce costs.

#### *Difficulties of the Industry.*

46. We shall now deal with some of the difficulties which have hampered the growth and development of the Indian Textile Industry, and prevented it from supplying the full requirements of the country of yarn and cloth.

47. (a) *Foreign Competition.*—In the forefront must be mentioned the severe foreign competition, which has been such a marked feature of the trade in the last few years. It was not till 1929 that the Government of India were brought round to admit its seriousness. The conclusions arrived at by Sir George Rainy in this matter were set forth in a note circulated to all members of the Assembly at the time the Tariff Amending Bill was introduced early in 1930. He estimated that about 12½ per cent. of the imports of piecegoods from Great Britain, and 90 per cent. of the imports from all other countries, were directly competitive with the products of Indian mills. The Industry maintained that the extent to which United Kingdom goods directly competed with Indian manufactures was considerably underestimated, and as a result of informal discussions which took place during the time the Amending Bill was before the House, the proposals for taxation were modified to the extent that grey jaconets, etc., imported from the United Kingdom were made subject to the 3½ annas specific duty, which may be taken as an admission of their directly competitive character. The Industry was also of the opinion at the time that a considerably higher



proportion of English dhoties competed against Indian dhoties than Sir George Rainy and Mr. Hardy had estimated, and the substantial replacement of English by Indian dhoties which has since taken place appears to indicate that the view taken by the Industry was more nearly correct than that taken by the Honourable the Commerce Member. It was common ground that at least 90 per cent. of the imports from other countries were directly competitive with Indian manufactures.

48. Mr. Hardy in his report clearly brought out that Japan was India's most successful and dangerous competitor. A study of the import statistics for the last three years amply confirms Mr. Hardy's conclusion. There has been a very substantial fall in the quantities of cotton piecegoods imported since protective duties were imposed, but the drop in Japanese imports has been proportionately less than in the case of practically all other countries.

49. The position in respect of total imports and the imports from the United Kingdom and Japan is summarised below:—

*Imports of cotton piecegoods into India.*

(The figures are in millions of yards.)

Year.	All countries.	The United Kingdom.	Japan.
1929 . . . . .	1,910	1,276	521
1930 . . . . .	1,254	797	390
1931 . . . . .	741	356	336

50. These figures of imports must not by any means be taken as indicating a definitely downward trend leading to a more or less complete replacement of the imported article by the home made product within a measurable distance of time. The boycott of foreign cloth and the acute distress prevailing in the country have been responsible to a considerable extent for the shrinkage of imports, and while it is true that the swadeshi movement has definitely given a fillip to the Indian Industry, the return of normal political and economic conditions may bring about some revival of the trade in imported cloth, and in that case it is very possible that Lancashire may regain a part, at any rate, of her lost trade in the finer classes of goods.

51. *Imports of Plain Grey Goods.*—The total importations from the United Kingdom, Japan and other countries in 1929, 1930 and 1931 are shown in the following table:—

*Imports of plain grey cotton piecegoods.*

(The figures are in millions of yards.)

Year.	All countries.	The United Kingdom.	Japan.
1929 . . . . .	433	90	325
1930 . . . . .	255	40	210
1931 . . . . .	163	27	133

52. During the same period, there has been a very substantial increase in the quantities of grey goods produced in Indian mills, but it is not possible to estimate the exact figure owing to the fact that grey and bleached goods are not shown separately. The increase in the production of grey and bleached goods has, however, not been so great as the fall in imports of grey and bleached goods taken together.

53. Judged by individual totals making up the plain grey import classification, it would appear that the specific duty imposed on grey goods has played its part so far as coarse grey styles are concerned, and that even in medium count cloths like shirtings, English goods have been

effectively kept out. The case is, however, somewhat different in regard to longcloth and grey shirtings of Japanese manufacture, of which imports are still heavy—131 million yards in 1931. Compared to 1929, there has been a drop of over 200 million yards, but a considerable portion of this drop was probably accounted for by smaller imports of shirtings of lower counts, and Indian mills still find difficulty in manufacturing the finer varieties of plain grey shirtings at a price at which they can compete against Japanese lines.

54. About a year ago, four leading mills were supplied with samples and prices of certain typical lines of fine grey shirtings, but none of them could produce similar qualities at competitive prices. Despite an increase in import duty since that date, Bombay mills are apparently unable to make the finer types of greys and sell them at a price which would cover the cost of manufacture including depreciation and interest charges. At the time of writing (May, 1932), a further drop in the prices of Japanese greys has made competition even more difficult than formerly.

55. *Import trade in Grey Dhoties.*—The increase in the Indian production of dhoties has already been referred to in a previous paragraph of this representation. The development which has taken place is of considerable importance to Indian, and particularly Bombay mills, and it would be a great advantage if they could retain the trade which they have captured at some sacrifice. Without substantial Protection, they are likely to lose this trade as the menace of Japanese competition is fast growing and becoming more severe. The following are the figures of imports in the last three years:—

*Imports of Grey Dhoties.*

(The figures are in millions of yards.)

Year.	The United Kingdom.	Japan.
1929 . . . . .	441	49
1930 . . . . .	250	55
1931 . . . . .	28	59

The quantities of Japanese dhoties so far imported may not appear great compared with India's production, but the progress made has been steady, and the latest quotations for well-known Japanese lines have been low enough to encourage the belief that importations will be on a much heavier scale during the next few months than they have been in the past.

56. *Imports of Bleached Goods.*—The total imports of bleached goods from the United Kingdom, Japan and other countries are shown below:

*Imports of Bleached Goods.*

(The figures are in millions of yards.)

Year.	All countries.	United Kingdom.	Japan.
1929 . . . . .	477	446	9
1930 . . . . .	350	305	26
1931 . . . . .	263	198	54

The figures in the above table summarize the position in regard to the bleached goods import trade. They also reveal the enormous strides being made by Japan as a supplier of bleached goods to India. The rapidity with which she is developing her trade in white goods gives grounds for believing that it is only lack of sufficient plant which is preventing her almost entirely supplanting England as a supplier of certain types of bleached

goods to the Indian market. Her progress so far has been chiefly confined to shirtings and nainsooks, of which she sent to India last year 35 and 11½ million yards respectively. In both these lines, her sendings to India were greater than those of England. In bleached mulls, Japan appears to be obtaining a secure footing in the trade, and her progress in the near future is likely to be rapid.

57. The qualities of bleached goods sent by Japan are somewhat inferior to the English qualities they are replacing, but they sell freely because of their much lower prices. The limitations of the production statistics make it difficult to estimate what progress Indian mills have achieved during the last two years in the matter of bleached goods production, but the fall of over 200 million yards in imports may be taken as an indication that some increase has taken place. The probability is, however, that unless the menace from Japan is removed, the rate of India's progress as a producer of bleached goods will be greatly retarded, and may even stop altogether. The recent increase in the import duty on bleached goods to 31½ per cent. appears to have in no way diminished the volume of Japanese imports, and latterly, has been more than offset by the fall in the rupee value of the Yen. Market prices in India are practically the same as they were in September last year when the duty and cotton prices were considerably lower than they are to-day.

58. *Coloured Goods.*—The import figures of coloured goods are separated into three divisions, piece dyed, printed and woven coloured, but since all coloured goods are included under one head in the production statistics, it is convenient to amalgamate the import heads for purposes of general comparison before dealing with each class in detail.

*Imports of coloured goods.*

(The figures are in millions of yards.)

Year.	All countries.	The United Kingdom.	Japan.
1929 . . . . .	472	235	138
1930 . . . . .	329	197	99
1931 . . . . .	207	98	91

*Production of coloured goods in Indian mills.*

Year.	Production in millions of yards.
1929 . . . . .	601
1930 . . . . .	566
1931 . . . . .	647

59. The figures given above indicate a reduction of 265 million yards of coloured goods imported into India since 1929. Indian mills have, in the same interval, increased their production by only 47 million yards, and the coloured goods production of Bombay City and Island mills actually decreased by 10 million yards. If one goes back to the figures of coloured goods production for 1927, which was a full working year for Bombay mills, the serious falling off in Bombay's production of coloured goods is even more apparent. The reasons are not far to seek. Japanese competition! This competition is, however, often of an indirect character, and to arrive at an exact estimate of its severity is, therefore, extremely difficult.

60. What is happening is that both in the home and export market the cheap dyed and woven coloured goods produced by Indian mills are being substituted by Japanese dyed and printed styles, while the better qualities of fancies have been rendered unsaleable by the indirect competition of Japanese artificial silk goods sold at phenomenally low prices, and of which

imports during the last three calendar years have been respectively 16, 33 and 72 million yards. The wholesale market price of these styles to-day (including merchant's profit and a 50 per cent. duty) is less than 5 annas per yard. The full force of Japanese competition in printed goods has apparently not yet been felt, judging by the prices at which new styles and qualities are being offered, but at a suitable opportunity, it is hoped to place samples and prices before the Board, which will indicate the need for greater protection against these classes of imports than is afforded by the present duties.

61. *Artificial Silk Piecegoods.*—Reference has been made in the preceding paragraph to the indirect competition which Indian mills have to meet from Japanese artificial silk piecegoods imports. It was also the subject of a representation made to the Government of India in August last year (*vide* page 187 of the Association's Report for the year 1931). At that time, it was considered that a 40 per cent. *ad valorem* duty combined with a specific minimum duty of Rs. 1-8 per lb. would be adequate for the purpose of protecting the handloom from direct competition, and the mill industry from indirect competition. The Government of India in October, 1931, raised the *ad valorem* duty (including surcharge) to 50 per cent. but did not impose the specific minimum duty of Rs. 1-8 per pound. At the same time, the value of the import duty on artificial silk cloth as a measure of Protection, particularly to the handloom industry, was considerably reduced by the additional import duty imposed on artificial silk yarn, which, had already risen heavily in price owing to India's departure from the Gold Standard. The net result has been that as a protective measure, the duties on artificial silk piecegoods have achieved little. Imports are, if anything, greater than in the past, and market prices are not appreciably higher than when the duty was increased. The desirability of imposing a prohibitive duty on artificial silk piecegoods might therefore be seriously considered by your Board in the joint interests of the hand and power loom industries of the country.

62. *Cotton yarn imports.*—During the last three calendar years, imports of cotton yarns into India have been respectively 49, 34 and 32 million pounds, and at first sight, it would seem that the existing duties are sufficient, when comparison is made with the figures of Indian yarn production. This, however, is only partially true, and if one examines the statistics in greater detail, it will be seen that competition in certain classes is extremely serious. In 31s to 40s grey singles yarn, for example, imports have been respectively 16, 15 and 13 million lbs. against a total production of 43, 53 and 64 million lbs. In folded yarns also, particularly 2/42s grey, competition is, and always has been severe, and prices lower than those at which Indian mills are at present able to manufacture. The existing duties appear sufficient, however, to protect the great bulk of Indian yarn production in normal times.

63. We shall now turn to a consideration of the question of prices. The last Tariff Board pointed out in their report the difficulties they experienced in obtaining a satisfactory basis for comparison in the matter of prices of Indian mill-made and imported goods, and in paragraph 84 of their report, stressed the desirability of appointing correspondents in the various consuming centres, who would keep the trade informed of the tendency of the markets. The Association adopted the suggestion of the Tariff Board, and are kept more or less regularly informed of the course of prices in the various centres. The reports of their trade correspondents, and of the representatives of individual firms, have been of considerable value to the trade, and have clearly brought out the competition in price which has taken place. Mr. Hardy has, however, correctly pointed out in his report that millowners can hardly be expected to furnish information, except in a very few particular instances, as to which imported cloth is responsible for the falling off in sales of a particular line. To quote Mr. Hardy: "the manufacturer first feels competition in a particular cloth when he finds sales are falling off, but it does not follow that he can immediately say precisely what cloth is taking its place." It often happens

that the prices of certain types of piecegoods manufactured by Indian mills are affected by the prices of imported goods of a widely different character. In paragraph 22 of his report, Mr. Hardy has given several instances of this type of competition where mere comparative prices would not assist in arriving at correct conclusions; for example, competition between imports of cloth bearing a considerable amount of size in competition with less heavily sized cloth woven from coarser yarns, or competition between imported printed goods and fancy woven goods produced by Indian mills. Finally, Mr. Hardy goes on to say:—

“ We have also to consider the indirect competition of goods of different quality, a matter of special importance, if a scheme of protection should be contemplated since there is always the possibility that a rise in the price of an imported product may not drive the purchaser to a local product of the same kind but rather to an imported product of a slightly different kind. A good example of this type of indirect competition is the supplanting of woven striped shirtings by fine printed drills. Conversely, in the absence of protection the process may already have developed to a considerable degree. Area for area a fine cloth may be less expensive than a coarse cloth and a purchaser who requires a piece of cloth for a particular purpose generally requires a definite area and not a definite weight. Thus he may buy the finer cloth merely because it is cheaper whereas he would prefer the coarse cloth if he could get it at the same price, because it is more durable and better suited to his purpose.”

64. It will thus be seen that the rigour of foreign competition is to be gauged not merely by the increase in quantities imported from a country, nor by a study of comparative prices, for there are often other factors, the effect of which it is difficult to define with precise exactitude. It is for these reasons that, in the preceding paragraphs dealing with foreign competition during the last few years the ruling prices of individual lines of imports are only infrequently quoted.

65. One of the many factors which help Japan to push her trade in the Indian markets is the superior efficiency of Japanese mills. Elsewhere in this representation can be found an account of the efforts made in Bombay to increase the efficiency of labour and the results so far achieved. These results appear somewhat insignificant in comparison to what has been accomplished in Japan, but one has to take into consideration the difficulties in the way of rapid reform. Independent observers like Mr. Arno S. Pearse have pointed out that while in Japan operatives work as many machines as can be attended under fair conditions, labour in India is indolent by nature, is steeped in usages and is ruled by caste. Differences of environment, physique, habits of life and education make it impossible to expect that the efficiency of Indian mill labour can be brought to the Japanese standard in the course of a few years.

66. From figures published in the Indo-Japanese Trade Bulletin in the early part of this year, it would seem that despite the efforts made in Bombay, the disparity between the efficiency of labour in India and Japan is increasing. In the last five years, the number of spindles per operative in Japan has been nearly doubled. A similar increase has taken place in the productive capacity of the weaving operative. Against these achievements the progress made in India has been insignificant. The advantage which Japan has in the cost of labour was brought out very clearly by Mr. Sasakura of the Toyo Podar Mills, Bombay, in his written statement to the Fawcett Enquiry Committee. He stated that the average number of looms attended by a woman weaver in Japan was six, that her wages were approximately, Rs. 2.4 per day, and that the loom efficiency was 95 per cent. He pointed out that in Bombay a weaver attended only to two looms for a wage of Rs. 2 per day and that the loom efficiency was only 80 per cent. On this basis, he estimated that the relative production per weaver per day was 570 units in Japan as against 160 units in Bombay. In other words, the production of cloth per weaver in Japan was about 3½

times as great as in Bombay. Mr. Sasakura also stated that in Japan, a sider in the spinning department attended to 600 spindles for a wage of Rs. 1-14-6 per day with an efficiency of 90 per cent. Against this a spinning side boy in Bombay looked after 181 spindles for a wage of Re. 1 per day with an efficiency of 80 per cent. On this basis, Mr. Sasakura estimated that the relative productions per side boy were 5,400 units for a wage of Rs. 1-14-6 in Japan and 1,448 units for a wage of Re. 1 in Bombay. He gave similar figures for all the main occupations in the mill, and included in the Japanese wage figure an amount equivalent to 15 per cent. over and above the money wage as expenses incurred by Japanese mills for boarding, recruiting, etc. These figures go far to explain why it is that the cost of production in India is much higher than in Japan despite a somewhat high individual wage paid in that country.

67. The figures of Mr. Sasakura are borne out by the "Economist" and by Mr. Arno S. Pearse in his well-known report on the Japanese Cotton Industry published in 1929. The "Economist" of 27th July, 1929, stated that although during the past three years the total spindleage had increased from 5,586,000 to 6,344,000 and the number of looms from 74,200 to 81,200, the number of operatives had decreased from 180,000 to 152,000. In addition, the average daily output in February, 1929, as compared with June, 1926, showed an increase of 5.5 per cent. per ring spindle and 8.5 per cent. per loom. Mr. Pearse in his report has stated that the average number of ordinary looms per weaver was 5.5 in Japan as compared with less than 2 in India and 4 in England. The special correspondent of the Manchester Guardian (Commercial), writing on the 25th April, 1929, stated:

"I consider that the effect of cheap labour costs in Japan is now in danger of being too lightly passed over. After three months' investigation of the cotton industry in Japan, I am of the opinion that Japanese labour costs in spinning are about one-half, or little more than half, English costs, and that as regards the other expenses of manufacture, the discrepancy is even greater. In weaving my figures show Japanese labour costs are about one-third of Lancashire ones."

This enormous difference between the output of the Japanese and the Indian operative has got to be given its due weight when assessing the efficiency of mills in India and their capacity to withstand foreign competition.

68. In connection with the development of the trade of Japan, it is instructive to consider the extent to which the Japanese Government gives encouragement to the industries of the country, particularly in regard to the export trade. In paragraphs 20 to 24 of the report of the Cotton Mission appointed by His Majesty's Government in 1930, the various forms in which State Aid is given have been clearly detailed. It is to be seen from those that the Japanese Government supports banking operations, loans money to all kinds of industries at low rates of interest, and encourages the formation of Export Associations or Guilds, whose operations it subsidises where necessary. The Government of Japan has further established a Bureau of Foreign Trade, and provides a very efficient service of Trade Commissioners in all parts of the world. A Bill was also recently passed authorizing Government, on the advice of the responsible minister, to reimburse exporters to the extent of 70 per cent. of losses incurred through dishonouring of bills on shipments to certain specified and undeveloped markets. The results of this enterprising policy are to be seen in the enormous expansion of Japan's export trade within the last few years.

69. (b) *Difficulties of Finance.*—In the last few years, the difficulties of the Industry have been undoubtedly increased by the maintenance of the exchange value of the rupee at 1s. 6d. gold. This has adversely affected the purchasing power of the agriculturist owing to the lower rupee prices received for his crops, and greatly reduced the margin left over to him for the purchase of the necessities of life. In such circumstances, it is scarcely to be wondered that his purchases of cloth have been reduced to a minimum.

70. The difficulties of the Industry owing to the sustained effort to maintain the  $\frac{1}{2}$  ratio have been aggravated by the high bank rate which has prevailed in India for a number of years, partly as a consequence of the manipulations of exchange. Dependent as Bombay is for its working capital on the banks, her mills have been specially hard hit. The disadvantage in the matter of interest charges from which Indian mills suffer, as compared with mills in Lancashire and the United States of America, is very evident when the relative bank rates in the three countries are compared.

71. In 1930, for example, the Bank of England made four changes in the Bank rate, always in the downward direction. Standing at 5 per cent. at the commencement of the year, it stood at 3 per cent. on 1st May, and was later in the month reduced to  $2\frac{1}{2}$  per cent. The Bank rate in the United States was, in the first four months of 1930, reduced from  $4\frac{1}{2}$  to  $2\frac{1}{2}$  and further reduced to 2 per cent. in December. In India, the Bank rate remained at the high level of 7 per cent. from November, 1929 to April, 1930. On 6th April, it was brought down to 6 per cent. and on 10th July to 5 per cent. and raised to 7 per cent. on 20th November. In 1931, the average rate for the whole year worked out at 7.046 per cent. The serious effect of these very high interest rates on manufacturing costs will be evident from the fact that in October, 1930, the loans obtained by 64 mills from banks and managing agents amounted to 7.58 crores on which interest at or above the prevailing bank rate had to be paid.

72. Early in 1931, the Committee in a letter to the Government of India urged that facilities should be given so as to ensure that industries should obtain their loans from banks at figures more nearly approximating to the rate for call-money. They suggested that the Government of India might, if possible, make some arrangement, in the interests of both the Cotton Industry and the cotton grower, with the Imperial Bank of India under which the rate of interest for financing stocks of raw material should secure exceptional treatment when the Bank rate was 5 per cent. or higher. Government, however, expressed their inability to intervene on the ground that the terms on which advances were made by the Imperial Bank were entirely a matter of settlement between the Bank and its clients. The Association trust the Tariff Board will recognise the handicap inflicted on the Industry by the high rate of interest, and will make recommendations to Government calculated to minimise the difficulties of the Industry in this respect.

73. Apart from the high Bank rate, industrial concerns find great difficulty in India in obtaining adequate finance on reasonable terms. Even when the advance is against the liquid assets of a concern, it has to be guaranteed by the managing agents in spite of an adequate margin being retained by the bank. Advances against the fixed assets of a mill are rare, and are only possible when the managing agents who guarantee them happen to be very substantial parties. The enormous losses suffered by managing agents personally during the last few years through making themselves responsible jointly with their mills for loans from banks, are alike indications of the difficulties under which the Industry has been carried on, and the risks run by those who control it.

74. (c) *Burden of Taxation.*—The Protection which was granted to the Industry in 1930 has been in effect appreciably neutralised by the burdens of fresh taxation imposed on the Industry in September, 1931. The Association would draw the Tariff Board's special attention to the following new taxes and the effects thereof on the Industry:—

- (i) an import duty of 6 pies per lb. on raw cotton;
- (ii) an import duty of 10 per cent. on machinery; and
- (iii) an import duty of 10 per cent. on dyes.

75. The imposition of a duty on raw cotton is in direct contravention of the principle laid down by the Fiscal Commission and accepted by Government, that "raw materials required for Indian industries should ordi-

harily be admitted free of duty". Though ostensibly a revenue duty, it is in its application a tax on the production of medium and finer counts of yarn and cloth. The Tariff Board laid it down as "essential that Bombay should utilise to the full the natural advantages it possesses in the matter of climate and of its situation in respect of imports of American or African cotton for the production of goods of higher quality than they have done in the past". The industry has not been slow to follow this advice, and the production of yarn of medium and finer counts has gone on increasing from year to year. This has been made possible by the use of African, Egyptian and American cotton of a type which is not grown in India. The total quantity of cotton of an inch and over staple grown in India is very limited, and most of the cotton which is imported does not, therefore, enter into competition with the indigenous growth. Whatever the effect of the duty on the price realised by the Indian cultivator, it has resulted in increasing the cost of production in new lines of cloth for which a market has been created in the last few years.

76. The 10 per cent. duty on machinery is equally indefensible. The Fiscal Commission stated that they could not approve of the principle of taxing machinery for the purpose of revenue, and recommended the removal of the then existing duty of 2½ per cent. being definitely of the view that the revenue duty on machinery was undesirable in the present stage of the country's development.

77. The duty on dye-stuffs has come at a particularly inopportune moment. Owing to the departure of Great Britain from the Gold Standard, and the linking of the rupee with sterling, the price of German and other dye-stuffs has gone up considerably, and the additional handicap of a ten per cent. duty must seriously affect the coloured goods trade of Indian mills, which is already being threatened by imports of printed and artificial silk goods from Japan at prices which defy competition.

78. These new imposts add to the burden of taxation which is already heavy, particularly in Bombay, where high Municipal taxation and the Town Duty on cotton are, among other things, draining away large sums of money from the mills. Reference must be made here to the income-tax, though at a time when the industry has been making losses, the tax may not be regarded as a matter of serious concern to it. In Great Britain, however heavy be the incidence of income-tax, it is levied at any rate, on profits; and industrial and trading concerns are allowed to carry forward losses for six years. In India, the income-tax law has not been amended in this respect, in spite of the assurances given in the past by the Finance Member and the result is that the income-tax here is in effect a tax on capital and not on profits.

#### *Special Difficulties of Bombay.*

79. In addition to the general difficulties of the industry as a whole, Bombay mills are subject to somewhat greater handicaps than mills in other parts of India in the matter of local taxation and water charges. Reference has been made in an earlier portion of this representation to the efforts made to get the Town Duty on cotton of Re. 1 per bale reduced in accordance with the recommendations of the Tariff Board of 1926, and to the inadequacy of the reduction which has been obtained in the price of water. The handicap from which Bombay mills suffer in this respect is strikingly brought out by a comparison of the rates and taxes paid by two mills of very similar capacity in Bombay and Ahmedabad. The Bombay mill, according to its 1930 balance sheet, paid Rs. 28,000 by way of general tax, halalkhore tax, water charges, Town Duty and Cotton Cess, as compared with Rs. 8,081 paid by the Ahmedabad mill.

80. Another special disadvantage from which Bombay mills suffer is the relatively higher prices which have to be paid for Indian cotton owing to greater distances from cotton growing areas. This disadvantage is, however, counterbalanced to some extent by the greater range of cottons readily



available to them, and the absence of railway freight on cotton purchased from abroad for the production of finer count cloths.

81. Over and above these disabilities, Bombay mills suffer considerably in comparison with mills in other parts of the country in the matter of labour costs, owing to the high level of wages paid. The disparity in wage rates between Bombay and most up-country mills is very marked, but what is perhaps of greater significance is the fact that in a large city like Ahmedabad, where the cost of living is comparable with that of Bombay, the wage bill per 1,000 spindles and per 100 looms, according to an estimate based on the Wage Census of 1926, is substantially lower than in Bombay. A certain amount of progress has been made since that time in reducing the wage bill of the spinning side of the Industry in Bombay, but little or no progress has been possible in the matter of weaving costs, and it has to be admitted that even to-day the wage bill of Bombay mills compares unfavourably with that of Ahmedabad. This matter has been continually receiving the attention of the Committee of the Association, and they would welcome any suggestions which the Board may make for dealing with this particular problem.

82. Another factor which has operated to the disadvantage of Bombay mills in recent years is the grave disorganization caused to trade and industry in the City by reason of its being the centre of political trouble. Since the beginning of 1930, there has been a succession of *hartals* in the principal markets of Bombay, which has greatly interfered with normal conditions of trading. Business in cotton and cloth markets has been diverted to other centres, with serious consequences to Bombay's trade and industry. Operations in the Stock Market are subject to the same unsettling influences. Had normal political conditions prevailed, there is no doubt that the economic position of mills in Bombay would not have deteriorated to anything like the extent to which it has done. It is a matter of singular misfortune that the beneficial and far-reaching effects of the swadeshi movement should have been neutralized in this manner by a long-drawn and most unfortunate conflict between the forces of Government and the Congress.

#### *What protection has achieved.*

83. In the preceding pages we have dealt with the position and needs of the Industry, and we propose now to indicate as briefly as possible, and in a very general way, what Protection has achieved, and why it is necessary to continue it and make it more effective.

84. If the position during the last two years is examined, it must, we think, be admitted that the country has undoubtedly benefited by the measure of Protection which has been accorded to its greatest national industry. The production of the mills has increased by 600 million yards of cloth, and 107 million pounds of yarn since 1927, which may be taken as the last normal working year. At a modest estimate, this must have meant the employment of at least 60,000 additional workers, and the payment of over a crore and a half in the shape of wages alone. Had the Industry not been afforded a shelter in 1930, the probabilities are there would have been an actual falling off in both production and employment. The real significance of this can be appreciated when it is considered that, while the Industry has made considerable losses in the last few years, it has found employment for an increasing number of people at rates, which, so far as Bombay and most other centres are concerned, are equal to those enjoyed by the operatives during the height of the boom.

85. Indian mills, in addition, have used a larger quantity of Indian cotton than ever before. Figures of cotton consumption show that from 20 lakhs of bales in 1926-27, the consumption has gone up to an average of 23 lakhs during the last three years. If, as seems likely, Japan's purchases of Indian cotton are liable to diminish in the future owing to the increasing proportion of medium and fine count goods now being produced in her mills, the importance of a healthy cotton industry to the well-being of the culti-

vator in this country needs no stressing. At the present moment mills in India are obliged to use a certain proportion of foreign cotton, but with the increasing efforts made by the Agricultural Departments and the Indian Central Cotton Committee for improving the grade and staple of Indian cotton, it may confidently be expected that India's dependence on foreign cotton for the production of finer classes of goods must diminish in time.

86. Another positive result which may be put down to the credit of the Protective duties is the enormous improvement which has taken place in the quality of Indian goods. The variety and excellence of the products of Indian mills have been widely recognized, and a comparison with the classes of manufactures of a few years ago will show the great strides the Industry has taken in the direction of improving its output. We propose to submit to the Board a range of samples which would convey an idea of the way in which the Industry in India is trying to displace the better classes of goods which used exclusively to come from foreign countries only a short while ago.

87. These results have been achieved without any sacrifice of the interest of the consumer. A study of the course of cotton and cloth prices during the last few years, and the index number of wholesale prices, will show that, in spite of successive increases in duties and the shrinkage in imports of cloth and yarn, prices have not been inflated to the detriment of the consumer. As a matter of fact, even to-day, with all the assistance which the duties are affording, mills are not able to realize a fair selling price, and in any consideration of the problem, the question of securing to the Indian manufacturer a price which reimburses him for his cost, and which secures him a reasonable return on the capital locked-up in the Industry must occupy the foremost place.

*The protection that is required.*

88. We shall now deal briefly with the effects of specific and *ad valorem* duties, and indicate the method by which a given measure of Protection can be rendered effective for the purpose for which it is granted.

89. The chief defect of an *ad valorem* system of duties is that, during a period of falling prices, the extent of Protection afforded by any particular rate of duty is continually fluctuating and diminishing. On the other hand, in a period of rising prices, the incidence of the duty might prove unnecessarily heavy, other factors remaining the same. We are not on that account arguing for a specific duty for each and every type of cloth, based on the difference in the cost of manufacture in India and the cost in the country from which it is imported, for we agree that such a system might result in administrative difficulties; but we believe that it is possible to devise a system of minimum specific duties on all the main classes of imports. This has already been done in the case of grey goods, and provided the minima were sufficient to obtain a fair selling price for those classes of goods which the indigenous Industry might find it advisable to manufacture, the extension of specific duties to dhoties, bleached, printed, piece dyed and woven coloured goods would afford adequate Protection to the Industry. Such specific duties would have to be fixed at a level which would bring up the price of imported goods to a parity with what the Board might consider to be a fair selling price for the local manufacturers.

90. It may, of course, be argued that in order to protect a wide classification of goods, the import duty—whether specific or *ad valorem* in character—would necessarily have to be fixed at a rate which would protect mills against competition from goods of the highest value in that class. This may be so, but it does not follow that on this account, the consumer would be unduly penalised in respect of the prices paid for goods of a lower average value, on which the specific duty would give more Protection than necessary. As a matter of fact, the experience of the last few years has shown that the prices realized for coarse grey goods on which the existing minimum specific duty has been equivalent to a high *ad valorem* duty, have been

consistently below a fair selling price, and at times, below the cost of manufacture, not taking into consideration any profit and depreciation. What in effect happens is that internal competition is sufficient to keep down prices to normal levels, and in times of economic stress such as India has been passing through, even to uneconomic levels.

91. Another fact which has also to be borne in mind in this connection is that the prices throughout a class must continue to bear a fairly close relationship with each other, for a dealer would naturally refuse to pay a price for coarse goods which was entirely out of relationship to the price at which he could purchase finer cloths of the same general character. It is, in the opinion of my Committee, an indubitable fact that the adequacy of the Protection afforded to coarse grey goods has not unduly penalised the consumer, and that the grant of adequate Protection in other classes of goods, whether attained by way of minimum specific or *ad valorem* duties, would not be against his interest, as Indian mills and the handloom industry are already in a position to supply the great bulk of the country's requirements, and with adequate protection, could rapidly develop their production of cloth. The danger apprehended by Sir George Rainy of placing an undue burden on the consumer if lines which had hitherto not been manufactured in any large quantities were protected, has been proved to be unreal, judged by the progress made by the Industry and the prices realized for its manufactures in the last two years, and we have no hesitation in submitting that the country would undoubtedly benefit if the Industry were protected in such a manner as would not only assure it of a reasonable price for the products it is turning out, but would also assist the rapid development of new lines of manufactures.

92. This is the proper place for dealing with the point which has been made in an earlier paragraph in which we referred to the advantage which Japan had derived owing to her currency remaining on the gold basis for nearly three months longer than India, during which time she purchased nearly two million bales of American cotton. Since the Yen was divorced from gold, its exchange value in terms of the rupee has depreciated with great rapidity, and now stands at roughly 15 per cent. less than when both the Yen and the Rupee were linked to gold. This has meant that in comparison with India, Japan has been able to buy her cotton very cheaply, and has added to that advantage by being able to sell what represents her cost of manufacture at a 15 per cent. lower rate in terms of rupees than she could do formerly.

93. It may be argued that this dual advantage is only temporary, since her future purchases of cotton will have to be made at relatively high Yen rates; but with nearly 2 million bales of cheap cotton on hand, there is every prospect of her placing very large quantities of cloth on the Indian market at prices against which it will be impossible for Indian mills to compete. The quantity and prices of Japanese imports during the next few months will require to be most carefully watched, and if imports to India are abnormally heavy, or exceptionally cheap, the Government of India should, in the opinion of the Committee of the Association, be given powers similar to those given to the Board of Trade in England under the Abnormal Importations Act of November, 1931.

94. If the Yen/Rupee exchange remains round about its present level, namely, 15 per cent. below what it was when both countries were on the Gold Standard, Japan will retain a permanent advantage of about 8 per cent. over India owing to the fact that the rupee equivalent of her cost of manufacture, which probably varies between 50 and 65 per cent. of the total cost of production according to the type of goods produced, will be 15 per cent. lower than what it was during the two years previous to India's departure from the Gold Standard. Even had additional handicaps not been placed on the Indian Industry in the form of duties on stores, machinery and imported cotton, the advantage which Japan now has owing to the low rupee value of the Yen would have been more than sufficient to offset the 6½ per cent. increase in import duty imposed on her goods by

the Supplementary Budget of September, 1931. It will, my Committee think, be recognised that in view of the vagaries of international exchanges, prevailing at present, the Government of India cannot effectively follow a policy of discriminating Protection unless it is armed with powers to enhance the tariff duties automatically to the extent required to cover depreciations below the parity which existed when India was on the Gold Standard.

95. We have now dealt with every aspect of the Industry, and shown not only the difficulties with which it is confronted, but also the efforts which have been made during the last few years, at any rate, to rehabilitate its fortunes. The point we desire to emphasise in this place is that it is not only the Industry in Bombay that is passing through a period of acute depression, but in the other centres also, where the Industry has been established, its position has been far from happy. We shall forward at a later date, figures which will establish this contention. It is our submission, however, that even if it was a case of saving the Bombay Mill Industry alone, there is imperative necessity for taking that course of action. As the Government of India stated in their letter, dated the 13th January, 1930, to the Chairman of the Association:—

“The assistance required by the Bombay cotton mill industry becomes of national importance not only (and perhaps not mainly) because of the capital invested in it, but rather because of the unemployment which would result from the shutting down of a number of mills and because of the inevitable reactions on the commercial life of the city and the large number of persons not directly connected with the industry who would suffer from its failure. It is from this point of view that the Government of India must approach the question.”

If the Government of India had brought the agriculturist into this picture, realising the link which exists between him and the Industry, they would have expressed more adequately than they did the repercussions of the collapse of the Industry on the economic life of the country.

96. It only remains to add that if the Board are satisfied that the continued existence and progressive development of the Industry is a matter of national importance, that those who control it are continually trying to improve its methods and organisation, and that the assistance given by the import duties has benefited the Industry and the country in many ways without injuring the interests of the consumer—if the Board are satisfied about these matters, we would urge them to recommend measures which would effectively safeguard the Industry against external competition, and ensure it a fair selling price for its products.

#### APPENDIX I.

##### *Action taken by Bombay Mills on the recommendations made by the Tariff Board of 1926.*

*Para. 55 of the Board's Report: Raw Material—Hedge Contracts.*—On the publication of the Tariff Board's Report, the question of Hedge Contracts was, at the instance of the Association, again taken up by the Board of the East India Cotton Association, and copies of the scheme submitted by Messrs. Forbes, Forbes, Campbell & Co., as modified by the Board, were circulated to the Representative Committee inviting suggestions.

In response to this circular, one of the members of the East India Cotton Association submitted proposals for the establishment of four hedge contracts. The Committee of the Association, who had an opportunity of studying them, found them, with certain minor alterations, to be an improvement on the proposals put up by Messrs. Forbes, Forbes, Campbell & Co., and they, therefore, urged the East India Cotton Association in March, 1928, that these proposals, with some modifications suggested by the Committee, should be accepted as a first step. But for some time no further action appeared to have been taken by the East India Cotton Association. The matter was,

therefore, again taken up by the Committee, and the attention of the East India Cotton Association was invited to the desirability of introducing reforms in Hedge Contracts. A special sub-committee of the East India Cotton Association was appointed to examine this question, but it transpired subsequently that an amendment of the Bombay Cotton Contracts Act was under consideration by Government, and the sub-committee did not, therefore, proceed with its work.

Submitting evidence before the Bombay Cotton Contracts Act Committee, which was subsequently appointed by Government, the Association urged the institution of three Hedge Contracts as below :—

*Contract No. 1.*—The present No. 2 F.G.M.G. Broach Contract and the present No. 5 G.M.G. Southern Contract be amalgamated into one contract, that the staple be specially determined for each growth, and that no cotton under  $\frac{3}{4}$  inch staple should be tenderable against the contract. The standard fair average staple of the season as laid down in Schedule A with reference to the Broach Contract to be abolished.

It was also suggested that Moglai cotton from the following stations in the Nizam's State should be included in this contract, provided they are not under  $\frac{3}{4}$  inch in staple :—

Latur, Nanded, Purna, Umri, Bhaisan, Kirkley, Mukhed and Parbhani, and that no cotton under Good should be tenderable against this contract.

Months of delivery :—March, May, July, September and November.

*Contract No. 2.*—The present contracts Nos. 3 and 4 Oomras be amalgamated into one contract and proviso added that only F. G. to Fine cotton be tendered from the beginning of the year until the end of May, and after that period only Good to Fully Good.

This contract should include Northern Gowrane cotton of the Nizam's State from the stations of Barsi and Jalna. Cotton tendered against this contract to be medium staple and not less than  $\frac{1}{4}$  inch.

Months of delivery :—January, March, May, July and September.

*Contract No. 3.*—The third contract should be the same as the present No. 1 Bengal Contract.

Grade . . . . .	Good to Fully Good.
Staple . . . . .	Not to be defined.

Months of delivery :—January, March, May, July, September and November.

The majority of the Cotton Contracts Act Committee recommended that the existing five Hedge Contracts should be retained of which not more than 4 should be in operation at one time. The Broach Contract was, however, widened by the addition of Uplands growths of the Dharwar District and Kumptas.

The Association considered the contracts as framed would leave the door open to squeezing in certain months of the year, and in communicating their views to Government on the Cotton Contracts Act Committee's report, held that it would be desirable to include Southern and a portion of the Moglai in the Broach, and the remainder of the Moglai in the Oomra contract. As an immediate measure, the Association also suggested the inclusion of Karungannis and Cambodias of a minimum staple of  $\frac{3}{4}$ " in the Broach Contract.

These reforms were not acceptable to the East India Cotton Association, who have recently notified certain proposed alterations in their Articles and By-Laws, strictly in accordance with the majority recommendations.

*Para. 56. Fuel and Power.*—No economies possible in power costs.—Although the Tariff Board reported that no economies could be effected in the cost of electric power, the conclusions of a sub-committee of the Association, assisted by technical advisers, led to somewhat different conclusions. Later on, with the help of technical advisers, a pamphlet was issued to all mills in which it was demonstrated that substantial savings could be effected

if mills installed their own power units in preference to taking power from the Tata Hydro Electric Power Supply Companies. The Association, thereafter, approached the Power Companies for a reduction in rates, and after protracted negotiations, an appreciable reduction in rates for bulk consumers was obtained. The net effect of such reduction over the Industry as a whole in Bombay is a saving of about 9 to 10 lakhs of rupees per annum.

*Para 57. Water—The supply of cheap water is a matter of very great importance to the Bombay Mill Industry.*—When the Tariff Board reported, the rate of water charged to the Mill Industry was 16 annas per 1,000 gallons. But owing to the persistent efforts made by the Association through their representative in the Corporation the rate was first reduced to 12 annas and subsequently to 10 annas, at which rate it stands to-day.

The rate of 10 annas for water used in a manufacturing industry like the Cotton Mill Industry, where the consumption, apart from water used for drinking purposes, is enormous, if anything other than grey goods are produced, is excessive. There appears to be no reason for charging cotton mills at a higher rate than private consumers, who pay on a valuation basis, and for whose supply, very considerable expenditure has to be incurred. The correct rate for water supplied to mills, taking into consideration the statutory principles laid down in Section 140 (a) of the City of Bombay Municipal Act, should certainly be not more than 5 annas per 1,000 gallons.

The higher charge for water in Bombay has undoubtedly affected the development of the bleaching side of the Industry, and to that extent, has hampered the diversification recommended by the Tariff Board of 1926.

It is noteworthy that a serious attempt was made by the Standing Committee of the Corporation to increase the water rate of mills in November, 1930, to 12 annas per 1,000 gallons, but this attempt was not successful. There is, however, every likelihood of a further attempt being made to get the mill water rate increased in the near future if the finances of the Corporation do not improve.

*Para. 58. Necessity of closest supervision over mill-stores by Managing Agents.*—The Tariff Board say that there is no department in the Mill Industry in regard to which charges of corruption were more rife than in regard to the purchase of mill-stores, but they admit they had no direct evidence in support of this charge.

It is somewhat difficult to meet a vague allegation of this character. The best answer that can be provided is that the cost of stores per unit of production in Bombay is lower than in any other centre of the Industry in India. This may, to some extent, be accounted for by the fact that no railway freight has to be incurred, but the circumstances certainly goes to show that there cannot possibly be any serious laxity in the purchase or use stores. Since the Tariff Board reported in 1927, even greater economies have been practised, and the stores bill in most mills is distinctly lower than in 1927, after making all allowances for drop in prices.

*Para. 59. Level of Wages—The only alternative to a reduction in wages is increased efficiency.*—The standardized scheme of wages and muster was designed among other things to increase the individual efficiency of the operative, especially in the spinning and preparatory departments by:—

- (a) increasing the number of machines attended by one man;
- (b) doing away with a certain number of extra men; and
- (c) granting higher wages to the remaining men.

The principle of the scheme, as far as the spinning section is concerned, was approved by the titular leaders of the workers as far back as 1928, but every effort has been made by them since to block any advance in this direction, and though some progress had undoubtedly been made in the last few years, it has not been anything like so substantial as it might have been if the co-operation of labour and their leaders had been real.

In addition, certain measures referred to by the Fawcett Committee as "Efficiency Schemes" have been introduced by the Sassoon and Finlay groups

of mills and in the Kohinoor Mills. Their immediate extension to other mills in Bombay has, however, been rendered difficult on account of the fact that:—

- (i) the production and machinery of the mills adopting such schemes have to be more or less standardized, and this is not possible in small units;
- (ii) though the efficiency measures have received the approbation of the Fawcett Committee, labour leaders have strenuously opposed all measures for increasing the efficiency of the individual operative.

The Fawcett Committee found that the "Efficiency Scheme" was "fair and reasonable", but suggested that "it would be more conducive to alleviation of consequent unemployment to have a gradual adoption of the scheme by the mills, and not its *simultaneous* adoption by all", and it is along these lines that progress may be gradually made.

Briefly stated, these "Efficiency Schemes" were designed to achieve an increase in the industrial efficiency of the workers along the lines, which have been so successfully adopted in many other countries, where during the last few years, great progress has been achieved by the allocation of more machines or spindles per operative. Any advance of this character has been bitterly opposed both by the operatives and their leaders, and even to-day, mills experience the very greatest difficulty in allocating more machines or spindles to an operative than he was in the habit of attending say 50 years ago, despite enormous improvements in machinery and methods of production. The same difficulty as Bombay mills experience has had to be contended against, though in a lesser degree, in other centres of the Industry in India, and the lack of success so far achieved is undoubtedly one of the reasons why costs of production in certain countries are lower than in India, despite the payment of very much higher wages in those countries.

There is no doubt that the unreasoned hostility of labour to the introduction of the "Efficiency Scheme" has hampered the development of fine spinning in India, and is one of the reasons why costs, and particularly weaving costs in this country, are out of proportion to what they are in Japan.

*Para. 60. Maintenance of Labour reserve for minimising absenteeism.*—The high percentage of absenteeism in Bombay Mills is admittedly one of the factors tending to reduce efficiency, but my Committee have come to the conclusion that the engagement of extra men to the extent of 10 per cent., as suggested by the Tariff Board, will not help to decrease absenteeism or increase efficiency, but on the contrary, might increase slackness for the reason that a greater number of men would often be employed than the actual work of the department required. In this connection, it is interesting to note that the Tariff Board themselves recommended that more spinning frames, looms, etc., should be put in charge of one operative than at present. The practice suggested by the Board, of engaging extra men to take the place of absentee workmen did obtain in a few mills in Bombay in 1926, but enquiries made showed that there were special reasons for it, such as isolation from centres of industrial population, and there is reason to believe that even those mills, which then carried a complement of extra hands upon their muster rolls, are giving up the system, now that the difficulty caused by a permanent shortage of labour has been more or less overcome. In my Committee's opinion, absenteeism can only be reduced when the operatives learn to take keener interest in their work, health and general welfare.

Another argument against the provision of a labour reserve to the extent recommended by the Board is that it cuts at the very root of the Standardization and Efficiency Schemes already referred to, which have for their object the elimination of superfluous labour in the Industry, and might possibly render the introduction of these measures even more difficult.

*Para 61. Extension of piecework to spinners.*—Attention was given to this particular question after the Tariff Board reported, and experiments

were made in a well-known mill, but they were resented by the workpeople, and had to be discontinued. This recommendation was also discussed at some length before the Fawcett Committee subsequent to the general strike of 1928, but it is interesting to note that it was condemned by labour leaders who gave evidence before that Committee.

*Removal of disparity between spinning and weaving wages and the allocation of more looms per weaver.*—The question of removing certain anomalies in the present system of wages and other cognate matters specially mentioned by the Tariff Board on pages 136 and 137 of their report have engaged the serious attention of the Industry since the latter half of 1927. The most important suggestion in the opinion of the Association, and on which the Board laid great stress, viz., standardization of wages and of musters, could not be effected earlier owing to the laborious and intricate nature of the work involved; and although in 1928 strikes considerably added to these difficulties, the Association's experts succeeded in evolving a scheme at the end of May, which subsequently obtained the unanimous approval of all members. But, as already stated, nothing further could be done in the way of giving practical effect to this scheme as the operatives were already on strike, and the Association's standardization scheme, along with other matters, had to be referred to the Fawcett Committee for an expression of opinion as to whether they were fair and reasonable.

As the Fawcett Committee have dealt with the scheme in their report in all its details, no lengthy reference is necessary to the principal features of the measure; suffice it to say that the scheme sought to remove many of the anomalies pointed out by the Board. The net effect of the standardization, as far as could be ascertained at the time, was that in the spinning section there was no question of a cut in the wages, and as a matter of fact, certain operatives received increases. But in the weaving section, a cut of  $7\frac{1}{2}$  per cent. was aimed at.

The Association's scheme for the standardization of wages and of musters received the approval of the Fawcett Committee, who also held that the Industry was justified in making a cut of  $7\frac{1}{2}$  per cent. in weaving wages. But in view of the necessity for closer co-operation between labour and capital, the Committee suggested that the millowners should agree to drop it if labour leaders in their turn "undertake to give real co-operation in trying to make the standardization scheme work properly". The Association were prepared to consider the adoption of this suggestion, and as an earnest of their desire to earn the co-operation of labour, agreed to postpone the introduction of the scheme till October 1st, 1929. The Association also indicated at the joint conferences held with labour leaders immediately after the publication of the Fawcett Committee report that they were prepared to appoint a joint sub-committee to make the necessary alterations in the standardization scheme on a mutually acceptable basis, but the negotiations with labour for the preparation of a fresh scheme on the lines indicated by the Fawcett Committee, unfortunately, suffered an abrupt termination on account of certain extraneous issues brought up at the conference by leaders of Girmi Kamgar Union, which resulted in a strike in 1929, and for the time being, the work of the joint sub-committee had to be suspended.

The collapse of the 1929 strike only created fresh difficulties for the Industry, for there were no recognized representatives of labour with whom the Association could usefully continue discussions on such questions as the standardization of wages and the introduction of "Efficiency Schemes", which might do something to remove the disparity in individual wages in the spinning and weaving sides of the Industry.

Attention during the last two years has been concentrated on weaning the workers away from the baleful influence exercised over them by a section of their leaders, and a certain amount of progress would appear to have been made towards regaining their confidence. It is, however, somewhat difficult to say whether in the near future sufficient progress will have been achieved to make it possible to introduce without friction any scheme involving tending of more machines or spindles than is now usual.



With labour so bitterly opposed in its present disorganized state to the introduction of even the very moderate reforms embodied in the Standardization Scheme, the progress of more far-reaching efficiency schemes involving an increase in the number of looms per weaver, is bound to be slow, unless labour can be made to realize that attending a larger number of spindles or a greater number of looms will not only result in increased individual earnings, but is the only means of bringing the Industry back to a sound competitive position *vis-a-vis* its foreign competitors.

*Economies in the Preparatory Departments.*—We have pointed out the great difficulties which have still to be overcome before any substantial advance in the number of spindles and looms attended to by an operative can be achieved. The seriousness of the efforts made by the Bombay Mill Industry can hardly be questioned if the Report of the Fawcett Committee and the evidence tendered before that Committee are studied, and for the time being, at any rate, it has to be conceded that many of the reforms suggested by the Tariff Board in 1927 are unfortunately impossible of achievement in Bombay owing to labour's opposition. At the same time, it would be a mistake to imagine that nothing whatever has been accomplished in the way of increasing efficiency along lines somewhat similar to those suggested.

In the preparatory and spinning departments, for example, the complements per 1,000 spindles have been decreased in many mills by systematic lengthening of frames and an extensive adoption of high drafting. From a census taken in 1930, it appeared that 5 mills consisting of 1,85,000 spindles in Bombay had completely changed over to high drafting, while 26 mills had introduced the system partially, and further work was proceeding in all these mills. The total number of spindles working on high drafting was then 4,43,000. 12 mills were working with two sides per man on the spinning side, and 7 mills had re-arranged or re-built their machinery so as to permit of a greater number of spindles being attended to by one spinner.

Similar economies had also been effected in the matter of numbers employed in the departments preparatory to weaving by the adoption of high speed warping and winding, improved types of cheese and beam dyeing plants which facilitate yarn being dyed in the cheese or in the beam, thereby saving the cost of winding it into hanks before dyeing and re-winding again on beams for weaving. A large number of mills had also installed universal winding machines which enabled a larger quantity of weft to be carried by the shuttle, thus reducing stoppages for weft replenishment at the loom.

These, and other improvements, and additions and alterations in the machinery, have cost the Industry Rs. 75 lakhs; and considering the fact that Bombay mills were not in a very happy position during the period covered by the census referred to above, it will be agreed that the amount was by no means insignificant.

Since then, detailed enquiries and investigations have been made from time to time with the object of eliminating all superfluous appointments, with the result that in most mills in Bombay, the numbers employed per 1,000 spindles and per 100 looms have been reduced since 1927.

*Provision of suitable raw materials.*—In my Committee's opinion, there is little justification for the Board's view that there exists a tendency in Indian mills to spin higher counts of yarn from cotton than the quality of cotton warrants, and that there is also a tendency to speed up machinery in order to secure increased production without any alteration in the character of mixing.

What led Sir Frank Noyce and his colleagues to this conclusion was the knowledge gained during their enquiry that, in certain mills, a lower quality of cotton was being used on a higher machinery speed than in others for the same count of yarn. But the Tariff Board failed to give due weight in arriving at this conclusion, to the fact that the type of cotton used and the speed of machines depend to some extent on the purpose for which the yarn is to be used, and the age and condition of the machinery on which it is to be produced.

In so far as Bombay is concerned, inquiries show that the practices referred to by the Tariff Board are not by any means common.

A circular letter was, however, addressed to all members of the Association drawing their special attention to the remarks of the Tariff Board, and pointing out to them the desirability of stopping the practice if it existed.

*Para. 62. The fixation of a definite period of rest to enable operatives to take their morning meal is desirable.*—The Tariff Board's recommendation for an half-hour recess to enable the operatives to take their morning meals is not a new one. The Association had made this recommendation as early as 1920, but the experiment had to be abandoned within a very short time of its adoption, as the workmen themselves were not in favour of the reform.

However, in view of the Tariff Board's recommendation, towards the end of 1927, the Association again invited the Bombay European and the Bombay Textile and Engineering Associations to express an opinion on the feasibility of adopting the Board's recommendation. The latter consulted the Bombay Textile Labour Union, the only registered trade union which existed at the time, on the subject, and it was found that the proposal was not acceptable to the workmen. This question is dealt with at length in the Fawcett Committee Report. The desirability of the reform is admitted by the millowners, but neither the workers nor their organizations are prepared to adopt the reform unless the hours of work are reduced to 9¼ per day. The recommendation of the Fawcett Committee that an experiment should be made in one mill with a morning recess and a working day of 9¼ hours does not commend itself to my Association as a practical proposition.

*Para. 63. Labour should be recruited directly by the officer in charge of the department of the mill which requires it or by a responsible assistant and not by the jobber.*—The recruitment of labour is a subject which was dealt with by the Royal Commission on Labour, and an experimental appointment on the lines of their recommendations has already been made. It will, however, be some time before the Association are in a position to decide whether the experiment has proved a success. It may be added that, after the publication of the Tariff Board report, a special inquiry was made by the Association as to how labour was recruited, and it was definitely proved that the practice of direct recruitment was making rapid strides throughout the Bombay Mill Industry, and this movement was meeting with every encouragement from the Association and from the management of individual mills. The influence of the jobber has been on the wane owing to the growth of a more independent spirit among the workers. The enquiry made by the Association went to show that so far as the daily replacement of absentees was concerned, operatives as a rule were not finally engaged by the jobber. They may be brought to the mills by the jobbers, but even this practice is becoming more rare, and it is now the more general rule for the jobber to obtain replacements for his absentees from the applicants for work who daily attend at the mills. Whatever the method adopted by the jobber to obtain the work-people necessary for replacing absentees, the final selection and appointments are made by the heads of the departments concerned, and in many mills, even the preliminary assembling of applicants for replacements of casual vacancies is conducted by the heads of departments, and not by jobbers. The millowners have always strongly discountenanced the practice of extorting commission from work-people by jobbers, and where charges of this nature are substantiated, the most severe disciplinary action is taken against the jobbers concerned.

*Para. 64. The practice of compelling workers to take over cloth spoilt by defective workmanship at its full value should be abolished.*—The practice of selling damaged cloth to weavers is disapproved by the Tariff Board, who recommend that this should be substituted by the system of fining. My Committee would, however, point out that weavers themselves in many cases prefer the former system for the reason that the cloth which is damaged is invoiced to them at or slightly below the cost of manufacture,

and is sold by them at retail rates in the bazar. The question was again discussed in all its details before the Fawcett Committee, and the Standing Orders which they designed to meet the situation have been adopted and put into operation by all mills in Bombay City and Island.

The Standing Order in question states:—

“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.”

*Para 64. Fines.*—It was agreed by the Millowners’ Association before the Fawcett Enquiry Committee that all fines should be credited to a mill welfare fund, or utilized in some way for the benefit of the employees. This has been provided for in a special Standing Order, which has been in force since March, 1931, reading as under:—

“All fines imposed under this Order will be credited to a welfare fund and utilized for such benefits to the operatives as the Company may determine.”

*Para. 65. Standardization of Wages.*—The Association for the last thirty years have recognized the desirability of standardizing the rates of wages paid in the City and Island Mills, and as far back as 1898, a serious but unsuccessful effort was made to introduce standardized rates. After the publication of the Tariff Board report, a further effort was made, the history of which is set forth in great detail in the report of the Fawcett Committee.

The fact, however, remains that despite tremendous financial sacrifices by the Industry, it has so far been found impossible to introduce the standardization scheme, which the Fawcett Committee considered to be fair and reasonable.

The position to-day is that a Standard List of Wages, covering all sections of the Industry, which would, taking the Industry as a whole, result in a higher average wage per individual operative, exists, but it cannot be adopted because of the opposition of the operatives, despite the fact that one of the demands put forward on their behalf during the strike of 1928 was that wages throughout the City and Island should be standardized. When labour indicate their real willingness to accept standardized wages, the Association will be prepared to put into force the scheme explained to and approved by the Fawcett Committee without a cut in weavers’ wages.

*Para. 66. Housing.*—Since the Tariff Board reported, it has been the consistent policy of the Association to encourage employees of the mills to take advantage of the accommodation available in the “Development Department” chawls.

An attempt was made in 1927 to take advantage of the offer of the Development Directorate to lease complete chawls to mills, and several mills stated that they would be willing to take up the idea provided they could persuade a sufficient number of their operatives to agree to live in

the chawls. In no single instance, however, was it found possible persuade a sufficient number of workers in any one mill to agree to take up rooms in the same building.

*Town Duty.*—As regards the recommendation of the Tariff Board that a refund of 8 annas per bale of the Cotton Duty should be granted to cotton mills on production of satisfactory proof of consumption, strenuous and repeated efforts have been made to persuade the Government of Bombay to give this relief to the Industry. But owing to the Government being unable to come to terms with the Municipality regarding the allocation of the resulting loss to the revenues of both, the relief recommended by the Tariff Board has so far been withheld from the industry, in spite of the inequity of the tax.

*Para. 67. Welfare Work.*—Despite the continuance of unfavourable financial conditions in the industry, a forward policy in regard to welfare work is being followed, and special attention is being given to the problem of facilitating contact between the individual worker and his employer. The satisfactory progress made by Bombay Mills in the provision of "creches" has been commented on by the Chief Inspector of Factories in a special report issued in 1931. Adequate arrangements have also been made to ensure that leave is granted to workers whenever good and sufficient reason exists, without jeopardizing their chances of securing re-employment on return. The provision for medical treatment, which exists in all mills, is being improved, and the general health and welfare of the operatives is being encouraged by a series of educative talks on general health and the prevention of sickness in the "Girni Samachar", a workers' magazine published under the auspices of the Association, which is sold at a nominal price in practically all mills in the City and Island. In addition, Miss Hawkins, a lady with a very wide experience of welfare work in Lancashire, has been engaged by the Association to supervise and advise on the welfare work in mills generally. Miss Hawkins' appointment has been extremely well received by the management and medical staffs of the mills, and several conferences have since been held with the general body of managers and mill doctors, the results of which, together with the effects of the personal contacts Miss Hawkins has established by frequent visits to mills, would seem to have amply justified her appointment.

In connection with welfare work, there have been notable advances in certain groups of mills in the matter of the establishment of co-operative credit societies, thrift schemes, etc. Another large group of mills has for the last two years been publishing a most excellent workers' magazine in Marathi and English, the educative effects of which are bound to be considerable. The problem of accident prevention and the treatment of accidents, has also received attention. In regard to the former, mills are working in close co-operation with the Chief Inspector of Factories, and experimental Safety Committees have been established in three mills. A committee of mill doctors has also been appointed to investigate and report on all serious accidents which occur in the mills of the City and Island, the idea being to prevent, as far as possible, the recurrence of such accidents by issuing instructions for that purpose to all mills in the City.

In regard to the treatment of accidents, the co-operation of the St. John Ambulance Association has been obtained, and in 1931-32, four "first-aid" classes in English, Marathi and Gujarati were successfully formed. Those workers who successfully passed the examinations will probably be appointed as "First-Aid" men, and given a small increment in pay for such services as they are called on to perform.

In many other directions also welfare work is being extended, and a sympathetic attitude to the recommendations of the Royal Commission on Labour which concern welfare is being maintained.

*Para. 68. Technical Education.*—The last Tariff Board recommended certain changes in the period of practical training for textile students at the Victoria Jubilee Technical Institute. This matter formed the subject of correspondence between the Association and the Principal of the Institute

early in 1929, and modifications in the period of practical training more or less on the lines recommended by the Tariff Board were made, the Association, on behalf of its members, agreeing to make suitable provision in the mills for the students of the Institute.

As regards the recommendation for the establishment of trade schools in two or three convenient centres in Bombay, the Association's view is that they would favour the establishment of such schools, but could not pledge the Industry to give financial support to them, as, in their opinion, the provision of trade schools in any particular locality was a duty devolving on the Government and the Municipality rather than on any particular body of employers. The Association at the same time indicated that if any scheme was put forward by the Government of Bombay or the Municipality, with the idea of carrying into effect the Tariff Board's recommendations, the Association would participate to the extent of advising on the suitability of the courses, and might assist in the provision of mechanical equipment.

Mention is made in this paragraph of the Tariff Board's Report of the Textile Technical School maintained by the Social Service League at Parel. This school really owes its inception to the generosity of certain millowners in Bombay, who have given substantial contributions towards the cost of the building, and have equipped the school with the bulk of the machinery which it possesses. The sphere of this school's usefulness has been greatly extended during the last two or three years, since a prominent member of the Committee of the Millowners' Association became Chairman of the Textile Technical School Supervising Committee of the Social Service League.

The number of students attending the courses has rapidly increased, and in 1931, 109 workers were reported to be attending the classes regularly.

The work of the school has been directly encouraged by the Association, who have for the last two years contributed a sum of Rs. 500 per year towards its expenses; and by individual millowners who have granted scholarships to such of their operatives as attend the classes. It was also agreed to give opportunities to workmen qualified in the school to occupy higher appointments in the mills.

*Para. 68. Vernacular text-books.*—A very useful recommendation of the last Tariff Board dealt with the desirability of printing a number of simple technical books and pamphlets on the various machines used in the Industry, and has been the subject of correspondence between the Government of Bombay and the Association since the Tariff Board reported. The Association from the outset have indicated their willingness to bear a portion of the cost of preparing suitable simple text-books in the vernacular for the use of literate operatives and jobbers; but probably, owing to financial difficulties, the Government of Bombay, through the Director of Industries, indicated in 1931 that they had decided not to proceed further with the idea. However, the Association are now considering the possibilities of disseminating information in regard to the various machines through the medium of their monthly vernacular magazine, provided that this can be done at a reasonable cost.

*Para. 69. Introduction of Automatic Looms.*—Though the experiments with the use of various types of automatic looms and automatic attachments have been continued, it is generally held that neither automatic attachments nor automatic looms can beneficially affect the cost of producing cloth in Bombay mills until the work people are prepared to work a larger number of looms than they are doing, even though they may not reach the standard attained in Japan. The recent experiments which have been conducted by the Lancashire Cotton Corporation as to the comparative costs of weaving by automatic looms as compared with Lancashire looms, a report\* on which is attached hereto, also tend to show that the previous conclusions arrived at as regards the benefits of introducing automatic weaving may require to be revised in some degree.

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\* Not printed.

*Para. 70. Double Shift Working.*—One of the greatest hindrances to the adoption of double shift working in Bombay in the past has been the absence of adequate housing accommodation. This was pointed out in the report of the first Tariff Board, which stated that Bombay was a most unsuitable centre for the adoption of the double shift system. With the closing down of a number of mills, however, it has been found possible for the Association to waive the ban which they had imposed against double shift working in 1920, and a number of mills, particularly those with heavy standing interest charges, have found it desirable to work considerable portions of their plants on a night and day shift for varying periods during the last year or two, without experiencing difficulty in the matter of obtaining labour, and without aggravating the housing problem in the City. In this connection, it should be noted that at no time have the numbers employed on night shift in Bombay been of such a magnitude as to make up for the number thrown out of employment owing to the closing down of mills.

*Para. 71. Labour in General.*—In this paragraph, attention is drawn to the urgency of the problem presented by the illiteracy of Indian labour, and the Board emphasize the need not only for primary and technical education, but for adult education, if labour is to produce from its own ranks leaders who can speak with knowledge and authority on its behalf. The Association entirely agree with the observations made by the Tariff Board in this connection. Certain recommendations have been made in regard to education of labour in the report of the Royal Commission on Labour in India, and these are receiving attention.

It will be noted from what has been stated in previous paragraphs that the Association have gone out of their way to improve the literacy and technical education of Bombay mill operatives.

*Para. 72. Overhead Charges: Taxes.*—Except that the Association have managed to secure for the Industry a slight reduction in water charges, the position of Bombay mills *vis-a-vis* mills in Ahmedabad and other centres in regard to local taxation has not improved since the Tariff Board reported. The Association have fought strenuously for more favourable mill assessments from the Municipality, but have been unable to obtain any substantial relief.

In regard to Toka land held by mills, a fairly satisfactory settlement for a period of ten years has been arrived at, but even so, the burden of this 'tax' is higher than it was in 1926.

*Para. 73. Insurance.*—The Tariff Board in 1926 pointed out that the charges for mill insurance in Bombay worked out at a lower rate than in other centres of the Industry, but recommended that mills should undertake their own fire insurance, and suggested that the millowners might introduce a scheme of mutual insurance for fire similar to the system of insurance which they have for workmen's compensation.

Well before the Tariff Board made this recommendation, its possibilities had been discussed on many occasions by the Association, and a number of alternative schemes had been considered from time to time. It has, however, been found impossible to adopt any of them. One of the great difficulties in the way is that of a satisfactory re-insurance, but the chief stumbling block is undoubtedly the difficulty of obtaining the initial funds involved in a scheme of this nature. There is also the difficulty, which might occur if the other insurance companies combined and started a premium rate war. Moreover it has to be noted that during the last five years, the Association have managed to obtain various reductions in fire insurance premium rates, and it is a matter for consideration whether a Mutual Insurance Association for fire would be able to quote lower net rates than those at present quoted by the fire insurance companies.

It would not be possible to estimate the savings which have been made by the Bombay Industry as a whole, as a result of the reduction in premium rates unless a special enquiry were to be made for the purpose.

But the following figures, which are actuals taken from a typical Bombay mill, will give the Board an idea of the situation:—

	Rs.
Total value of specification 1927-28 . . .	61,17,150
Do. do. 1931-32 . . .	62,27,250
Nett premium paid in 1927-28 . . .	17,151
or an average rate of 4½ annas per Rs. 100 for the whole mill.	
Nett premium paid in 1931-32 . . .	12,126
or an average rate of 3¼ annas per Rs. 100 for the whole mill.	

*Para. 75. Depreciation.*—The Association agree with the Tariff Board that, as a general rule, depreciation should be reckoned as the first charge on profits. It is, however, necessary to point out that during the last few years most mills have made no profits, on which depreciation could be regarded as a first charge. Whether, in the event of the Industry commencing to make profits, it will be possible to utilize the whole of such profits for the purpose of writing off arrears of depreciation which have accumulated is another matter. When shareholders have received no dividends for years, it will probably be not always possible for the Directorate to carry out the counsel of perfection laid down by the Tariff Board, but the Association would certainly encourage the allocation of larger amounts than prescribed in the Statute until such time as all arrears of depreciation have been written off.

An examination of the balance sheets of a few mills which made profits during the last few years would convince the Board that this sound policy in regard to depreciation has been followed in Bombay.

*Para. 76. Audit.*—The remarks made in this paragraph do not apply to the Industry in Bombay.

*Para. 77. Re-organization of the Millowners' Association.*—In this paragraph, the Tariff Board indicate the directions along which corporate action by mills may be increased, and the general lines along which such action might be encouraged.

As regards the first recommendation in connection with the maintenance of a range of samples and record of the prices of imported cotton goods, a considerable amount of progress has been achieved. At the present time, a week to week record of prices of a large number of imported cloth and yarn is maintained, and, in addition, special market correspondents in Bombay, Madras and Delhi keep the Association informed of the state of trade in their centres, and supply the Industry with samples and prices of new lines, which from time to time become popular in those markets. The samples are made available to mills for the purpose of analysis in order to assist them in arriving at conclusions as to whether competitive qualities could be produced.

In addition, a special detailed survey of the piecegoods trade of South India was recently made on behalf of the Association, and a detailed report and samples which accompanied the report were made available to all members in order to assist them in extending their trade in that Province.

As regards Calcutta, the method followed has been somewhat different. In that centre, mills have been encouraged to open up new agencies and retail shops, and as a result, considerable developments have taken place in the extent of Bombay's trade with that centre, and a notable progress has been achieved in supplying the Calcutta Market with types of goods which were previously imported.

The recommendation made by the Tariff Board for the appointment of special sub-committees to deal with questions relating to the development of export and home markets, finance, labour, etc., had been carried out even before the Tariff Board reported.

*Para. 78. Registration of Trade Marks and Numbers.*—The desirability of taking steps to prevent piracy of trade numbers and the reduction of qualities sold under particular numbers were recognized by the Association many years before the Tariff Board reported. At the time the report was published, it was generally believed that the difficulties inherent in the adoption of a scheme of registration were insuperable. These, however, as far as members of this Association are concerned, have apparently been overcome, and a system of registration has now been evolved, and will shortly be introduced, which should meet the needs of the case. The apparent delay in taking action has been due to the fact that mills were generally unwilling to give up the use of some of their old numbers, and initial tabulation of scores of thousands of existing numbers in such a form as would make it possible to arrive at a settlement of their rights *vis-a-vis* other mills has necessitated the employment of an additional staff on this work for well over two years. Whether it would be possible eventually to bring mills who are not members of this Association within the scope of the rules, is somewhat doubtful. But a joint scheme of registration could only be attempted if other millowners' associations up-country undertake to tabulate numbers used on various types of cloth by their members in the manner which has been adopted by ourselves.

*Para. 79. Changes in the Managing Agency System.*—The Tariff Board indicate that they would prefer the system of remuneration on profits to a system of remuneration on production or sales. Even when they reported in 1927, the number of mill agents in Bombay who were remunerated on production or sales was extremely small, and to-day, every working mill remunerates its agents by commission based on profits.

As regards qualification of Directors, an examination of the constitution of the existing Boards will show that the technical side of the Industry is now generally well represented.

*Para. 80. Writing-down of Capital.*—The Tariff Board commented upon the extent to which they considered there was over-capitalization in the Mill Industry in Bombay and elsewhere, and indicated that, where there was over-capitalization, drastic writing down was required to meet the altered conditions. I append a statement which shows at a glance the extent of reconstruction which has taken place in Bombay City and Island since 1926.

*Para. 81. Diversification of Production.—I. Spinning of Higher Counts of Yarn.*—The Tariff Board generally recommended that it would seem advisable for Bombay mills to produce larger quantities of bleached, coloured and dyed goods, and more fine count cloths. As regards the production of fine count yarns, the progress made by Bombay mills during the last few years has been very substantial. The figures given below will give some idea of the advance which has been made:—

<i>Production (in lbs.) of Yarn of above 30s counts.</i>	
1924-25	11,173,429 lbs.
1925-26	8,388,778 „
1926-27	13,508,268 „
1927-28	17,308,191 „
1928-29	11,700,348 „
1929-30	17,703,103 „
1930-31	33,165,058 „

*NOTE.*—The production figures for 1925-26, 1928-29 and 1929-30 were affected by serious strikes in the Industry.

Since 1925-26, the average count of yarn spun has increased from 17·2 to 20·6, despite the fact that very large quantities of low counts are still being made for the handloom industry.



*II. Production of cloth from finer count yarn.*—The bulk of the fine yarn now spun by Bombay mills is used by the mills themselves in the manufacture of cloth, but it is somewhat difficult from the production statistics published by Government to estimate what progress has been made in the manufacture of fine count cloth, for the reason that the production statistics do not give any indication of the count of yarn employed. The development which has taken place will, however, be apparent from the following figures:—

In 1927, twenty-seven mills produced 8,477,221 lbs. of cloth from yarn of 30s counts and over.

In 1931, the same mills produced 23,013,928 lbs. of cloth from yarn of 30s counts and over, or roughly, an increase of 172 per cent.

In addition, sixteen mills, which produced no cloth of counts over 30s in 1927, produced in 1931, 10,251,181 lbs. (*Note:* The above figures have been extracted from returns actually received in response to a special enquiry made by the Association. Fuller information on this point, as well as the average count of yarn used in cloth in 1927 and in 1931 by mills in Bombay will be submitted to the Board at a later date.)

It is, however, well known that there has been a considerable increase in the production of fine count dhoties by Bombay mills. This progress is to some extent apparent from the subjoined statement:

*Quantity (in yards) of Dhoties produced in cotton mills situated in the City and Island of Bombay.*

Year.	Production in yards.
1924-25 . . . . .	110,996,543
1925-26 . . . . .	115,412,150
1926-27 . . . . .	150,181,287
1927-28 . . . . .	163,795,029
1928-29 . . . . .	86,508,559
1929-30 . . . . .	170,834,693
1930-31 . . . . .	229,412,394

A further indication is afforded by a study of the despatches of piece goods by rail and sea from Bombay to Calcutta during the last few years. The figures are given below:—

Year.	Total despatches.* (Railway Maunds.)
1929-30 . . . . .	568,607
1930-31 . . . . .	695,243
1931-32 . . . . .	900,432

It has, unfortunately, not been possible to report any progress in the production of coloured goods owing to the difficulty which mills have experienced in selling in competition with the cheap printed and artificial silk piecegoods coming into India from abroad.

There has been a considerable development in the production of bleached goods in Bombay. A special enquiry was recently made to ascertain the extent to which the bleaching side of the Industry had developed, and from the returns so far received, the following statement has been compiled:—

In 1927, fifteen bleaching establishments bleached 19,878,323 lbs. of cloth;

In 1931, the same concerns bleached 29,811,760 lbs. of cloth, or roughly an increase of 50 per cent.

\* These are mainly fine count cloths.

In addition, four establishments which did not do any bleaching in 1927, bleached 1,335,566 lbs. of cloth in 1931.

The ordinary production statistics published by Government do not differentiate between grey and bleached goods.

The introduction of a number of mercerising plants, and the installation of a printing plant in one of the largest groups of mills in Bombay, should also assist in expediting the diversification of production, considered desirable by the Tariff Board.

*Para. 82. Combined Bleaching, Dyeing and Printing Factory.*—The Tariff Board of 1926, stated that in a great expansion in the Bombay mill production of bleached, coloured, dyed and printed goods, more especially of bleached and printed goods, lies one remedy for the depression in the Industry in Bombay, and they, therefore, recommended large scale operations in bleaching, dyeing and printing. They also recommended the establishment for the purpose of a combined bleaching, dyeing and printing factory at Ambernath, and later on in paragraph 99 of their report, referred to the necessity of Government financial assistance in the execution of a project of this nature.

This recommendation was considered by the Association, but in view of the depressed condition of the Industry, and the difficulty of concentrating under one management the many plants existing in Bombay for bleaching and dyeing, and to a lesser degree, calico printing, the Association were of the opinion that the establishment of a combined factory on the lines proposed by the Tariff Board was not within the limits of practical politics for sometime to come.

However, one of their members, with an extensive knowledge of the printed goods trade, considered the matter carefully towards the end of 1927, and approached Government with a proposal to open such a factory at or near Bombay, provided certain facilities such as free supply of water, and financial assistance were forthcoming from Government. The Association strongly endorsed the application, but the scheme fell through as the Government of Bombay were not in the first instance willing to grant a cheap enough water supply, and secondly, neither the Government of India nor the Government of Bombay were able to guarantee any financial assistance to the promoters of the scheme.

The importance of the Tariff Board's recommendation was stressed by the Indian Trade Mission in 1929, and in writing to Government on the Mission's recommendations, the Committee urged the desirability of their reconsidering their decision on the question of financing the scheme. As a result, certain informal discussions followed between the Association and the Government of India, and towards the end of 1929, Government enquired whether the promoters of the original scheme, or in the alternative, the Association were still interested in the proposal, and if so, what financial and other assistance were required. It appeared, however, that as the Government of Bombay had refused to reconsider their decision about water charges, the member in question had definitely decided to give up the scheme. The Association, therefore, appointed a sub-committee to consider the feasibility of establishing a central organisation, which would concentrate under one management all the bleaching and dyeing plants now installed in Bombay, and a mass of technical data was examined for this purpose. The sub-committee were, however, clearly of the opinion that the cost involved in the removal of individual plants, and the difficulty of their adjustment to the requirements of an up-to-date plant would far outweigh any advantage which might accrue as a result of this suggestion. The financial position of the Industry also precluded the possibility of mills supporting a proposition of this nature, and the Committee, therefore, informed Government that, in their opinion, the scheme would only be capable of adoption when trade conditions improved. If, however, a definite assurance of financial assistance is forthcoming from Government, it might be possible to re-open consideration of the proposition put forward by the

Tariff Board, but it is well to note that since 1927 India's capacity to compete against certain countries in the production of dyed and printed goods has been adversely affected owing to great increases in the prices of dye-stuffs.

*Para. 83. Improvements in quality and marking of yarn bundles.*—The suggestions made in this paragraph are of a general character, and seem to be intended in the main for up-country mills rather than for Bombay mills. The standards insisted on in Bombay have always tended to be higher than in most up-country mills, and complaints of the type referred to by the Tariff Board are extremely rare in Bombay.

The attitude of the Association on a question of this character is adequately expressed in the following extract from a letter addressed by the Association to the Government of India in answer to a reference concerning the desirability of legislative control over marking of yarn bundles, etc.:—

“In regard to the suggestion which has been made to invest Government with powers to control the marking, etc., of Indian mill-made yarn and cloth, my Committee desire me to state that they would be prepared to give favourable consideration to any reasonable and practical proposals, which might in future be put forward by the Government of India, or any other body of persons or association connected with the trade in either yarn or piecegoods, for the protection of the consumer's rights and interests.”

*Para. 84. Methods of sale.*—Since the Tariff Board reported in 1927, the Industry in Bombay has made considerable progress in its methods of sale. The suggestion for the appointment of trade correspondents in various consuming centres has been acted upon by the Association in the case of Delhi and Madras, and various other methods of maintaining close touch with the consuming centres have been adopted. For example, in 1930, a specially chartered Exhibition train carrying the latest products of the Bombay Industry was sent out to Central India, the United Provinces and the Punjab, and another Exhibition train of a composite character, which was run by the Eastern Bengal Railway at the end of 1930, was also patronised by a number of member mills. In 1931-32, a number of member mills also took up space in an Exhibition train organised by a private agency, which travelled over the G. I. P. and East Indian Railways for a period of four months.

In the Millowners' own Exhibition train, retail sales were not permitted, the object of the tour being chiefly to show what Indian mills were capable of producing, and to establish contact with merchants in up-country centres. But in the other two trains, retail sales were made. Whilst none of the tours covered the immediate cost to exhibitors, all of them are recognised to have had a definite advertising value, and it is probable that this method of publicity will be continued in the near future.

The Association have for some time been issuing to their members a label which serves both as a warranty of quality and as emphasising the swadeshi character of their manufactures. These labels have become exceedingly popular, and some millions of them have found their way into the various centres where our goods find a market. They have advertised the character and class of Bombay mill products in the farthest corners of the land.

Another direction in which Bombay mills have been advertising their wares is the show room at the Victoria Terminus. This enterprise has not been confined to the Victoria Terminus alone, for certain members of the Association have, independently, opened their own show rooms at Church-gate and Bombay Central stations, and similar proposals are under contemplation in other terminal stations in India also.

It is pleasing to note that the efforts of the Association have been very satisfactorily supplemented by individual mills and their selling agents. Since 1927, a number of mills in Bombay, or their selling agents have opened

their own selling agencies, and retail shops in up-country centres. The enclosed pamphlet\*—of which two successive editions have already been issued, and a third one is under contemplation—will give the Board an idea of the extent to which Bombay mills have developed their organisation to meet up-country requirements.

Several mills also send out representatives periodically to up-country centres to report on the state of the trade and the demand. As a result of these endeavours, it might be stated, one particular mill, which was formerly selling all its manufactures in Bombay, is now selling about 40 to 50 per cent. of its entire production in up-country centres direct.

*Para. 85. Finance.*—No detailed recommendation has been made by the Tariff Board in this connection, but they have pointed out the desirability of bringing into existence borrowing facilities on less onerous terms than obtaining at present. In times of prosperity, adequate working capital was easy to obtain from the public in the shape of deposits, but during the last few years of depression, such deposits have fallen away, and as a consequence, Bombay mills have been very adversely affected by the high rate of interest they have had to pay on their borrowings from the Banks. Moreover, in view of the high rate of interest obtainable on gilt-edged securities at the present market-rates, the investing public naturally prefer to invest their holdings in these securities instead of depositing with the mill companies.

*Para. 86. Development of Export Trade.*—The Tariff Board considered that the expansion of the export trade in piecegoods would be of considerable assistance to the Bombay Mill Industry. They indicated that the first measure to be taken might be a rapid survey of the potentialities for Indian manufactures in certain countries. A survey of some of the territories mentioned in the Tariff Board's report was made in 1928 by the Indian Trade Mission, the expenses being borne partly by the Millowners' Association and partly by the Government of India. The Trade Mission recommended the appointment of Trade Commissioners at three centres, but so far none of these appointments has actually been made owing to the financial difficulties of the Government of India. While the Association are most anxious that the appointments recommended by the Trade Mission should be made without delay, they are impressed by the difficulties which India is likely to experience in extending her market abroad in competition with Japan, and in the Trade Mission's report itself, attention has been repeatedly called to the very substantial difference in prices between Japanese and Indian textiles. It is certainly true that the Trade Mission considered that an additional market for 80 to 90 million yards of cloth could be found in the enormous territories covered by the Mission's report, provided that an elaborate export selling organization was brought into being. But against the value of this comparatively small addition to their trade—which could only be obtained at very considerable expense and very great difficulty, in view of the fierce competition they would have to meet in other countries—must be set another observation by the Trade Mission on page 235 of their report, where it is stated:—

“The figures of 1,110 million yards of piecegoods imported into all these countries make an interesting comparison with the figures for India and at once set off the great importance of the Indian home market in which the annual consumption of mill-manufactured piecegoods is at present 3,800 million yards, of which 1,800 million yards are imported from other countries.”

The Association agree that every effort should be made to extend the market in other countries, but they are inclined to believe that the problem of obtaining a larger share of the home market is their primary duty and interest.

*Para. 87. Statistics.*—The possibility of making the production statistics more comparable with the import statistics is one which commends itself

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\* Not printed.

to the Association, and which has been the subject of correspondence for the last few years between the Association and the Department of Commercial Intelligence. The Association have all along held the view that, in the first place, the method of compiling the import statistics should be modified in certain respects, and after this has been done, the production statistics of the country should be altered so as to make them more or less comparable with those of the imports.

It is, however, desirable to point out that the dissemination of detailed information to all and sundry by Government regarding the exact character of a country's production is most unusual, and that the textile production statistics maintained in India at the present moment are probably more comprehensive and more detailed than those maintained in any other country.

**APPENDIX 2.**

**LIST A.—Mills which have either reduced Capital or have been sold or reconstructed or gone into liquidation since 1925.**

(Brought up to March, 1932.)

Name of Mill.	Capital before reduction.	Reduced Capital.	Capital paid-up on 31st August, 1931.	BEFORE REDUCTION.		AFTER REDUCTION.	
				Spindles.	Looms.	Spindles.	Looms.
	Rs.	Rs.	Rs.				
<i>A.—Mills which have reduced Capital.</i>							
1. The Assur Veerjee Mills, Ltd.	32,28,530	13,24,215	13,24,215	39,208	600	39,728	732 (a)
2. The Bombay Industrial Mills Co., Ltd.	19,97,500	99,875	17,99,875	23,796	566	24,032	563 (b)
3. The E. D. Sassoon United Mills, Ltd.	6,00,00,000	2,40,00,000	2,50,00,000	250,942	6,339	243,538	7,005 (c)
4. The Jamshed Mfg. Co., Ltd.	13,22,100	2,96,500	8,64,280	32,452	494	31,280	520 (d)
5. The Kastoorchand Mills Co., Ltd.	48,00,000	4,80,000	69,74,875	82,774	913	80,254	913 (e)
6. The Mathradas Mills, Ltd.	24,00,000	2,40,000	23,00,000	43,596	947	43,896	952 (f)
7. The Premier Mills, Ltd.	20,00,000	2,00,000	19,99,880	15,280	472	10,840	432 (g)
8. The Sassoon Spg. and Wvg. Co., Ltd.	22,50,000	2,25,000	40,00,000	60,240	1,254	60,240	1,252 (h)
9. The Simplex Mills Co., Ltd.	22,50,000	1,50,000		37,208	1,323		.. (i)
10. The Tata Mills, Ltd.	64,35,500	3,24,275	14,98,550	63,248	1,800	62,988	1,600 (j)
11. The Jubilee Mills, Ltd.	15,00,000	2,25,000	11,25,000	30,422	575	33,152	582 (k)
	8,82,33,630	2,75,64,865	4,67,86,675				

*Note.*—In the foregoing cases the amount to which capital has been reduced is before taking into account the issue of fresh shares in satisfaction of loans, arrears of preference dividends, etc.

**NOTE.**

- (a) Sanctioned by the High Court on 8th July, 1926. At present under Deben-ture Trustees.  
 (b) Sanctioned by the High Court on 18th and 21st August, 1925, for Rs. 9,98,750; and further reduced as sanctioned by High Court on 17th June, 1927, and further reduced to Rs. 1,25,000.  
 (c) Sanctioned by the High Court in June, 1929.  
 (d) Sanctioned by the High Court on 23rd October, 1929.  
 (e) Sanctioned by the High Court on 19th August, 1926.

- (f) Sanctioned by the High Court on 21st October, 1927; at present in liquida-tion.  
 (g) Sanctioned by the High Court on 21st January, 1927; at present closed.  
 (h) Sanctioned by the High Court on 3rd July, 1929.  
 (i) Sanctioned being considered by the High Court.  
 (j) Sanctioned by the High Court on 9th October, 1928.  
 (k) Sanctioned by the High Court on 24th June, 1930.

LIST B.

Name of Mill.	Original Capital.	Realization or sale price.	Present Capital.	BEFORE REDUCTION.		AFTER REDUCTION.	
				Spindles.	Looms.	Spindles.	Looms.
	Rs.	Rs.	Rs.				
<i>B.—Mills which have been reconstructed or sold to new concerns.</i>							
1. The Alliance Cotton Mfg. Co., Ltd. . . . .	7,00,000	6,50,000	10,00,000	28,116	592	26,104	592 (a)
2. The Birla Mills, Ltd. :—							
No. 1 Ramdas Mill . . . . .	} 60,98,800	{ 2,65,000	}	{ 19,086	..	24,264	.. (b)
No. 2 Indo-China Mill . . . . .							
3. The Diamond Spg. & Wvg. Co., Ltd. . . . .	39,17,918	14,82,000	20,00,000	34,552	758	31,992	984 (d)
4. The Emperor Edward Spg. & Wvg. Co., Ltd. . . . .	15,00,000	5,32,100	5,32,600	46,452	1,383	46,452	1,383 (e)
5. The Globe Manufacturing Co., Ltd. . . . .	10,10,000	10,90,000	12,00,000	29,104	792	29,104	793 (f)
6. The Jivraj Balloo Spg. & Wvg. Mills Co., Ltd. . . . .	11,00,000	7,25,000	7,25,000	33,516	663	33,516	663 (g)
7. The Gold Mohur Mills, Ltd. . . . .	80,60,400	25,00,000	25,00,000	42,472	1,040	42,472	1,040 (h)
8. The Kilachand Mills, Ltd. . . . .	89,85,600	7,71,000	10,00,000	43,846	..	40,710	.. (i)
9. The Planet Mills, Ltd. . . . .	20,96,250	16,78,480	17,01,000	31,586	929	32,046	929 (j)
10. The Presidency Mills, Ltd. . . . .	* 12,00,000	11,00,000	11,50,000	30,544	840	30,324	840 (k)
11. The Union Mills, Ltd. . . . .	5,00,000	12,00,000	12,00,000	38,176	885	35,452	876 (l)
	2,51,68,968	1,28,70,100	1,30,08,600				

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NOTE.

- (a) Was purchased by the Prabhat Mills, Ltd., in March, 1928.
- (b) Was purchased by the Mysore Spg. & Mfg. Co., Ltd., in 1928.
- (c) Was purchased by the Jam Mfg. Co., Ltd., in 1927.
- (d) Was purchased by the Toyo Podar Cotton Mills, Ltd., in 1926.
- (e) Was purchased by the Atlas Mills, Ltd., in 1927.
- (f) Was purchased by the Satya Mill, Ltd., in January, 1929.

- (g) Was reconstructed as a proprietary concern in 1929.
- (h) Was reconstructed in 1926 as a new concern.
- (i) Was purchased by the Beghuvanashi Mills, Ltd., in 1928.
- (j) Was purchased by the Pralhad Mills, Ltd., in July, 1926.
- (k) Was purchased by the Hirjee Mills, Ltd., in 1930.
- (l) Was reconstructed as a proprietary concern on 1st September, 1929.

List C.

Name of Mill.	Capital before liquidation.	BEFORE LIQUIDATION.		REMARKS.
		Spindles.	Looms.	
<i>C.—Mills which are at present in Liquidation or Dismantled.</i>				
	Rs.			
1. The Atlas Mills, Ltd. . . . .	5,32,600	46,452	1,383	In liquidation since January, 1932.
2. The Jamshed Manufacturing Co., Ltd. . . . .	8,64,280	31,280	520	In liquidation since 1931.
3. The Manockjee Petit Manufacturing Co., Ltd. :—				
(i) Manockjee Petit Mills . . . . .	} 36,09,500	153,360	4,685	In liquidation since 22nd April, 1931. The Manockjee Petit Mill has since been sold for Rs. 15 lacs.
(ii) Dinshaw Petit Mills . . . . .				
(iii) Bomanjee Petit Mills . . . . .				
4. The Mathradas Mills, Ltd. . . . .	22,00,000	43,896	952	In liquidation since 1929; working from 26th May, 1931, on lease at Rs. 95,000 per annum.
5. The Madhorao Scindia Mills, Ltd. . . . .	38,00,000	40,676	604	In liquidation since 1929. Working from 16th November, 1930, on lease at Rs. 78,000 per annum.
6. The Bombay United Mills . . . . .	36,00,000	..	..	Dismantled in 1928. Machinery removed to Svadeshi Mills at Kurla.
	1,46,06,380			



(3) *Letter No. 1170/121 of 1932, dated the 20th June, 1932, from the Mill-owners' Association, Bombay.*

I beg to refer you to paragraph 95 of the Association's representation to the Board, and to enclose herewith a summarised statement showing the present position of the mills in different centres the results of whose working we have been able to obtain.

The statements relating to all centres have been prepared from the printed balance sheets and profit and loss accounts of individual mills supplied to the Association, but depreciation in each case has been calculated at the rate of 5 per cent. on the *original* cost of machinery and 2½ per cent. on the original cost of buildings, irrespective of the amounts actually written off.

The results of the Central India (Empress) and the Buckingham and Carnatic Mills have not been shown in the enclosed statement. These mills occupy a special position, and their results would be no indication of the general condition of the industry in those provinces.

Enclosure.

*Summarised statement showing the position of the Cotton Textile Industry in all provinces in India.*

	1930.		Average 1928-30 (inclusive).	
	Profit or Loss. Rs.	No. of mills re- presented.	Profit or Loss. Rs.	No. of mills re- presented.
Bombay City and Island . . . . .	L. 2,37,01,010	71	L. 2,54,08,282	73 in 1928. 76 in 1929. 71 in 1930.
Sholapur . . . . .	L. 15,71,232	5	L. 4,77,005	5 in 1928. 5 in 1929. 5 in 1930.
Central Provinces . . . . .	L. 13,76,164	8	L. 2,84,701	7 in 1928. 7 in 1929. 8 in 1930.
Bengal Presidency . . . . .	P. 44,861	10	L. 81,733	7 in 1928. 10 in 1929. 10 in 1930.
Madras Presidency . . . . .	L. 41,07,021	14	L. 11,01,114	13 in 1928. 13 in 1929. 14 in 1930.
United Provinces . . . . .	L. 3,84,080	4	L. 3,33,181	4 in 1928. 4 in 1929. 4 in 1930.

NOTE.—L means loss, P means profit.

(4) *Letter No. 186, dated the 2nd May, 1932, from the Secretary, Tariff Board, to the Millowners' Association, Bombay.*

I am directed to forward a copy of a letter from the Government of Madras, to the Government of India, No. 1052-II/31-2, dated the 25th January, 1932, enclosing a report from the Director of Industries, Madras, regarding the effect of the existing duty on yarn on the handloom weaving industry. The Board will be glad if you will communicate your views (with six spare copies) on the opinions and proposals contained therein at an early date. I am also to invite your attention to a resolution on the same subject which was passed by the Bombay Legislative Council on the 5th October, 1931 (*vide* Bombay Legislative Council Debates, Volume XXXII, Part VII, pages 398 to 412).

(5) *Letter No. 1259/121 of 1932, dated the 1st July, 1932, from the Millowners' Association, Bombay.*

I am directed to acknowledge receipt of your letter No. 186, dated the 2nd May, 1932, enclosing a copy of a letter dated the 25th January, 1932, from the Government of Madras to the Government of India and also a copy of a letter dated the 20th November, 1931, from the Director of Industries, Madras, to the Government of Madras.

2. From the letter of the Director of Industries, Madras, it appears that, in the opinion of that officer, the handloom industry in this country is being handicapped in various ways, and in the last paragraph of his letter, he recommends Government to take certain measures which, in his opinion, will resuscitate the industry. Only two of these proposals, *viz.*, abolition of the import duty on counts above 40s and on handloom appliances and accessories, have met with the approval of the Government of Madras, as appears from their letter to the Government of India. The other proposals, *e.g.*, prohibiting Indian mills from manufacturing certain classes of goods are not at all practical propositions, as pointed out further on in this letter, while proposals such as levying an excise duty on mills producing coarse yarn are, in the opinion of my Committee, calculated to penalise the handloom industry rather than assist it. In view of the fact that these proposals have not met with the support of the Government of Madras themselves, my Committee do not propose to deal at length with them in this letter.

3. Before expressing an opinion on the contents of the letter of the Director of Industries and of the Government of Madras, my Committee would like to point out that no proofs have been adduced by the Director of Industries in support of his contention that there has been a substantial deterioration in the economic condition of the handloom industry, or that any deterioration which may have taken place has been brought about by the import duty on yarn.

4. The Director of Industries states that it has been extremely difficult to obtain from the weavers and master-weavers any definite information as to the effect of the duty on the different sections of the handloom industry, and the extent to which the duty has affected the economic condition of the handloom weavers. In my Committee's opinion, this admission of the Director of Industries seriously affects the conclusions he has reached.

5. It appears that the Director circularised 20 firms interested in imported and Indian mill yarns, Indian mill goods and imported cloths and handloom production meant for export. Only nine of these firms replied, and of these two had no information to furnish. Out of the remaining seven, one firm has actually recommended an increase in the import duty on yarn. Another firm, Messrs. T. A. Taylor & Co., have correctly pointed out that the handloom weavers have been more affected by the general trade depression and the boycott than by the revised duty on yarns. Messrs. Simon and MacConechy are one of the firms advocating abolition of the duty on yarn above 40s, but even they point out that hand-woven Madras handkerchiefs are losing ground in consuming countries on account of the present higher cost at which they are produced in relation to the cheaper imitation products manufactured outside India on power looms. It would thus appear that the handloom industry is experiencing the same difficulties in foreign markets as the Mill Industry is experiencing, for the Mill Industry is also not able to hold its own in foreign markets owing to competition with goods imported into those markets from other countries. So far as the handloom industry is concerned, its exports form a very small percentage of the total production, the bulk of which is consumed in Indian markets. What the handloom industry as well as the Mill Industry needs is effective protection against foreign competition. The enhanced import duty on cloth is calculated to protect not only the indigenous Mill Industry but also the handloom industry of the country, and in my Committee's opinion, the interests of the handloom industry would best be served by the imposition of a high import duty on piecegoods for an adequate number of years. The close connection between the fortunes of the mill industry

and the handloom industry is brought out in the report of the Director of Industries, Central Provinces, who has come to the conclusion that owing to the fall in the price of yarn and cloth the handloom weavers find it difficult to dispose of their goods at profitable rates, and many handloom weavers are leaving their profession for employment in mills. Incidentally, the reference to the fall in the price of yarn may be regarded as an answer to the criticism that the import duties have caused a rise in prices to the detriment of the handloom weaver.

6. One of the contentions advanced in the letter from the Director of Industries is that owing to the enhanced duty on imported yarn, the handloom weavers are constrained to purchase Indian mill-made yarn, which is inferior to imported yarn as regards colour, regularity of count and tensile strength, and that, for these reasons, the quality of their production has suffered. This statement is evidently based on an assumption that handloom weavers had been always using imported yarn in preference to the mill-made yarn, but Mr. R. D. Bell, I.C.S., in his "Notes on the Indian Textile Industry with Special Reference to Hand-weaving", published long before the enhancement of the duty on yarn, stated that the use of imported yarn by the handloom industry was often exaggerated, and he quoted statistics to prove that the foreign yarn used by the handloom weavers formed only a small percentage of their total consumption of yarn. Similar statistics will be found reproduced in Table No. 35 on page 354 of the Association's Report for 1931 showing the total quantity of yarn—imported as well as Indian mill-made—available for consumption by the handlooms in India, and the total quantity of imported yarn. The figures for the last seven years are given below:—

*Table showing the approximate Poundage of Yarn available for consumption in India.*

	(In millions of pounds.)						
	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
Total Indian Mill Production . . . . .	719	686	807	609	648	833	867
Less—							
Exports by Sea . . . . .	37	32	42	25	24	25	23
Exports by Land . . . . .	9	7*	8*†	5*†	5*†	6*†	7*†
Balance . . . . .	673	647	757	779	619	802	837
Imports . . . . .	56	52	49	52	44	44	29
Total . . . . .	729	699	806	831	663	846	866
Less—							
Exports by Sea . . . . .	1	1	1	1	...	...	...
Exports by Land . . . . .	4	...	...	...	...	...	...
Quantity of yarn available for consumption in India . . . . .	724	698	805	830	663	846	866
Cloth produced in India in millions of pounds . . . . .	459	465	539	568	446	562	590
Approximate equivalent in yarn (taking 100 lbs. of yarn = 112 lbs. of piece-goods) . . . . .	410	415	481	507	384	502	527
Real balance of yarn available for sale in India . . . . .	314	283	324	323	279	344	339

\* Includes re-exports also.

† Maunds converted into lbs. at the rate of 82  $\frac{1}{2}$  lbs. = 1 maund.

Even if we were to assume that the whole of the imported yarn was consumed by handlooms, it will be noticed that the imported yarn forms a very small percentage of the total quantity of yarn consumed by the handloom industry. Again, the Assistant Director of Industries, Madras, in his pamphlet entitled: "Cotton Cloth Impasse", published only last year, says:—

"It must be recognized that the advent of the spinning mills in India has helped to replace the uneconomic process of handspinning and saved the cotton handloom weaving industry from extinction. The handloom weavers fully realize that the Indian spinning mills have come to stay and serve as an important link in the organization of the handloom weaving industry inasmuch as they supply cheap and superior yarns to the extent of about 300 million pounds per annum."

7. In paragraph 5 of his letter, the Director practically nullifies the arguments advanced by him in the preceding paragraphs, for he admits that the handweavers prefer to buy Indian mill-made yarn rather than imported yarn even though the price of the former be higher. As he says the Swadeshi movement acts as a bar to the use of imported yarn by handweavers, and it is therefore difficult to understand how the abolition of the duty will help the handloom industry.

8. It is scarcely necessary to point out that the import duty on yarn was increased in 1927 and again in 1930 for weighty reasons and it is not necessary to refer to those reasons in this letter. The possible effects of the enhancement in the import duty on yarn on the handloom industry of the country were very fully dealt with by Sir George Rainy in the speeches made by him in the Legislative Assembly and further in the Report of the Select Committee on the Yarn Protection Bill of 1927, and in the separate note written by Sir Victor Sassoon as a Member of the Select Committee. However, if the Tariff Board as a result of the investigations it is now engaged upon comes to the conclusion that the import duty on counts above 60s should be kept at the level prevailing before 1927 in the interests of the handloom industry, there will not be any serious opposition from this Association, for the true interests of the two industries must be very closely allied. My Committee, however, are strongly opposed to a reduction in the duty on medium counts imported into the country, as this will serve to reduce the price of coarser counts and thereby make the position of the mill industry still worse. As pointed out in paragraph 62 of the Association's representation to your Board, the imports of counts 31s to 40s during the last three calendar years have been respectively 16, 15 and 13 million lbs. against a total production of 43, 53 and 64 million lbs. and imports during 1932 promise to be much higher than for many years. It was mainly because of the cheap rates at which these yarns are being imported from China that the duty had to be increased, and your Board will no doubt recognize the imperative necessity of an adequate rate of duty on counts up to 60s.

9. Reference is made in your letter to the debate in the Bombay Legislative Council on 5th October, 1931, and my Committee would like to deal with a few points arising out of that debate. The resolution was to the effect that the extra duty on yarn imported into the country should be abolished in the interest of the handloom industry and that the production of *saries* below 20 counts by Indian mills should be prohibited, or that a 15 per cent. excise duty should be levied on the *saries* manufactured by the mills.

10. The mover of the resolution in support of his contention that the condition of the handloom industry had deteriorated, quoted from the report of the Director of Industries, Bombay, for 1929-30. The Director of Industries has therein stated that the prices of hand-made cloths had in many cases gone down considerably, and the wages of weavers had gone down by something like 40 per cent. It is, however, noteworthy—and this point was missed by the mover of the resolution—that the Director of Industries also stated: "But calculations made have shown that as far as the wages of weavers are concerned, if the duty on yarn is made 5 per cent. *ad valorem* again, and the prices of yarn fall to the full extent of the difference and the

entire resulting benefit is passed on to the weavers in wages, it is likely to be small, say about 1 anna 2 pies per day for cloths made out of yarn of 20 counts and about 8 pies per day for cloth made from 32s counts of yarn. For finer counts, the benefit will be increasingly small." It is clear from this that the abolition of the import duty on yarn is no panacea for the depression, if any, from which the handloom industry may be suffering. The Director correctly points out that the general trade depression is one of the reasons why the profits of the handloom weaver have gone down. So far as the production from the handlooms is concerned, it will be noticed from the table given in paragraph 6 above, that far from there being a set-back, there has been actually an increase in production since the last increases in the import duty.

11. The proposal that cotton mills should be prohibited from manufacturing certain classes of goods which are said to be competing with the production of the handlooms is, in my Committee's opinion, altogether impracticable, and calculated to penalise the consumer and the mill industry without any justification. The Director of Industries, Bombay, in paragraph 34 of his report for 1929-30, pointed out the directions in which help might be extended to the handloom weaver, and one of his proposals was that the handloom weaver should be advised to weave cloths which do not come in direct competition with mills. Mr. Fakirji E. Bharucha, a former Director of Industries for Bombay, in his Foreword to Mr. Bell's pamphlet, pointed out that there are many specialized types of hand-made cloth used by the urban population in this country, which cannot be economically produced on power looms and that the sphere of the hand-weaver still remains unsurpassed and unsurped by the mill competition in this country. Similarly, the Assistant Director of Industries, Madras, in his pamphlet says: "Even at present the hold which the handloom product has upon the mind of the people is so strong that even the offer of the mill cloth at a lower price cannot wean them from their partiality for hand-made goods. This is proved by the fact that in spite of the higher prices the handloom produces and is able to sell 1,400 million yards of cloth per annum." If on careful investigation, it is found that certain types of piecegoods cannot be manufactured as economically on handlooms as on power looms, then the handloom weavers, in my Committee's opinion, should be advised not to manufacture those goods but to manufacture the large variety of goods for which the handlooms are better fitted than power looms. My Committee note that the Government of Madras themselves have not supported the proposal made by the Director of Industries, Madras, that Indian mills should be prohibited from manufacturing certain goods, or as an alternative, that an excise duty should be levied on them. It would be extremely difficult to demarcate the lines which, it is proposed, mills should be prohibited from manufacturing, and even if the proposal was practicable, it would unnecessarily handicap the mill industry besides penalising the consumer. From the general tenor of the letter from the Director of Industries, Madras, it would appear that, in the opinion of that officer, cotton mills should not be allowed to manufacture coarse goods, although such goods could be turned out more economically on the power loom than on the handloom. This proposition could hardly be taken seriously as it would practically mean that cotton mills should be stopped from manufacturing goods for which they are eminently well fitted and which they manufacture in large quantities. The Government of Madras themselves have not accorded their support to this proposal, and it will be generally agreed that the proposal could not be taken seriously.

12. The proposal to exempt from import duty handloom appliances and accessories meets with my Committee's approval, inasmuch as a duty on appliances and accessories is against the sound economic principles enunciated by the Indian Fiscal Commission. The Mill Industry has been also subjected to a similar handicap and it is my Committee's considered opinion that stores, machinery appliances and spare parts and accessories should be made duty-free. Many articles are used in common by both the industries, and it would probably be impracticable to extend the exemption only to the handloom industry.

13. In conclusion, I am directed to say that this Association is unreservedly in favour of encouraging and improving the efficiency of the handloom industry, but it is not by modifying the existing tariff or by inflicting handicaps on the power loom industry that the handloom industry could be made more prosperous. The Director of Industries, Bombay, has in paragraph 34 of his report for 1929-30 indicated the directions in which help might be rendered to the handloom industry and measures calculated to help the handloom industry on these lines will meet with the wholehearted support of this Association. One of these proposals is that help should be extended to weavers to organise themselves for (1) co-operative finance, (2) collective purchase of raw materials and (3) collective sale of finished products. I am to add that so far as collective purchase of yarn is concerned, my Committee will be pleased to consider carefully any scheme which the Directors of Industries in different provinces may formulate, with a view to eliminate some, at any rate, of the middle-men through whose hands the yarn passes before it reaches the consumer, and thus to assist the handloom weavers in getting their supplies of yarn on more favourable terms than is the case at present.

(6) *Letter No. 1434/121 of 1932, dated the 1st August, 1932, from the Millowners' Association, Bombay.*

I beg to enclose herewith 6 copies of the Association's replies to the Board's Questionnaire.

**ANSWERS TO THE TARIFF BOARD'S QUESTIONNAIRE SUBMITTED BY THE COMMITTEE OF THE MILLOWNERS' ASSOCIATION, BOMBAY.**

1. (i) The Association cannot accept Mr. Hardy's statement that only about one per cent. of the cloth returned as "Grey and Bleached" by the Indian mills is bleached.

After the receipt of the questionnaire, the mills in the City and Island of Bombay were asked by the Association to show separately, their production of (1) bleached dhoties, (2) bleached goods containing no coloured yarn and (3) bleached goods containing coloured yarn, and the result is tabulated below:—

*Particulars of goods bleached.*

Number of bleaching establishments—19.

	1927. (Pounds.)	1931. (Pounds.)
Dhoties . . . . .	2,070,680	1,575,802
Plain goods . . . . .	9,699,689	19,297,765
Goods containing coloured yarn . . . . .	8,701,258	9,709,359
Quantity for which details are not available . . . . .	513,650	575,041
<b>Total . . . . .</b>	<b>20,985,277</b>	<b>31,157,967</b>

In addition, 4 bleaching establishments which did not do any bleaching in 1927, bleached as follows:—

	Lbs.
Dhoties . . . . .	167,156
Plain goods . . . . .	979,564
Goods containing coloured yarn . . . . .	188,866
<b>Total . . . . .</b>	<b>1,335,586</b>

In 1927 and 1931, the total quantity of grey and bleached goods turned out by mills in Bombay City and Island was, respectively, 759,044,000 yards and 905,318,000 yards or 178,598,000 lbs. and 213,016,000 lbs. (1 lb. is equal to 4.25 yards). It will therefore be seen that in 1927, 11.7 per cent. of the "grey and bleached goods" was bleached, and in 1931, about 15.25 per cent. of "grey and bleached goods" was bleached.

(ii) My Committee agree that Calcutta is the principal market for grey cloth of Indian production, but are inclined to think that the proportion of Indian mill-made dhoties and grey goods sold in Calcutta or in the area served by Calcutta is considerably less than what is stated by Mr. Hardy. Mr. Hardy's estimate was apparently based chiefly on import statistics, but it seems somewhat unsound to assume that because imported goods happen to be distributed in a certain proportion, therefore Indian made goods of the same general character would be distributed in the same proportion. As far as Bombay mills are concerned, it certainly cannot be said that 90 per cent. of dhoties or 65 per cent. of other grey goods are distributed from Calcutta. It is difficult to say what the exact proportions are. General inquiries which have been made seem to indicate that about 70 per cent. of dhoties made in Bombay are sent to Calcutta, but less than 50 per cent. of other grey goods.

(iii) My Committee agree that less than 30 per cent. of the coloured goods made in Indian mills are sold in Calcutta area. It is probable that the percentage of Indian coloured goods sold in the Calcutta market area has decreased since Mr. Hardy's report.

(iv) The attention of the Board is called to pages 28, 80 and 81 of the Association's representation where figures are given of the average count of the yarn spun in the Indian mills and the quantities of piecegoods produced from yarns of 30s counts and over. The higher average count which is spun to-day and the increase in the quantities of medium and fine goods now being turned out by Bombay and up-country mills afford conclusive proof that the ratio of medium and fine count goods in Indian mills to-day is very considerably higher than when Mr. Hardy wrote his report. Practically, the whole of the increased trade in bleached dhoties in Calcutta has been in lines in which the average count has been over 30s.

(v) The fallacy of estimating the extent of competition between Indian and imported goods on the basis of the counts of yarn used has been amply demonstrated in the case of dhoties during the last few years. It is well known that the great bulk of India's increased production of dhoties has consisted of cloth with warp 30s count and weft of about 40s count. These dhoties have effectively replaced dhoties previously imported from Lancashire, despite the fact that Mr. Hardy had come to the conclusion that by far the greatest bulk of imported dhoties had warps finer than 40s. Even if the extent of the overlapping between Indian mill-made dhoties and dhoties imported from the United Kingdom is small, the course of events during the last few years has demonstrated the possibility of Indian mills effectively replacing the great bulk of the dhoties which were formerly imported from the United Kingdom.

(vi) Although my Committee do not agree with the premises on which Mr. Hardy's conclusion is based, they agree with the conclusion itself. The analyses of Japanese dhoties which have from time to time been made go to show that the average count of Japanese dhoties is well over 30s.

(vii) My Committee agree. Imports of heavy shirtings have certainly affected the production of sheetings. The attention of the Tariff Board is invited to Mr. Hardy's conclusions regarding the collapse of the export trade in grey shirtings owing to competition from low priced Japanese sheetings.

(viii) The maintenance of a fairly high level of imports of grey drills and jeans during the few years preceding the imposition of a specific duty on plain goods, which, as Mr. Hardy says, directly competed, scarcely justifies Mr. Hardy's conclusion, but it is a fact that since the advent of a specific duty on grey goods, importations of grey drills have fallen to negligible quantities.

(ix) This conclusion is no longer correct. There is now a considerable production of finer count goods of mull and jaconet types. There has also been a substantial development in the production of finer counts of grey and bleached dhoties and medium and fine count coloured stripe shirtings.

The production figures of Indian mills do not differentiate goods according to counts, which makes it difficult to say exactly what quantities of fine count grey goods are now produced except in the case of cambrics and lawns, the figures of which are given below:—

(The figures are in thousands of yards.)

	1926.	1927.	1928.	1929.	1930.	1931.
Cambrics and Lawns	3,135	4,988	5,204	3,132	17,236	37,574

The heading "Cambrics and Lawns" in the Production Statistics includes jaconets and mulls.

(x) Attention is directed to para. 56 of the Association's representation. Although it may be still said that the import trade in white goods remains mostly in the hands of Lancashire, the proportion of the trade held by Japan is rapidly increasing. In 1929, the Japanese import trade of bleached goods was less than 2 per cent. In 1931, the share of the trade was over 20 per cent., and Japan had outstripped the United Kingdom as a supplier of shirtings and nainsooks. These goods are generally of coarser counts than the bulk of the goods which the United Kingdom formerly supplied. Another point which may be noted is that, although it is correct to say that the white goods previously imported from Lancashire consisted of lines whose fineness is above the limit at which production from Indian cotton is possible, Indian mills might be in a position to develop this trade by using imported cotton such as Egyptian and Uganda.

(xi) Since Mr. Hardy reported, the competition from Italy has fallen away very considerably, but the competition from Japan has, if anything, become more severe. The "Drills and Jeans" referred to by Mr. Hardy replace not only Indian striped shirtings, but many other classes of Indian production, particularly fancies and to some extent plain bleached goods. The competition from Japan against India's woven coloured goods has been substantially more severe since Mr. Hardy reported, owing to the successful introduction of artificial silk goods and coloured ground prints by Japan. Although these do not closely resemble any substantial line of Indian production, they are indirectly affecting the off-take of many styles of fancies and piece dyed goods.

My Committee do not entirely agree with the conclusion that prints and chintz from the United Kingdom do not compete with any Indian product, but they admit that competition was indirect, and that the prints and chintz which are to-day imported from Japan constitute a more serious menace to the Indian coloured goods trade both at home and abroad.

(xii) If the competition against Indian mills' production was to be judged merely by the figures of total importation of dyed goods, Mr. Hardy's conclusion might be held to be correct, and more so to-day, when imports have materially fallen off. It is, however, significant to note that the importations of dyed goods from Japan, which are produced chiefly from medium counts of yarn, have shown a tendency to increase during the last three years. The importations of dyed goods from Japan during this period have been as follows:—

(Figures are in thousands of yards.)

	1929.	1930.	1931.
Dyed Goods	24,729	27,251	29,090

(xiii) The present competition covers a much wider range of goods than when Mr. Hardy reported, and is largely of an indirect character (*vide* paras. 60 and 61 of the Association's representation).



(xiv) The conclusion referred to in this question is apparently drawn from statistics given in para. 11 of Mr. Hardy's report. Mr. Hardy was probably justified in saying that the Indian export trade in coloured goods had up to that time not been so badly hit as the export trade in grey goods. He himself, however, in para. 17 of the report referred to the attention which was being paid by the Japanese industry to the coloured goods trade. During the last three years, there has been a serious falling off in the exports of coloured piecegoods of this country, which had affected both the mill and handloom industries. In 1929, the total export of coloured goods amounted to 126 million yards. In 1930, it had fallen to 92 million, in 1931 to 90 million yards. With the increase in the price of dye-stuffs, Indian mills are bound to find it increasingly difficult to maintain their position in either the export market or the home market.

(xv) (With the growth of India's production of finer count goods the area of direct competition between English and Indian goods is likely to increase, but at the present time Mr. Hardy's conclusion may be said to be substantially correct.

(xvi) Mr. Hardy's conclusion cannot be accepted as correct. We give below the price of Broach cotton and the wholesale price in Bombay of a typical Japanese Grey Shirting (Bow and Arrow quality) in the first week of October during the last six years, from which it will be noticed that the price of the cloth has gone down more rapidly than the price of cotton. In 1932, the price of cotton was higher than in 1931, yet the price of cloth was lower.

Year.	Price of	Price of	Price of	Price of
	Broach cotton per candy.	Broach cotton per per lb.	Japanese cloth less duty.	Japanese cloth per lb. less duty.
	Rs.	As. P.	Rs. A. P.	Rs. A. P.
1927 . . .	430	8 9	12 9 10	1 4 2
1928 . . .	352	7 2	12 0 10	1 3 3
1929 . . .	344	7 0	11 10 6	1 2 8
1930 . . .	202	4 1	9 1 0	0 14 6
1931 . . .	162	3 3	7 4 3	0 11 7
1932 (1st week of July) . . .	174	3 7	6 14 3	0 11 0

(xvii) This statement may be accepted as almost axiomatic, since the chief advantage which Japan has over India is in the cost of manufacture which must necessarily mean that the greater the proportion which the manufacturing charges bear to the total cost of production, the greater would be Japan's advantage.

(xviii) and (xix) These statements are accepted by the Committee.

As regards (xix) the attention of the Tariff Board is invited to para. 63 of the Association's representation.

(xx) At the time of Mr. Hardy's report, the use of artificial silk yarn in the weaving of striped cotton goods and in the borders of dhoties was increasing, especially in Bombay City, and had assisted rather than retarded the off-take cotton goods. That is no longer the position as the use of artificial silk yarn has been largely given up by the Industry.

(xxi) While Mr. Hardy's conclusion may have been substantially correct at the time when it was written, it is certainly not correct to-day. The bulk of the artificial silk piecegoods which are imported to-day have a wholesale price of less than 4½ annas per yard and compete against fancy cotton piecegoods more severely than they do against silk piecegoods. The attention of the Tariff Board is invited to the remarks made in para. 61 of the Association's representation to the Board and also to the representation made to the Government of India in August, 1931 (*vide* page 187 of the Association's Report for 1931).

2. The Association considers that question 2 chiefly concerns importers, and has not, therefore, attempted to answer it.

3. My Committee agree that not only in the case of cloth made from inferior counts of yarn but also in the case of certain types of cloth made from medium counts, where the production of Indian mills is already substantial, the existence of internal competition prevents any excessive rise in prices relating to imported cloth when additional duties are levied. I give below the prices of a few typical lines of Indian cloth at the beginning of each half year for the last five years, and the actual prices realised during the last few years for the superior quality of Calcutta dhoties. All these prices and quotations include commission, brokerage, discount, "sahi", etc.

*Current Quotations of Local-made Piecegoods.*

	1928.		1929.		1930.		1931.		1932.	
	January 6.	July 6.	January 4.	July 5.	January 3.	July 4.	January 2.	July 3.	January 1.	June 17.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Grey drill, 29½" x 40 yds. x 18½ lbs. . . . . lb.	0 12 6	0 13 6	0 13 6	0 18 0	0 12 3	0 10 6	0 9 0	0 9 9	0 9 3	0 8 3
Grey shirting, 36" x 38 yds. x 9 lbs. . . . . lb.	0 14 6	0 15 0	0 15 3	0 14 9	0 13 9	0 12 6	0 11 0	0 10 9	0 10 0	0 10 0
Dyed fonscloth (black), 36" x 38 yds. x 9 lbs. . . . . piece	10 0 0	10 8 9	9 15 9	9 12 3	9 7 9	8 5 9	8 2 6	7 2 9	7 0 6	6 14 3
Bleached twill, 31½" x 40 yds. x 7½ lbs. . . . . piece	..	8 11 6	8 11 6	8 11 6	..	..	6 2 0	5 10 0	6 4 0	5 5 3
Check suat (50% col.), 22" x 24 yds. x 3½ lbs. . . . . piece.	3 7 3	3 3 6	..	..	3 2 9	..	..	..	..	..

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*Rates per lb. for 30/40s Dhooties, Bombay delivery.*

Rates per lb. Rs. A. P.	Delivery.
1 3 6	January to April, 1928.
1 5 0	June to September, 1928.
1 5 6	June to September, 1929.
1 4 6	December, 1929, to March, 1930.
1 2 6	April to May, 1930.
1 2 6	June to August, 1930.
1 1 0	October to December, 1930.
1 1 0	January to April and May to September, 1931.
0 14 6	October, 1931, to January, 1932.
0 15 6	February to May and June to September, 1932.

4. The term "wholesale prices" as applied to the rates issued by the Millowners' Association at fortnightly intervals is to some extent a misnomer. They are average quotations of the rates at which mills would have been prepared to sell on the dates specified. It does not necessarily follow that the transactions have actually taken place—and if they have taken place they have been effected at the particular rate given. On the whole, however, the quotations approximate to the prices which would have been realised had transactions taken place. The quotations are, of course, inclusive of commission, brokerage and discount. In a period of falling prices such as we have had during the last few years, quotations are apt to be higher than the prices actually realised by the mills. It might also be noted that the prices actually realised by the mills will also depend to some extent on the magnitude of the transactions entered into and will also be affected by other factors.

5. The prices prevalent in Bombay and Ahmedabad practically dictate the general level of prices for Indian piecegoods throughout the country in all bulk lines. It is the general practice in Bombay for mills to sell large quantities of their bulk lines at intervals through their selling agents. These goods are then apportioned out amongst dealers from the various consuming centres up-country, and the result is that any reductions in prices which mills may make have their immediate effect on prices in consuming centres.

As regards the effect of a reduction in price by Bombay mills on the prices at other centres of production, it may be stated as a general proposition that no substantial reduction in the price of any standard line could take place without bringing about a similar reduction in the price obtainable for similar goods in other centres.

6. If the Protective duties were withdrawn in 1933, the immediate result would be an intensive competition from imported piecegoods which would be felt by every centre of the Industry in India. Under normal conditions, production may be said to depend on two factors:—

- (i) off-take, and
- (ii) prices realised.

The withdrawal of Protection would lead to a general lowering of prices to an uneconomic level, and would diminish production all round. It is true, of course, that some centres would be affected more than others by the withdrawal of the duties, but it is unlikely that the decline in their production would lead to a higher output than now exists in mills in those favourably situated centres. As a general proposition, it might be confidently stated that any substantial decline in the production at certain centres following a withdrawal of the Protective duties would for the most part be made up by increased imports from abroad, and that Japan would supply the lion's share of these increased importations.

7. (i) Railway Freight on Full Pressed Cotton Bales from Stations to Stations shown below.

(The rates shown below are per Railway Maund.)

FROM	TO									
	SHOLAPUR.		MADRAS.		NAGPUR.		HOWRAH.		INDORE.	
	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.
Brosch . . . . .	Rs. A. P. 2 2 8	Rs. A. P. 2 2 9	Rs. A. P. 1 10 1	Rs. A. P. 3 12 11	Rs. A. P. 2 6 2	Rs. A. P. 2 6 8	Rs. A. P. 4 4 0	Rs. A. P. 4 4 6	Rs. A. P. . . .	Rs. A. P. 0 15 9
Cambay . . . . .	2 7 5	2 7 11	1 15 3	4 2 1	2 6 6	2 7 0	4 3 8	4 4 2	..	0 15 5
Navaari . . . . .	1 15 4	1 15 10	1 7 2	3 10 0	2 5 0	2 5 6	4 6 10	4 7 4	..	1 2 7
Rajpipla . . . . .	2 4 8	2 4 9	1 12 1	3 14 11	3 8 3	2 8 9	4 6 7	4 7 1	..	1 2 4
Surat . . . . .	2 0 4	2 0 10	1 8 2	3 11 0	2 4 5	2 4 11	4 5 11	4 6 5	..	1 1 7
Indore . . . . .	2 11 8	2 11 9	4 8 3	4 8 9	1 11 5	1 11 11	2 8 7	3 9 1	..	..
Adoni . . . . .	1 0 8	1 1 2	O. R. OR R. R. 0 18 4		3 12 4	2 12 10	SHALIMAR. 2 8 5		3 12 1	3 12 7
Bellary . . . . .	..	0 15 3	0 18 4		2 12 4	2 12 10	.. 3 8 9		3 1 7	3 4 10
Dharwar . . . . .	..	0 12 11	1 8 2		2 10 10	2 11 4	.. 4 0 0		2 13 0	2 13 4
Gadag . . . . .	..	0 10 5	1 1 2		2 8 3	2 8 9	.. 3 13 6		2 12 9	3 0 1
Guntakkal . . . . .	..	1 0 10	0 12 0		2 10 11	2 11 5	.. 3 7 2		3 3 2	3 6 5
Hubli . . . . .	..	0 12 4	1 2 8		2 10 2	2 10 8	.. 3 15 5		2 13 3	2 14 2
Kurnool . . . . .	..	1 5 8	..		..	..	..		..	..
Nandyal . . . . .	..	1 5 6	0 15 10		2 11 2	2 11 8	2 1 5		3 7 10	3 11 1
Kollpatti . . . . .	..	2 15 11	.. 1 6 7		4 0 4	4 0 10	SHALIMAR. 4 9 9		5 6 5	5 6 11
Tiruppur . . . . .	..	2 6 0	.. 0 15 5		3 9 1	3 9 7	.. 4 2 6		4 15 2	4 15 8
Sukkur . . . . .	4 11 11	4 12 5	.. 6 6 7		4 8 4	4 8 10	HOWRAH. 4 8 0 4 8 6		..	3 1 3
Karachi . . . . .	4 7 11	4 8 5	.. 6 2 7		4 4 4	4 4 10	4 6 5 4 7 2		..	2 13 3
Akola . . . . .	2 7 8	2 7 9	8 2 2 8 2 8		0 18 8	0 14 2	SHALIMAR. 2 6 2 3 2 8		1 3 0	1 3 6
Amroli . . . . .	2 11 10	2 12 4	2 14 8 2 15 0		0 10 0	0 10 6	2 2 6 2 15 0		1 7 7	1 8 1
Dholpur . . . . .	4 1 2	..	4 18 3		2 1 7	..	2 10 7		..	1 8 1
Dhulia . . . . .	1 13 10	1 13 4	3 12 8 3 13 2		1 13 10	1 14 4	3 6 4 4 2 10		1 4 9	1 5 3
Harda . . . . .	2 11 8	2 12 2	4 0 8 4 1 2		..	..	2 12 8 3 9 2		0 10 11	0 11 5
Jalgaon . . . . .	1 14 9	1 15 3	3 10 8 3 11 2		1 6 1	1 6 7	2 14 7 3 11 1		0 13 0	0 13 6
Pachora . . . . .	1 12 3	1 12 9	3 12 1 3 12 7		1 8 7	1 9 1	3 1 1 3 13 7		0 15 6	1 0 0
Pulgaon . . . . .	2 8 8	2 9 8	2 10 8		0 6 5	0 6 11	1 14 11 2 11 5		1 10 6	1 11 0

7. (i) Railway Freight on Full Pressed Cotton Bales from Stations to Stations shown below—contd.

(The rates shown below are per Railway Maund)—contd.

FROM	TO							
	AHMEDABAD.		BARODA.		CANPORE.		BOMBAY.	
	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
Broach . . . . .	..	0 6 10	..	0 3 10	..	2 5 4	..	0 11 5
Cambay . . . . .	..	0 6 3	..	0 4 8	..	2 4 11	..	1 0 11
Navsari . . . . .	..	0 9 8	..	0 6 5	..	2 8 2	..	0 8 7
Rajppla . . . . .	..	0 9 5	..	0 6 3	..	2 7 9	0 13 4	0 13 10
Surat . . . . .	..	0 8 9	..	0 5 6	..	2 7 2	..	0 9 6
Indore . . . . .	..	0 15 9	..	0 13 6	..	1 9 8	1 6 7	1 7 1
Adoni . . . . .	..	2 5 2	..	2 1 11	3 12 6	3 13 0	..	1 3 7
Bellary . . . . .	2 9 11	2 10 5	..	2 9 7	3 15 6	4 0 0	1 8 4	..
Dharwar . . . . .	..	2 7 4	..	2 4 1	3 8 3	3 8 9	..	1 2 7
Gadag . . . . .	..	2 8 8	..	2 5 5	3 7 5	3 11 4	1 2 0	..
Guntakkal . . . . .	..	2 11 4	..	2 8 1	3 13 11	4 7 8	..	1 9 3
Hubi . . . . .	..	2 8 0	..	2 4 9	3 5 7	3 9 5	1 0 11	..
Kurnool . . . . .	..	2 11 2	..	2 7 11	..	..	..	1 9 6
Nandyal . . . . .	2 15 6	3 0 0	..	2 12 0	4 2 7	4 7 11	1 13 11	..
Kolpatti . . . . .	..	4 5 4	..	4 2 1	..	5 4 0	..	3 4 9
Tiruppur . . . . .	..	3 11 6	..	3 8 3	..	4 12 9	..	2 9 11
Sukkur . . . . .	..	2 8 2	..	2 11 5	..	2 13 2	4 9 10	..
Karachi . . . . .	..	2 4 2	..	2 7 5	2 5 10	2 6 4	..	..
Akola . . . . .	1 14 7	1 15 1	1 14 4	..	2 8 7	2 9 1	1 14 0	..
Amraoti . . . . .	2 8 3	2 3 9	2 0 0	..	2 6 8	2 7 2	2 1 7	..
Dholpur . . . . .	..	1 15 1	..	1 14 9	..	0 11 4	..	2 11 5
Dhulla . . . . .	1 13 10	1 14 4	1 10 7	..	2 3 3	2 3 9	..	1 2 6
Harda . . . . .	..	..	1 7 1	..	..	..	1 2 11	..
Jalgaon . . . . .	1 6 4	1 6 10	1 3 1	..	..	..	1 6 3	..
Pachora . . . . .	1 8 10	1 9 4	1 5 7	..	..	..	1 3 10	..
Fulgaon . . . . .	2 6 1	2 6 7	2 2 10	..	..	..	1 15 11	..

(ii) & (iii) Railway Freight on Full Pressed Bales of Cotton Piecegoods from Stations to Stations shown below.

(The rates shown below are per Railway Maund.)

TO	FROM									
	BOMBAY.		NAGPUR.		DELHI.		CAWNPORE.		AHMEDABAD.	
	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.	O. R.	R. R.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Delhi . . . . .	2 10 8	3 7 11	2 9 6	3 2 7	..	..	0 14 6	1 3 3	1 13 2	..
Amritsar . . . . .	3 8 2	4 8 6	3 7 9	4 5 9	0 14 10	1 3 9	1 13 1	2 6 9	2 9 2	..
Cawnpore . . . . .	2 4 2	2 15 3	1 12 5	2 5 9	0 14 6	1 3 8	..	..	..	..
Lucknow . . . . .	2 7 3	3 3 1	1 14 10	2 8 11	1 1 7	1 7 1	0 8 2	0 3 11	..	..
Nagpur . . . . .	2 2 11	2 12 4	..	..	2 9 1	3 2 7	1 13 7	2 6 11	..	..
Howrah . . . . .	1 9 9	4 12 3	..	..	2 9 8	3 6 11	2 1 3	2 12 4	2 4 0	5 11 4
Shalimar . . . . .	1 8 0	5 13 1	2 5 7	3 1 10	..	..	..	..	..	..
Madras . . . . .	2 2 8	3 14 6	2 5 5	5 10 9	5 15 3	7 8 1	3 9 5	3 15 6	..	..
Bangalore . . . . .	2 0 1	2 10 6	2 0 1	5 8 9	5 12 3	6 9 7	3 4 1	3 8 6	..	..
Karachi . . . . .	..	..	4 2 2	5 6 7½	2 9 3	3 6 11	2 6 4	3 11 5	2 4 2	..

## (iv) Steamer freights on Cotton Piecegoods and Yarn.

From	To	Freight.	Remarks.	Source of information.
Bombay	Madras	Rs. 10 per ton of 40 c. ft. for piecegoods and yarn.	Less 10 per cent. rebate.	Scindia Steam Navigation Co.
Do.	Calcutta	Rs. 7-8 per ton of 40 c. ft. for piecegoods.	Less 10 per cent. rebate.	Ditto.
Do.	Do.	Rs. 2-4 per bale not exceeding 400 lbs.	Less rebate of 6 As. per bale.	Ditto.
Do.	Karachi	As. 7 per maund for both piecegoods and yarn.	Less 15 per cent. rebate.	Ditto.

## (v) Steamer freights on Cotton Piecegoods from Japan and the United Kingdom to India.

From	To	Freight.	Remarks.	Source.
Japan	India (Bombay and Calcutta).	Yen 13.50 less 10 per cent. rebate, per ton of 40 c. ft.	For yarn and piecegoods.	Japan Cotton Spinners' Association, Bombay.
United Kingdom.*	India			

\* The information is being obtained.

8. The subject has been dealt with in paragraph 86 of the Appendix to the Association's representation. While conditions in the home market present such abnormal features, it is natural that attention should be concentrated on the preservation of that market, and the special measures required for the development of the export trade have to wait for a more favourable opportunity of undertaking them. Since the Trade Mission reported, the position of India in the foreign markets has steadily grown worse due to intensive competition from Japan, assisted by the measures Japanese manufacturers and shipping and banking houses have undertaken in collaboration with the Government of Japan. As the Association has pointed out on various occasions, the appointment of Trade Commissioners should precede all attempts at exploring the possibilities of foreign markets in particular commodities. The Government of India have appointed Trade Commissioners at Hamburg and Milan, but have not yet found the money for such appointments at any of the other places recommended by the Trade Mission, namely, Alexandria, Durban and Mombasa. For the time being, then, Indian mills must increasingly look to the home market for the disposal of their goods.

9. As far as my Committee are aware, there are no actual statistics relating to the handloom industry either as regards number of weavers or looms employed or the extent of their activity. The most authoritative estimate of handloom production that we know of is that compiled by Mr. R. D. Bell in 1925. The information in Mr. Bell's report in regard to the approximate amount of yarn consumed by the handloom industry annually is brought up-to-date each year in the Association's Report.

As regards the classes of goods woven by the handloom industry, the Directors of Industry in various provinces have, we believe, from time to time issued reports on the subject. It is, however, not possible to arrive at any conclusion as to the extent to which handloom products compete with Indian mills and imported goods. The great bulk of handloom cloth is manufactured from coarse yarns supplied by the Indian Mill Industry. There is, however, a growing demand from the handloom industry for arti-



ficial silk yarn, particularly in the Punjab and Madras, and in addition a portion of the Madras handloom industry is producing cloth made from very fine count yarn.

Hand-spun yarn is not, as far as we are aware, used to any great extent by the handloom industry. The extent to which the Protective duties on cotton yarn affect the handloom industry has been dealt with in the reply given by the Association to a special reference made by the Board regarding the handloom industry in Madras. As regards duty on piecegoods, the interests of the handloom industry and mill industry are almost identical and adequate Protective duties on cloth are just as necessary for the preservation and development of the handloom industry as they are for the mill industry. The effects on the handloom industry of the existing import duties on artificial silk and yarn have been referred to in paragraph 61 of the Association's representation.

10. The Association has no reliable information regarding the hand-spinning industry.

11. The need for a healthy and prosperous Indian cotton manufacturing industry as an aid to the improvement of the quality of Indian cotton was stressed by the Indian Central Cotton Committee in a telegram addressed to the Government of India, Commerce Department, as far back as 19th July, 1927, which is quoted below:—

“As it is understood that the resolution of the Government of India on the report of the Indian Tariff Board (Cotton Textile Industry Enquiry) is now under consideration the Central Cotton Committee request that the whole question be considered with reference to the needs of Indian cotton growing.

Whilst expressing no opinion on the Tariff Board's recommendations they desire to emphasise the fact that a healthy and prosperous Indian Cotton Spinning and Manufacturing Industry has an important bearing on the welfare of the cotton grower and on my Committee's own efforts to improve the quality of Indian cottons.”

The view point of the Association has been briefly expressed in paragraph 85 of our representation. It is fairly certain that a decline in the output of Indian mills would not only reduce the total demand for Indian cotton, and thus adversely affect the parity *vis-a-vis* American cotton from the cultivator's point of view, but would probably definitely put an end to the development which is at present taking place in the growth of long staple cotton in India which is used almost entirely by Indian mills.

It is difficult to dogmatise in matters such as this, but some idea as to what effect a reduction in the output of Indian mills would have on the prices realised for Indian cotton can be obtained by a study of differences which existed between the prices of Broach and Liverpool Futures during the periods when Bombay mills' production was at a low level owing to strikes in 1928 and 1929. The increase in the parity during the period covered by the strikes of those years shows that the prices received for Indian cotton *vis-a-vis* American were lowered owing to the smaller consumption of the former by Bombay City and Island Mills. It is also very necessary to remember that the increased imports from Japan, which would probably follow a decline in the output of Indian mills would consist chiefly of medium and finer count goods in the manufacture of which she has greater advantages over India than in the manufacture of coarser goods. For such goods, she would not require Indian cotton at all with the result that the total demand for and the price of Indian cotton would fall to the considerable disadvantage of the Indian cultivator. The very substantial fall in the exports of Indian cotton to Japan is to some extent due to the finer count of the yarn now being used in her manufactures, and to that extent indicates a definitely decreasing need for Indian cotton; and stresses still further the desirability of eventually increasing the output of Indian mills, the great bulk of whose production is and must continue to be produced from cotton grown in this country.

My Committee have for many years advocated the growth of long staple cotton in India in order that the growing requirements of the indigenous cotton manufacturing industry might be met, but feel that the Indian Central Cotton Committee and the agricultural officers in the cotton growing districts are more competent than they to express an opinion as to whether and when the growth of long staple in preference to short staple cotton ceases to be advantageous to the cultivator. It would, however, appear that whatever development is desirable in the production of long staple cotton, it would be advantageous to maintain the total demand for short staple cotton in the growth of which India has to some extent a monopoly, at a high level.

12. The foreign cotton which is imported into India consists of Egyptian, Uganda and American. So far as Egyptian and Uganda are concerned, there are no comparable types of cotton to be found in India. With regard to Americans, it is possible that a portion of the quantity imported is no better in grade and staple than some of the best types of Indian cotton, but which for one reason or another, Indian mills have found it desirable to import. During the last few months, a fair quantity of this type of Americans has been imported for the reason that Indian cotton was generally very much out of parity and there was fear of a real scarcity of staple cotton, and sellers were scarce. The result was that mills which usually buy heavily at a particular time of the year, turned to American cotton for satisfying a part at least of their requirements of staple cotton. Except for such special circumstances, the purchase of any foreign cotton of a type equal to Indian cotton is very limited.

It would be difficult to determine whether the cultivator of cotton has benefited by the import duty. A great deal of the cotton coming from abroad is of a staple and class not to be found in India and the imposition of a duty on such types of cotton can hardly be of benefit to the agriculturist.

As regards American cotton of 1" staple and under, to the extent to which its price was raised and consumption curtailed in consequence, it is possible that the better grades of Indian cotton may derive some assistance from the duty.

13 to 24 (inclusive). The Association's answers to these questions relate to costs of manufacture of individual mills which are of a confidential nature, and are not therefore published.

In order to ascertain the range of competitive goods, a selection was made in the first instance of the typical lines of cloth produced by Bombay mills which can be said to come into competition directly or indirectly with imported cloths. The selection made includes the following:—

- (1) Grey longcloth—24s warp or thereabouts.
- (2) Calcutta dhoties.
- (3) Fine count dhoties.
- (4) Bleached longcloth—medium counts.
- (5) White mulls and nainsooks.
- (6) Bleached and dyed shirtings.
- (7) Dyed poplins.
- (8) Striped fast colour shirtings.
- (9) Superior qualities of coatings and trouserings, and
- (10) Printed chundries.

Bearing in mind the note attached to question 16, a number of mills were thereafter called upon to furnish replies regarding their total works expenditure, and the cost of manufacture of such individual lines as they were producing in the above-mentioned list. The mills concerned had considerable difficulties in supplying the information in the form required by the Board, since in no single instance was the method advocated by the Board ordinarily used by the mills for the purpose of ascertaining their

cost of production. These difficulties were, however, eventually overcome, except that, it was often not found possible to separate overheads in the exact manner prescribed by the Board. It will also be found that in a number of cases, bleaching and dyeing charges have had to be inserted as a lump sum. This is always the case where bleaching and dyeing has been done by an outside agency, and even in mills with their own bleaching and dyeing plants the same method has in some cases been adopted.

With regard to question 19, "profits or losses" on cotton transactions have been deducted from or added to the average prices of cotton. In this connection, it is pertinent to point out that mills do not gamble in cotton, and there can in reality be no question of "profits or losses" where hedge transactions are concerned.

As regards the total works expenditure, figures have only been given for the years 1927 and 1931, for the reason that the intervening years were entirely abnormal as far as Bombay mills are concerned. In 1928, for instance, there was a six months' strike during which all the mills were entirely closed. In 1929, there was another prolonged strike, which caused, on the average, a loss of three months' production. In 1930, political events created special difficulties, for a number of mills were boycotted, and were, as a result, closed down either wholly or partially for varying periods.

The method followed in estimating the cost of manufacture for individual cloths has been the same in all cases. All the mills for which costs are given maintain separate records of overhead expenses and labour charges for processes up to and including spinning, and subsequent to spinning. In calculating spinning charges per lb. or per piece of any particular cloth, the basis taken has been the "overhead" per spindle per day. In calculating the weaving charge per pound or per piece of any particular cloth, the basis taken has been the "overhead" per loom per day. Knowing the charge for any item of overheads per spindle, the amount chargeable for any particular weight of any particular count is ascertained from the average production figure per day for that count of yarn. Similarly, the amount chargeable per piece or per lb. of any particular cloth is ascertained from the average weight produced per loom per day for that particular cloth. The Association have been favoured with the detailed calculations in the case of one mill, which I enclose for the confidential perusal of the Board, in order that they may satisfy themselves that the method of allocation adopted is sound.

The method of calculating wastage and percentage of size, etc., is important. The waste per cent. in the case of raw cotton is the net figure after allowing for realization on sales of blow room dust, sweepings, cotton waste, etc. The percentage is calculated on the raw cotton weight. A waste of 12 per cent. would, therefore, mean that 100 lbs. of raw cotton produced 88 lbs. of yarn.

The per cent. of yarn wastage is calculated on the final weight of the cloth turned out by the mill. In most cases a uniform percentage has had to be taken for different types of cloth.

The size per cent. has been calculated on the total grey weight of the cloth. The attention of the Board is, however, directed to the fact that when a cloth is afterwards dyed or bleached, it loses the whole of the size which it contained in the grey state, and in addition, there is a further loss in weight which may or may not afterwards be made up by finish. Size percentage in bleached or dyed cloths is immaterial if they are sold on a "piece" basis. If they are sold on a "pound" basis, it is important to remember that the basis taken is the grey weight of the cloth, and not the bleached, dyed or finished weight.

Although individual mills have in most instances given in general terms the reasons for variations in the works expenditure in 1927 and 1931, these statements are not being submitted to the Board as the main grounds have already been covered in the Association's original representation to

the Board. Nevertheless, the attention of the Board is directed to the substantial economies which have been effected despite considerable handicaps.

In order to facilitate the work of the Board, I have combined the answers received from individual mills to questions 16, 17, 18, 20 and 21 in one statement for each individual cloth for which costings are given.

The extent to which present day costs of manufacture have risen as compared with 1931 depends largely on the character of the goods. In the case of grey longcloth for example, costs have only been affected indirectly by the duty on imported cotton, and as it is not possible to say to what extent, if any, the prices of particular classes of Indian cotton used in its manufacture have been raised, no accurate estimate of the increase in cost of manufacture under this head can be made.

The other items in the cost of manufacture which have been affected by the increased import duties in September are certain classes of mill stores and component parts of machinery.

The total effect of these would work out at .50 pies per lb. in the case of an average quality of grey longcloth.

In the case of cloths made from imported cotton, the half anna duty *plus* waste loss percentage is a definite addition to the cost of manufacture in 1932 as compared with 1931, and to this must be added the additional costs of stores and component parts of machinery.

In the case of bleached and/or coloured sorts, there would be a further addition in respect of bleaching and/or dyeing materials. Where there is a high percentage of colour, this further addition will be a substantial, since dye-stuffs have been greatly increased in price since September, 1931.

25. The information required by the Board is given below:—

Date.	No. of count.	C.i.f. price per lb.	C.i.f. price and duty.	Price quoted for local-made yarn.
<i>1932.</i>				
March, last week . . . . .	20s	As.	As.	As.
Ditto . . . . .	32s	7	8½	9
Ditto . . . . .	40s	8½	10½	12½
Ditto . . . . .	2/42s	9-8	11½	14½
April, 2nd week . . . . .	20s	11½	13½	...
Ditto . . . . .	32s	7/7½	8½ to 9½	8½
Ditto . . . . .	40s	8	9½	11½
Ditto . . . . .	2/42s	9-6	11½	13
April, last week . . . . .	20s	11	12½	...
Ditto . . . . .	32s	6½/7	8½ to 8½	8
Ditto . . . . .	40s	7½	9½	10-9
Ditto . . . . .	2/42s	9	10½	12-3
June, 1st week (2nd) . . . . .	20s	10½	12½	...
Ditto . . . . .	32s	6½	8½	7-6
Ditto (7th) . . . . .	2/42s	9½	11½	...
Ditto . . . . .	20s	6	7½	7-6
Ditto . . . . .	2/42s	9	10½	...
June, 3rd week . . . . .	32s	7	8½	9-6
Ditto . . . . .	40s	8	9½	11-6
June, 4th week . . . . .	20s	5½	7½	7-6
Ditto . . . . .	32s	6-7	8½	9-6
Ditto . . . . .	40s	7-4	9½	11-6
July, 2nd week . . . . .	20s	6	7½	7½
Ditto . . . . .	32s	7½	9½	9
Ditto . . . . .	40s	8	9½	11½
Ditto . . . . .	2/42s	10½	12½	13½

26. Some time back the Director of Industries, Bombay, drew the attention of the Association to the desirability of cotton mills supplying yarn to hosiery factories which are at present using imported yarn. A number of mills have expressed a desire to be furnished with samples and other particulars, and correspondence is going on with the Director of Industries. The Committee is not in a position to furnish exact particulars as to the quantity of hosiery yarn sold by Indian mills at present. It appears that certain mills have spent a considerable amount of time and money in endeavouring to put hosiery yarns on the market at competitive prices against the imported qualities, but have been unable to compete.

27. A mill spinning average 40s counts and using the whole of its yarn production in weaving cloth should have 40,000 spindles and about 1,000 looms to ensure efficient and economic working. It would be necessary to have a bleaching plant sufficient to bleach one-fourth of the total outturn of cloth, and a dyeing plant sufficient to dye one-fourth of the outturn. In a year of 300 working days, working on Calcutta dhoties and other sorts, such a mill might be expected to turn out 2,700,000 lbs. of yarn and 28,50,000 lbs. of cloth. If the usual allowances are made for size and waste losses from spinning point to weaving, the looms would just about absorb the whole of the yarn production.

28. We give below estimates of equipping and erecting a mill of the above size in India according to prices prevailing in 1928 and at present:—

	1928.	At Present.
	Rs.	Rs.
Cost of building . . . . .	13,81,000	13,81,000
Cost of land . . . . .	3,00,000	3,00,000
Cost of machinery . . . . .	23,46,000	26,01,000
	40,27,000	42,82,000
Dyeing and bleaching departments—		
	1928.	At Present.
	Rs.	Rs.
Building and tanks . . . . .	1,00,000	1,00,000
Land . . . . .	30,000	30,000
Machinery . . . . .	1,75,000	2,00,000
Grand total . . . . .	43,32,000	46,12,000

29. Depreciation is allowed under Section 10 of the Indian Income-tax Act, and the rates at which depreciation is allowed in different cases will be found in Rule 8. In the case of cotton mills, the rates are as below:—

- (1) 2½ per cent. on block cost for buildings.
- (2) 5 per cent. on block cost of machinery, for spinning and weaving machinery,
- (3) 7½ per cent. on block cost of bleaching and dyeing machinery and electrical equipment.

The above rates appear to be reasonable, but it is but fair that the rates should be increased if a mill works night and day. The committee are aware of the practical difficulties pointed out by the Central Board of Revenue in a Memorandum issued by them when certain commercial bodies raised this question, and they do not wish to press for a higher rate for depreciation allowance under present circumstances. Should, however, double shift working become general and mills are found running regularly on night shifts, a special allowance for depreciation should be allowed.

Year.	Number of Mills.	Value of Mill stores on hand.	Value of raw cotton on hand.	Value of cloth on hand.	Value of yarn on hand.	Value of process.	Value of waste, tares and hoops.	Total of Columns 3 to 8.	Outstandings.
1	2	3	4	5	6	7	8	9	10
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1926 . .	77	1,22,95,762	1,76,55,027	5,14,12,570	1,13,57,744	86,47,754	8,39,234	10,22,08,091	98,71,978
1927 . .	75	1,08,51,740	2,55,36,652	6,60,97,360	1,28,38,197	93,61,157	9,67,378	12,56,52,484	1,13,94,206
1928 . .	73	1,03,37,035	4,68,67,828	3,65,08,342	71,28,800	90,76,669	10,05,965	11,09,24,639	1,20,90,246
1929 . .	76	87,95,588	2,76,45,911	5,09,44,980	97,28,133	80,65,667	9,43,609	10,61,23,888	1,09,53,660
1930 . .	71	77,68,257	1,91,47,289	4,63,57,976	74,34,796	62,30,975	6,03,850	8,75,43,143	1,17,96,476
1931 . .	28	38,47,893	86,38,550	1,74,09,118	23,85,476	26,40,292	1,64,089	3,50,89,418	55,72,174

The above figures have been extracted from the combined annual balance sheets of the Bombay Mill Industry compiled by the Association.

31. One of the conclusions reached by the previous Tariff Board was that difficulties in arranging finance both by mills and dealers in piece-goods contributed to accentuate the depression, and my Committee entirely agree with this view. The various difficulties have been set out in the evidence tendered by Indian witnesses before the Banking Enquiry Committee. They complained that banks in India did not provide finance for block capital for industries, though there was no reason why such finance should not be provided by them out of their paid-up capital and reserves, if adequate security was offered. The Imperial Bank of India was debarred by Statute from giving loans to industrial companies for capital expenditure, by the six months' limitation of loans, and by a prohibition against lending money on the security of industrial shares or immoveable property. Even as regards floating capital secured by liquid assets, the bank insisted on a margin of something like 30 per cent. with the result that industries had to provide not only the whole of the capital required for financing the fixed assets, but also 30 per cent. of the capital required for financing the floating assets. The evidence given by Indian witnesses on the financial difficulties of the Cotton Textile Industry is thus summarised by the Banking Enquiry Committee:—

"The Cotton Textile Industry is the biggest national industry of India. The industry has for the last few years been passing through a period of general depression and has also been subject to local vicissitudes. A number of mills in Bombay are not making a profit at present and from year to year have sustained losses which have led to a reduction of capital. On account of this reduction in capital and the recurring losses, the banks are reluctant to make advances. The Managing Agents who finance the industry to a considerable extent in normal times are unable to cope with the requirements in such periods of adversity. It is stated that in other countries of the world such national industries would in times of depression be nursed by a bold and sympathetic policy on the part of banks."

The rates of interest on loans and cash credits made by banks to industrial concerns for working capital vary in proportion to the credit of the company. To concerns of established commercial repute and financial credit, the rate on loans is the prevailing bank rate, and the rate for cash credits is  $\frac{1}{2}$  per cent. over the bank rate, the latter being subject as a rule to the application of the "half-interest clause". Apart from Government and other trustee securities deposited with banks, it is not uncommon for them to demand and obtain from mill companies the joint promissory note of the company and its managing agents as collateral security for advances made. The main burden of financing the industry thus falls on managing agents, and weighs especially heavily in times of difficulty and distress.

32. The following figures extracted from the combined balance sheets of the Bombay Mill Industry compiled by the Association will give the requisite information to the Tariff Board:—

Year.	No. of Mills represented.	Amount received for office allowances and expenses.	Commission <i>actually</i> received by Managing Agents.	Commission earned but given up voluntarily by Agents.
		Rs.	Rs.	Rs.
1926	77	5,37,670	17,30,485	6,22,008
1927	75	5,47,569	25,39,908	9,04,810
1928	73	5,16,541	13,51,684	1,91,004
1929	76	4,70,211	15,55,962	3,07,690
1930	71	4,70,158	8,75,276	3,18,437
1931	28	2,78,333	6,02,851	2,23,045

Commission is usually paid on profit at the rate of 10 per cent., and the Managing Agency agreements provide in many cases for a minimum commission. If the average commission per mill is calculated from the above table, it will be seen that the commission received by Managing Agents during the last six years has been insignificant. As regards the charge often brought against Managing Agents that they are earning large commissions, the attention of the Tariff Board is invited to the information embodied in the answers given by the representatives of this Association in the course of the oral examination by the previous Tariff Board.

As regards office allowance and expenses, these are borne by the Company, and the Managing Agents take care to keep them down as low as possible.

33. The data will be collected and supplied to the Board direct.

34. (a) The Balance Sheets of the mills concerned have been collected and forwarded to the Board.

(b) The Managing Agency agreements of the mills in question will be sent to the Board direct.

35. (a) This question seems to cover the whole field of the activities of the mills belonging to the Association during the last few years in the matter of re-organisation. The subject has been dealt with as fully as possible in the representation of the Association, and my Committee have little to add to the information which has already been given. It would also not be possible to say with any degree of definiteness what the exact effect of all these factors would be in the direction of reduction of costs. An effort will be made, however, in answering the specific queries embodied in this question to supplement to the extent of the data in possession of the Association, the information which has already been furnished.

(b) (i) The introduction of the scheme of standardisation depends upon the co-operation of labour. After the publication of the Fawcett Committee's Report, the Chairman of the Association invited the representatives of the various trade unions to a Conference for the purpose of discussing the recommendations which had been made by the Committee. A fair measure of agreement was reached on several proposals, but the Communist element in the Girni Kamgar Union, which was then the most powerful organization of labour, were determined to break with the millowners on an entirely different issue, and they brought about a strike which put an end to the negotiations, and which the millowners were compelled to fight with all their resources. One of the results of this struggle was that the Girni Kamgar Union completely lost its hold over labour in Bombay, and its membership dwindled to insignificant numbers. Curiously enough, the other unions also lost their adherents, and it may be said with justice that trade unionism in Bombay textile labour has ceased to exist. Various attempts have since been made by the Association to encourage the growth of a healthy organization, capable of voicing the real grievances of the workpeople and securing their redress; but it is obvious that in a matter like this the urge must come from within, and all that the Association can do is to promise support in the task of assuring both capital and labour a square deal. To-day, the Industry is in the unfortunate position of not having a single effective body with which it can negotiate, and the result is that reforms, which have to depend on the co-operation of labour for their working, have to be held up. This does not mean that, independently of trade unions, efforts have not been made to establish contact between the workpeople and the management bearing in mind the ultimate object of bringing into being a state of affairs which would permit of the introduction of reforms such as the scheme of standardisation.

It is necessary in this place to make it clear that the main features of the standardisation scheme were uniformity of rates and musters and a reduction in weaving wages to the extent of  $7\frac{1}{2}$  per cent. The Fawcett



Committee held this reduction justifiable, but recommended that the mill-owners might give it up in return for the co-operation of labour in introducing the scheme. If such co-operation had been forthcoming, it was the intention of the millowners to give up the cut as recommended by the Fawcett Committee. It will thus be seen that if the scheme had been introduced, it would have effected no reduction in working costs, but would merely have standardized the conditions obtaining in various mills. It must be added that, while it has not been found possible to introduce standardisation, many mills have been able to do away with a certain number of superfluous hands.

(ii) The attention of the Tariff Board is invited to page 46 of the Association's representation, where the difficulties experienced by mills in introducing efficiency schemes have been fully explained.

(iii) On pages 51 and 52 of the Association's representation to the Tariff Board will be found a record of the work done by the Association for the spread of technical education among workers, and it may be here added that for many years the Association has been contributing annually a very substantial sum to the Victoria Jubilee Technical Institute, and in addition, in 1922 a special contribution of Rs. 1,14,000 was made to the cost of the new premises of the Institute.

Until recently, it was the practice in a large number of Bombay Mills to provide schools for half-timers and children of workpeople. These have been discontinued owing to the introduction of compulsory primary education and owing to the raising of the age-limit for child-workers. In the opinion of the Committee of the Association, it is the duty of Government and the Municipality to establish trade schools for the benefit of those desirous to be employed in local industries, and the Association in that case will render every possible assistance in arranging the courses and in providing mechanical equipment.

(iv) Constituted as the mills are, it is not possible that specialisation of this sort can be achieved. Most mills are laid out for the manufacture of a very wide range of cloth, and it would not be possible to allocate to different mills different types of manufactures. Such specialisation can only be achieved under a scheme of amalgamation such as that of the Lancashire Cotton Corporation. So long as the individualistic system prevails, it will be difficult in any part of the world to confine particular mills to particular types of cloth. It cannot be gainsaid, of course, that where specialisation such as the Board have in view can be effected, it would mean a certain increase in efficiency and a reduction in working costs. The Manchester Mills under the agency of Messrs. E. D. Sassoon and Company are engaged on the production of a particular type of sheeting; and the New City Mills are engaged only in the manufacture of Calcutta dhoties, as also as the Indian Manufacturing Company, Limited. There are undoubtedly advantages resulting from such specialisation, but they cannot be assessed in terms of costs of manufacture.

(v) As a general proposition, if the Bombay Mill Industry were constituted as one unit, with uniformity of control, economies could undoubtedly be effected in costs of production, and other benefits accrue; but amalgamation of this character is dependent upon a very large number of factors, many of which are outside the control of those in charge of the Industry. As the Board are aware, a serious effort was made about two years ago by some of the most important firms of millowners to carry through a scheme of amalgamation, but the attempt had to be given up. The working of the Lancashire Cotton Corporation has not yet yielded any definite results on which any conclusions can be based, and it is enough to point to their experience to appreciate the difficulties attendant upon both the formation and the working of a large-scale combine.

(vi) My Committee are of opinion that the present system of management of mills is in the main satisfactory, and they do not see in what

directions any change in the system can be effected, which would bring about a reduction of costs. If, as a result of their investigations, the Tariff Board are in a position to make any practicable suggestions, the Association would give them their most earnest consideration.

(vii) As a general policy, depreciation should be regarded as a primary charge on the profits available for distribution. When normal times return, it is expected that adequate sums will be taken to depreciation account, and many mills will find it possible to wipe off arrears. The difficulties through which the Industry has passed have emphasised the necessity of adopting a conservative policy in such matters.

(viii) As pointed out in paragraph 35 of the Association's representation, there has already been drastic writing down of capital and reconstruction, and the process is going on. If the mill agents concerned do not take the necessary steps, the shareholders and other creditors have their legal remedy, but barring this, no measures can be suggested whereby a reduction in capital can be enforced.

(ix) While it may be that in the past dividends have been paid which were not warranted by the profits made by the mills concerned, or their financial position, it is difficult to see how any limitation of general application can be imposed on the discretion of the Managing Agents or the rights of shareholders. If mills were not dependent for their finance on private depositors, but had their working capital provided exclusively by banks, some limitations on payments of dividends might be possible.

(x) The Association are not in a position to suggest any measures for co-operation either in the purchase of cotton or in sales of cloth. Combinations of this character even for specific objects are extremely difficult to work. So far as the maintenance of touch with consuming centres is concerned, enough has been said in the representation of the Association to show the efforts and the progress which have been made in recent years.

(xi) In answering sub-question (i), a reference was made to the circumstances under which trade unionism in Bombay textile labour ceased to exist, and it was stated it was unfortunate that a healthy organization capable of voicing the real grievances of the workpeople and securing their redress had not been established. The question of establishing closer relations between the management and the workmen, however, has always engaged the attention of the Committee of the Association and more particularly after the collapse of trade unionism. In 1930 a conference of all Mill Managers in Bombay was called for a full discussion, and a special sub-committee of Mill Managers was appointed to carry on consultations with a sub-committee of the Association, and as a result of these consultations, members of the Association were circularised to give effect to certain recommendations calculated to bring about better relations between employers and their workmen and to prevent the accumulation of grievances. All mills put up a notice informing the workmen that the management were always ready and willing to consider sympathetically any complaints or suggestions that workers might bring forward personally. A special complaint box was also provided where written complaints might be placed, and the workers were assured that no complaint would remain uninvestigated. Members of the Association were also recommended to engage qualified medical officers to attend to Mill Dispensaries, and to establish 'creches'. The Committee also made recommendations to encourage direct recruitment of labour and they introduced a system of providing "discharge certificates" to operatives leaving service. The various measures taken by the Association to place the relations between workpeople and the management on a satisfactory basis are summarised in the Association's Report for 1929 (pages 59 and 60), and it is worthy of note that the Government of Bombay in the White Paper issued by them in 1930, after referring to these measures, stated "These measures—if only as an instalment—seem to be of a nature definitely calculated to improve the labour situation."

For a fuller statement of the case the Board are referred to the Memorandum—submitted by the Association to the Royal Commission on Labour in India.

(xii) Please see Appendix 1 attached to the Association's representation.

(xiii) This question seems to pre-suppose that members of managing agency firms have not sufficient technical knowledge. It may be that a number of managing agents have not actually worked in mills. They have, however, a very fair knowledge of the various processes in a mill. It is true that the previous Tariff Board in paragraph 79 of their report expressed the opinion that Managing Agents had generally no technical knowledge, but this opinion was based on certain incorrect assumptions. The Committee of the Association are prepared to satisfy the Tariff Board that in most firms of Managing Agents, at least one member possesses a very fair amount of technical knowledge.

36. The Association is not aware of any provisions in the Indian Companies Act calculated to hamper seriously the development of the Industry.

37. It is true that so far as Japan is concerned, labour conditions cannot be described as "unfair" in the sense in which they were understood to be in 1927. There are, however, certain differences existing even to-day between conditions of labour in India and in Japan which require to be noted. The prohibition of night work for young persons and women under the Japanese Factory Act came into effect on 1st July, 1929, after a delay of 18 years from the time when the prohibition was laid down in the Factory Act for the first time. The sweated labour conditions which prevailed in Japan during all these long years enabled the cotton textile industry of that country to consolidate its position tremendously, in comparison with the cotton industry of this country. Moreover, the prohibition of night work applied only to the hours between 11 p.m. and 5 a.m., while under the Indian Factories Act, in compliance with the provisions of the Washington Convention, employment of women and children has been prohibited between 7 p.m. and 5 a.m. Thus the Japanese cotton mills are able to work two shifts of 8½ hours each between 5 a.m. and 11 p.m., employing women and children, and it cannot possibly be said that night work for women in its real sense has been abolished in Japan. It has also to be noted that the Japanese Government have made a concession in the matter of rest days, and whereas formerly mills were resting for four days per month, the legal rest days are now only two per month. Mr. Arno Pearse in his book on the Cotton Industry of Japan and China has shown that the cutting down of the legal daily working hours has been made the means of actually increasing the monthly working hours and the output, while labour charges have practically remained the same.

Thus Japan cannot be said to have fully complied with the provisions of the Washington Convention, and in other respects, its Factory Act is said to be much less stringent than the Indian Factory Act. It has also to be noted that according to various authorities, the number of Factory Inspectors in Japan is much too small, nor are they well-trained, and the provisions of the Japanese Factory Act, such as they are, are not enforced as rigorously as in India. Moreover, special conditions are laid down under which the Minister may suspend the application of these provisions, and reduce the so-called Factory Act to a dead letter.

Turning to China, it has to be observed that there has been no improvement in the inferior labour conditions referred to by Sir George Rainy in the Legislative Assembly in the course of the debate on the Yarn Protection Bill. A Factory Act, which was promulgated on 30th December, 1929, was to come into operation in China on a date to be fixed by decision of the National Government. This date was originally fixed by the Government at 1st February, 1931, but subsequently at the request of the employers, it was postponed to 1st August, 1931, and the Act officially came into force on that date, but a Ministerial Order of 7th August, 1931, declared that the clause prohibiting the employment of women at night

should not come into operation until after the lapse of a preparatory period of two years. The Act, however, has not been enforced; there have been innumerable difficulties in the matter of establishment of a Factory Inspectorate and the events that have taken place from the commencement of the current year have further delayed the enforcement of the Act. Thus practically the same labour conditions prevail in China to-day as in 1927 when Protection was given to the spinning section of the textile industry of this country to offset the unfair advantages enjoyed by China owing to inferior labour conditions.

38. In paragraph 35 of their report, the previous Tariff Board admitted that the cotton textile industry in Japan received State-aid in various forms, and they pointed out the impossibility of estimating the assistance the Japanese industry derived from "subsidies, bounties or other artificial advantages". That the Japanese industry continues to get an increasing share of State-aid is proved by the Report of the Cotton Mission referred to in paragraph 68 of the Association's representation. The advantage derived by Japan from depreciated exchange is referred to in paragraph 92 of the Association's representation, and the attention of the Tariff Board is invited to the further precipitate fall in the Rupee-Yen exchange since the date of the representation. The exchange was as low as 114 when the representation was sent to the Tariff Board, but since then there has been a further slump. The situation became so critical that representations had to be made to the Government of India by leading commercial and industrial bodies for immediate action, and on 11th July a deputation of representatives of these bodies met the Honourable the Commerce and Finance Members of the Government of India and placed before them the severe hardship inflicted on the trade and industries of the country by the slump in Japanese exchange. Government were strongly urged to take immediate executive action to be followed by legislation to stop the dumping of Japanese goods, made possible by the exchange situation, and a reply from Government is now awaited.

As already pointed out, Japanese mills purchased abnormal quantities of cotton before Japan abandoned the gold standard, and thus derived substantial benefit, while the subsequent heavy fall in the exchange has meant further substantial benefit to her export trade.

39. In answer to this question, it should be observed that it is somewhat difficult to estimate the precise effect of the present duties on cotton piecegoods. The abnormal conditions which have prevailed in India as in other parts of the world, have undoubtedly affected the value of the Protection given by the Cotton Textile Industry Protection Act of 1930 and the subsequent surcharges imposed from considerations of revenue. It is clear, however, that the present scale of *ad valorem* duties has proved inadequate in certain directions to afford Protection to the Industry. But if our proposals in regard to specific duties are accepted, the question of the adequacy or otherwise of the present scale of *ad valorem* duties loses most of its importance. It is the considered opinion of the Association that it is only by a system of minimum specific duties in addition to *ad valorem* duties that the Industry can be effectively protected, and the Association will ask the Board to fix such duties with regard to all the principal lines of cloth imported from abroad. The specific duty should be sufficient in each case to cover the difference between a reasonable selling price for the Industry and the price now realised ex-duty. We have submitted detailed statements of our working costs and realised prices, and we propose that the specific duty for each class of goods should be fixed at such level as would cover the difference between the two, plus a reasonable allowance for depreciation and profit.

Whatever duties are recommended as reasonable under the circumstances, it is obvious that unless legislation is undertaken which would enable Government to deal with abnormal situations, no measure of Protection can ever be effective. We have at the moment an outstanding example of the way in which the depreciation of the Yen exchange is neutralising

the effects of the present duties. It is hoped that the Board will stress this aspect of the case, and will make it clear that its recommendations with regard to specific and *ad valorem* duties are to be regarded as subject to modifications if circumstances alter, and through bounties, depreciation of currencies or otherwise, conditions in exporting countries enable them to market their manufactures in India under conditions which would prove ruinous to the indigenous industry.

As regards the period of Protection, my Association suggest a minimum of ten years. If the Industry is to find the money for re-equipment and achieve its proper development under the shelter of Protection, it must have an assurance that for a reasonable period of time at any rate, it will not be exposed to attacks from without. At the end of ten years, the position may be reviewed in the light of all that has happened in the interval.

40. The administrative difficulties pointed out by Mr. Hardy in Chapter VI of his report would only exist if different specific duties were imposed on different qualities of goods of the same general character. There would be practically no administrative difficulties if the same rate of specific duty was made applicable to all goods of the same general classification, unless importers began to import goods of entirely different types in one and the same package, and this could be effectively prevented by providing that in such instances the specific duty chargeable should be that specified in the Tariff for the "higher value" class in the package. For example, if plain grey goods were packed with bleached goods, the rate of specific duty made applicable would be that laid down for bleached goods, and not the lower rate laid down for plain grey goods. The only administrative problem to overcome with a system of minimum specific duties such as my Association has in view is the very minor one of ascertaining the correct net weights of baled or cased goods, but that this is not a serious matter is proved by the fact that little or no difficulty has apparently been experienced in regard to the existing minimum specific duties. In any case the difference in duty payable owing to an error in estimating the weight of the tare would not be more than 1 per cent. or 2 per cent., and this error is probably nothing like so great as the possibility of error in estimating the correct market value of the goods under the existing "*ad valorem*" system.

It has been urged that a specific duty could not be readily applied to anything but grey goods, but there appears to be no force in this contention since the existing specific duties are often applicable in the case of fancy lines like trouserings, coatings, white striped drills and certain classes of shirtings, zephyr cloths, etc.

41. In the answer to question No. 37 above, we have pointed out that labour conditions in China are practically the same as they were in 1927 when the import duty on yarn was increased. It must be stressed, however, that the Industry is not seeking Protection now merely for the purpose of offsetting inferior labour conditions in China and cheaper labour costs in Japan. A study of the price levels in the last few years shows that so far as coarse counts are concerned, it is absolutely essential that the present scale of duties should continue. In the region of medium counts the indigenous industry is unable to withstand competition even with a duty of 3½ annas per pound, and the Board will have to consider after calculating the costs of manufacture in mills of average efficiency what further increases in duties are called for. As regards counts above 60s, the Association has in a separate letter to the Tariff Board on the subject of the handloom industry already expressed the opinion that if as a result of the present investigations, the Tariff Board came to the conclusion that the import duty on these finer counts should be kept at the level prevailing before 1927 in the interests of the handloom industry, there would not be any serious opposition from the Association.

42. The present definition of "plain grey" piecegoods includes all goods not, bleached or dyed in the piece. If our scheme of specific duties is

accepted by the Tariff Board, it will be necessary to amend the present definition, and the exact amendment required will be pointed out in the course of the Association's oral evidence on the subject of specific duties.

43. The Association in paragraphs 60 and 61 of its representation has already drawn the Tariff Board's attention to the tremendous growth in the imports of artificial silk piecegoods which severely affect the offtake and price of the fine and fancy goods manufactured by Indian mills with which these artificial silk goods compete. The existing 50 per cent. duty has proved ineffectual for reasons explained in the representation, and in the Association's opinion, there should be a minimum specific duty in addition to an "*ad valorem*" duty. The Association's conclusion is that the interests of the indigenous industry and also the handloom industry imperatively demand the imposition of a cent. per cent. duty on these goods or a minimum specific duty of Rs. 2 per lb., whichever is higher.

It may be pointed out that in other countries artificial silk goods are subjected to heavy duties.

In Japan, for example, the duty on piecegoods containing more than 50 per cent. of artificial silk, according to information supplied by the Japan Cotton Spinners' Association, is 380 yen per 100 kin, which is roughly equivalent to 5s. 9d. per lb.

In the United Kingdom, the duty is 3s. 6d. per lb. under the Ordinary Tariff and 2s. 11d. per lb. under the Preferential Tariff.

In France, the duties on silk and artificial silk fabrics are specific, and vary according to the character of the goods, but it would appear that the artificial silk piecegoods similar to those imported into India from Japan would be liable to duty at either 120 or 30 francs per kilo (9s. or 2s. 3d. per lb.) depending on whether they are admitted under the General or Minimum Tariff rates.

As regards the present tariff definition and grouping of artificial silk goods, my Committee note that these goods are grouped with silk goods, and if the Tariff Board come to the conclusion that the duty on silk goods need not be increased, it will be necessary to amend the grouping and definition accordingly, and to have separate entries for silk and artificial silk in the Tariff Schedule.

44. If, as stated in answer to question 39, effective Protection can best be given by means of specific duties in addition to "*ad valorem*" duties, it would be difficult to see how different scales of preferential duties can be prescribed for different countries. It is obvious that in actual working, the same minimum specific duty will have a varying effect if the c.i.f. value of goods coming from a particular country is different from the c.i.f. value of similar goods coming from another country. For this reason, my Association do not desire to suggest any differentiation in the scale of specific duties. This, of course, does not take into account special circumstances such as bounties and depreciation of currency which may call for special differential measures.

45. Apart from increases in duties, the Industry can be helped in several ways such as the lightening of the burden of taxation, grant of bounties on the production of medium and fine counts yarn, special internal freights for Indian piecegoods, and subsidies for the purpose of developing the export trade. If the Tariff Board desire to go into these questions, the Association will be prepared to supply their views in great detail.

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(7) Letter No. 1527/121 of 1932, dated the 13th August, 1932, from The Millowners' Association, Bombay.

I am directed to deal with the allegations made by the Bombay Shareholders' Association in their representation to your Board.

2. The Shareholders' Association have tried to make out that the management of the cotton mills in Bombay is not conducted on sound

lines, and that this is due to the malpractices and inefficiency of some of the Managing Agents, and to certain defects inherent in the managing agency system. Charges such as these have been often brought in the past, and some attempt to examine them was made by the Indian Tariff Board (Cotton Textile Industry Enquiry) in 1926. The Board, after hearing several witnesses came to the following conclusions:—

“Allegations were also freely made that the present condition of the Industry could to some extent be attributed to malpractices on the part of managing agents. It was stated that speculative purchases of cotton are frequently made by managing agents and that, if these result in a loss, it is passed on to the mill, whereas, if a profit is realized on the transaction, it is retained by the managing agent. It was further alleged that managing agents received commissions on purchases of cotton, machinery, mill-stores, coal and liquid fuel as well as on sales of cotton, yarn and piecegoods and on insurance premium which are not passed on to the mills, in other words that stimulus to efficiency is removed by the fact that, whatever the position of the mill, the managing agent is sure of a profit on transactions with it. Though allegations of this character were made by several witnesses, it is perhaps not surprising that no substantive evidence was brought forward in support of them. The authority quoted in all cases was merely rumour or statements which have appeared in the Press. It is significant that, when questioned in camera on the point, the witnesses who made statements of this kind were never able to give the names of more than one or two mills and that these names were almost always the same. We are, therefore, satisfied that no general indictment of the mill industry can be established under the head and that the practice of receiving secret commissions, if it exists at all, is exceptional.”

On the present occasion, a long list of the malpractices supposed to be prevalent in the Industry has been given by the Shareholders' Association, and if your Board come to the conclusion that a detailed investigation is necessary, my Committee will be glad to produce whatever information is in their possession. My Committee do not, however, propose to discuss the various opinions the Shareholders' Association have quoted in their representation. They are too vague and general in character to require any refutation. Besides, stray observations torn from their context can never present a correct picture, and if mere opinions are to be quoted, my Committee can adduce a considerable volume of testimony to the contrary.

3. So far as the Managing Agency system is concerned, it is necessary to deal with it at some length. The Bombay Shareholders' Association have tried to make out that the Indian Central Banking Enquiry Committee had altogether condemned the system. They have omitted to point out what the Committee stated in paragraph 343 of their report:—

“In Bombay, when an industrial concern is started, particularly a cotton mill, the Managing Agents attract capital from their friends and others who are aware of their standing. The working capital is found from private deposits and from loans and cash credits from banks, and in both directions the Managing Agents on account of their financial standing have rendered yeoman service to the industries.”

Even in the paragraph quoted by the Shareholders' Association, the Banking Enquiry Committee, while pointing out the occasional disadvantages of the system in a few cases, admit that in times of crisis such as Bombay has been going through, managing agents have incurred heavy losses as a direct result of financing the mills under their control. My Committee agree with the Banking Enquiry Committee that attempts should be made to make industrial enterprises in India less dependent on this system for *future* development, and that there should be direct friendly relations between industrial companies and commercial banks. My Committee, however, have in their representation to the Tariff Board, and in answers to the questionnaire, pointed out the difficulties the Mill Industry has to contend against in obtaining finance, and as long as the present conditions

last, it is difficult to understand how industrial concerns could at all be launched, or carried on except through the medium of the Managing Agency system. The justification for the system in Bombay is that without it, a large section of the Industry which is now working would find it impossible to carry on. In his evidence before the Royal Commission on Currency, Sir Victor Sassoon stated:—

“ Besides carrying out the executive functions of a managing director, a firm of managing agents is largely responsible for arranging any finance required by the concerns they manage, and to do this, have to pledge their own credit. This is probably their most valuable function to-day, and the reason why they have not been superseded by wholtime managing directors.”

In this connection, the following figures covering 74 mills and 2 dye works will give your Board an idea of the financial sacrifices made by Managing Agents in Bombay during a period of six years commencing with 1926:—

	Rs.
(1) Amount of commission given up by Managing Agents from 1926 to 1931 inclusive . . . . .	28,68,718
(2) Amount of interest on loans to mills given up by Managing Agents during this period . . . . .	31,20,526
(3) Amount of loans advanced by Managing Agents and converted into capital during this period . . . . .	1,75,92,950
(4) Losses incurred by Managing Agents through guaranteeing loans to mills from Banks . . . . .	69,49,228
(5) Other financial sacrifices made by Managing Agents . . . . .	44,628

These amounts do not include the enormous losses incurred by Managing Agents, as large holders of shares in their concerns, through the writing down of capital and other reconstruction schemes. Nor do the figures of losses under heads (2) and (3) include the losses which the Managing agency firm of three mills will shortly incur if the reconstruction scheme which they have under contemplation is put through.

The figures provide a striking commentary on the statement made in the minority report of the Banking Enquiry Committee that Managing Agents had found finance for industrial concerns, but as a rule without risk or loss.

4. The advantages of the Managing Agency system as compared with a system of Managing Directors were examined by the Indian Industrial Commission whose conclusions are embodied in paragraph 12 of their report, where, among other things, it is stated: “ There is no doubt but 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 ”. Much the same conclusion was arrived at by the Indian Tariff Board in 1926: “ The Managing Agency system is the outcome of conditions which are peculiar to India. It has, so to speak, grown up with India's industrial development, and so far as can be seen, there does not appear any immediate probability of a change ”. In the face of these considerations, it is up to the Shareholders' Association to suggest an alternative method of financing the Industry, and to establish to the satisfaction of the Board the advantages which are claimed for the system of Managing Directors.

5. I shall now pass on to the exhibits attached to the representation of the Shareholders' Association, in which the names of various firms of Managing Agents have been mentioned in connection with certain charges levelled against them.



Exhibit A has the heading: "Statement containing particulars of cases in which Managing Agents act as Selling Agents or are connected with Selling Agents". A list of various mills companies is given, the managing agents of which are said to be interested in the sale of their manufactures. With regard to this charge, the information in possession of my Committee shows that in 6 cases, the statement made by the Shareholders' Association is not correct, and the agents concerned have no interest in the selling of their manufactures. In 8 other cases, the agents have a small share in the business; they were previously the sole selling agents of the mills. In 5 cases, the selling agents' firm in which the managing agents have an interest, handle only a limited part of the whole business, and that too in just one centre, and on this account, the mill companies concerned have not thought it advisable to engage the services of an outside firm.

Exhibit B attached to the representation of the Shareholders' Association is headed: "Statement containing particulars of cases in which Managing Agents have received commission, although the mills made losses". My Committee have given figures showing the enormous sacrifices made by Managing Agents in various ways through the financing of their mills. The Shareholders' Association have not cared to take that into consideration at all, and their idea would appear to be that whenever a mill makes a loss, the agents should not get even the minimum commission due to them under their agreements with the companies. They forget that the commission is only a remuneration for services rendered, and that when mills make losses, the largest sufferers are the agents themselves because of their generally preponderant holding in the capital of the company. Even this minimum commission has been given up by certain agents on several occasions, and in one group of mills alone, the sacrifice amounted to nearly 5 lakhs of rupees in recent years. My Committee do not think that any ground for criticism exists when all these circumstances are taken into consideration.

As regards the system of charging commission on production, all that need be said is that it is exceptional, and my Committee are not in favour of it. At the same time it must be observed that in prosperous times, agents who charge on production have received much less by way of remuneration than they would have got under the system, which is general in the Industry, of commission on profits.

As for office allowance drawn by some mill agents, it is not in the nature of a remuneration for the agency firm, and must be regarded as a fair charge on the Industry.

Exhibit C has the heading: "A note on the practice to invest funds in allied concerns". On enquiry, my Committee find that in some instances, the procedure adopted may have been against sound principles of finance, but as regards the majority of cases, substantial reasons exist which, if required, will be explained to the Board at the proper time.

Exhibit D contains correspondence between my Association and the Shareholders' Association on the subject of the action taken on the recommendations made by the Tariff Board in 1926. This has been very fully dealt with in my Association's representation to your Board, and it is not necessary to deal with the matter further in this letter.

Exhibit E deals with what the Shareholders' Association regard as undesirable features of the managing agency agreements. While my Committee are not prepared to support any and every provision in these agreements, they desire to say that in many instances, the powers given have not been utilized, and that, as a general proposition, it may be stated that in so far as these agreements have been duly approved by the shareholders concerned, it is largely a matter between them and the managing agents.

Exhibit F contains particulars of alleged advances to managing agents or directors. Of the 15 instances given in this exhibit, my Committee are concerned with only the first three, and in each case, there is an

explanation which will be placed, if necessary, before your Board in the course of the oral evidence.

Exhibits G and H refer to managing agents' interest in ginning and pressing factories. Apart from the fact that practically all the instances given by the Shareholders' Association relate to mills outside Bombay, my Committee fail to see in what respect the position indicated by the Shareholders' Association is prejudicial to the interests of the mills.

The last Exhibit J deals with the mode of valuation of stocks. The information received from the members of my Association goes to show that the Shareholders' Association is labouring under certain misapprehensions on this point, and that there is nothing in the mode of valuation which is open to objection.

6. There are certain other charges made by the Shareholders' Association in paragraph 25 of their representation. They say that it was established in the last enquiry that several mill agents were directly or indirectly connected with persons acting as suppliers of stores to those mills. All that the Tariff Board in paragraph 58 of their Report state, however, is that allegations had been made by certain witnesses that the *staff* of the mills were in the habit of reporting unfavourably on the results of using stores in respect of which they had not received any secret commission. But as the Board themselves say, no direct evidence on the point was forthcoming, and it is very regrettable that the Shareholders' Association should go the length of stating that improper conduct on the part of mill agents in connection with the purchase of stores was proved in the course of the last enquiry.

7. Another complaint made by the Shareholders' Association is that insurance commission is taken by the mill agents and not credited to the companies concerned. In this connection it is enough to say that, although my Association has not found it possible to form a Fire Insurance Association on the lines of the Millowners' Mutual Insurance Association, substantial reductions have been effected as a result of the persistent efforts which have been made to bring down the rates of insurance, and the fact that under the rules of the Fire Insurance Association, no part of the commission received by agents on premia can be passed on to the mills, has not militated against the interests of mill companies.

8. In paragraphs 27 to 29 of their representation, the Shareholders' Association make some novel suggestions for the reduction of overhead charges. Their remarks about Mill Managers and Superintendents, and their reference to the proceedings of the Fawcett Committee are altogether misleading. Certain statements made by labour leaders in the course of that enquiry appear to have been taken as axiomatic by the Shareholders' Association, and they have ignored the replies given by this Association's representatives.

9. As regards the valuation of mill stocks and stores and auditing of accounts, my Committee are of opinion that the system adopted by Bombay Mills is, on the whole, quite sound. If the Board, as a result of the present investigation, reaches the conclusion that improvement is needed in any specific direction, my Committee will give their most earnest consideration to any recommendations the Board might make.

10. In conclusion, my Committee regret that the Shareholders' Association should have indulged in such sweeping allegations against the management of mills in Bombay. My Committee do not consider that the bulk of their complaints are in any event proper subjects for investigation by the Tariff Board, consisting, as they do, of charges against individual agency firms, and not against the system or the Industry as a whole. Should the Board, however, decide to undertake an enquiry, my Committee are willing to assist them in arriving at right conclusions with regard to all such charges as are of a general character, and involve questions of policy on which the Association might be expected to lay down definite standards.

(8) Letter No. 1686/121 of 1932, dated the 8th September, 1932, from The Millowners' Association, Bombay.

In accordance with the desire expressed by the Board during the Association's oral evidence, further consideration has been given to the question as to whether it would be possible for the Association to modify its attitude in regard to the import duties on yarn. The previous view point of the Association as expressed in its letter No. 1253/121, dated the 1st July, 1932, and in the written representation submitted to the Board on 31st May, 1932, was that the existing duties of  $1\frac{1}{2}$  annas per lb. or  $6\frac{1}{2}$  per cent. *ad valorem* were sufficient in normal times to protect the great bulk of India's yarn production; but that difficulty was experienced in meeting competition in medium counts of yarn, say up to 44s. It was also indicated that if as a result of their investigation, the Board came to the conclusion that the import duty on counts above 60s should be kept at the level prevailing before 1927, the Association would not raise any opposition. It was maintained that the present depressed condition of the handloom industry was mainly due to the world-wide economic depression and the consequential fall in the purchasing power of the masses in this country, and that the handloom weavers had been affected inappreciably, if at all, by the duties imposed on yarn.

2. The production of the handloom industry may for practical purposes be divided into three distinct classes: (a) cloth produced from yarn of 20s and below, (b) cloth made from medium counts of yarn, say up to 44s, and (c) cloth made from fine count yarns.

Dealing with the first category of production, the position is that for many years the handloom industry has obtained practically the whole of its supplies of yarn from Indian mills. In 1927, when the yarn duty was first imposed, there was an undoubted and admitted danger of Japanese mills in China flooding the Indian market with coarse count yarns, owing to the low manufacturing costs in that country compared with India, made possible by inferior labour conditions. This danger was removed by the specific duty of  $1\frac{1}{2}$  annas per lb. As the labour conditions in China have not changed to any appreciable extent since 1927, the case for the retention of the duty on coarser counts of yarn still holds good, provided it can be shown that the spinning industry of this country has not profiteered at the expense of the handloom industry. That no profiteering has taken place is demonstrated by the following statement, which gives the quotations for 20s yarn and Broach cotton:—

Date.	Price per lb. of	Price of Broach
	20s yarn (Indian.) Rs. A. P.	Cotton per Candy. Rs.
Beginning of—		
January, 1927 . . . . .	0 9 3	254
January, 1928 . . . . .	0 11 6	379
January, 1929 . . . . .	0 12 3	358
January, 1930 . . . . .	0 10 9	306
January, 1931 . . . . .	0 7 6	174
January, 1932 . . . . .	0 7 9	199

It is an undoubted fact that mills in India in January, 1927, were not obtaining remunerative prices for their yarn. If therefore a comparison is made between the price of yarn and the price of cotton in the years subsequent to 1927, it is possible to arrive at an estimate as to whether the handloom industry has been overcharged since the  $1\frac{1}{2}$  annas specific duty on yarn was imposed. The position is that compared with the beginning of January, 1927, the price of yarn at the beginning of January, 1928, went up by  $2\frac{1}{2}$  annas per pound. The rise in cotton was Rs. 125, or roughly  $2\frac{1}{2}$  annas per pound. In January, 1929, the price of 20s yarn was 3 annas higher and the price of cotton just over 2 annas higher than in January, 1927. In January, 1930, the price of yarn was  $1\frac{1}{2}$  annas

higher and the cost of cotton just over one anna higher than in January, 1927. In January, 1931, the price of yarn was  $1\frac{1}{2}$  annas lower and the price of cotton  $1\frac{1}{2}$  annas lower than in January, 1927. In January, 1932, the price of yarn was  $1\frac{1}{2}$  annas and the price of cotton a little more than an anna less than in January, 1927.

With the possible exception of 1929, the figures show that certainly no more than economic prices, and often less than economic prices, have been charged by Indian mills for their yarn. Even in 1929, the prices of yarn rapidly adjusted themselves to the price of cotton. During 1932, a new situation has arisen owing to the steady depreciation of the value of the Yen, and latterly, quotations for Japanese yarns have fallen so low as to make it possible for Japanese mills to compete successfully even in low counts despite the specific duty of  $1\frac{1}{2}$  annas per lb.

For the confidential information of the Board, I am enclosing herewith a statement\* showing the actual works cost and the prices realized by an efficient Bombay Mill for coarse count yarns during the years 1931 and 1932. The statement shows that the mills have consistently lost money on their yarn sales during the last two years.

3. *Medium Counts of Yarn.*—As pointed out by your Board during the Association's oral examination, the handloom industry is not a very extensive user of medium counts of yarn. In this particular line of production, that industry has found it difficult to compete against the powerloom industry. This being the case, it becomes unnecessary to take the handloom industry into consideration when estimating whether it is desirable or feasible to remove or reduce the present scale of duties on medium count yarns, since the interests of the powerloom industry are paramount, and it may at once be said that the removal or reduction of import duty would be against the interests of the country. China and Japan have for many years been able to compete in price against Indian mills in medium counts of yarn, and it is only because mills use their own yarn in preference to imported yarn that imports have been kept down to reasonable limits. The removal of the duty would so widen the disparity in prices between Indian mill yarn and imported yarns, that it would pay mills to close down that portion of their plant at present devoted to the manufacture of medium counts of yarn, and buy imported yarn for weaving purposes. This would mean the throwing out of employment of a very large number of workpeople, and would put a stop to the progress in the production of medium count yarns which has been a feature of the last few years. The difficulties of the industry in regard to medium counts are graphically demonstrated by a study of the relative quotations for Japanese and Indian mill yarns of 40s during the last few months. In the middle of August, for example, the quotation for Japanese 40s yarn was 8.4 annas per lb. c.i.f. or about  $10\frac{1}{2}$  annas per lb., including duty. At that time, the bare cost of producing a similar yarn in India was  $11\frac{1}{2}$  annas per lb. In regard to medium counts, consideration must also be given to the fact that for many years to come, Indian mills will have to depend for their raw materials on other countries, and that there is little doubt that the competitive capacity of Indian mills has already been seriously impaired by the duty of half an anna per lb. imposed on imported cotton. If, in addition to this handicap, mills were called upon to give up the protection afforded by the specific duty on yarn, their position would become practically untenable as far as medium counts are concerned.

4. *Finer Counts of Yarn.*—It is admitted that it would be extremely desirable to encourage the production of certain types of fine cloth by the handloom industry. It is, however, doubtful whether it would eventually be in the interests of India as a whole for the handloom industry to be entirely dependent upon imported yarn for this portion of its production, though it is equally open to question whether Indian mills will for some time be in a position to become substantial suppliers of fine yarns to the handloom industry even if the duties were retained at the present level. On a

\* Not printed.

review of all the circumstances, my Committee are agreed, provided the interests of the mill industry in respect of fine cloth are safeguarded by an adequate protective duty, that the duty on fine yarns might be reduced to 5 per cent., and that the specific duty might be removed. In arriving at this conclusion, they are aware that it opens up the possibility of the establishment of a competitive powerloom weaving industry since it would undoubtedly pay to erect weaving shade to produce fine cloth from imported yarn. Against such factories, Indian mills doing their own spinning and weaving might not be able to compete. If such an industry were established, the position of the handloom industry—with which it will compete to some extent—might possibly be worse than it is to-day.

5. The conclusions of my Committee in regard to yarn duties are in no way different from those previously expressed to the Board, but it is hoped that the fuller statement of the case which has been made in this letter will convince the Board that the conclusions which were then arrived at were undoubtedly warranted by the facts.

(9) *Letter No. 1747/121 of 1932, dated the 15th September, 1932, from The Millowners' Association, Bombay.*

When the Association's witnesses were examined by the Tariff Board, additional information on certain points were promised. These, with the Association's observations, are given below:—

(1) The Board desired to be informed what would be the approximate weight in pounds of 1 cubic ton of various sorts of Indian-made piecegoods.

*Answer:* The enclosed statement "A" which has been compiled from figures received from a few representative mills, contains the desired information.

(2) The Board enquired whether the Association had analysed any of the Japanese dhoties for ascertaining their warp and weft, and if so, whether the results could be made available.

*Answer:* The enclosed statement "B" gives the results of the analysis of three typical kinds of Japanese dhoties.

(3) In connection with the answer submitted by the Association to Question 3 of the Board's Questionnaire, the Association's representatives were asked to submit figures showing the prices realised (by individual mills if necessary) on finer count piecegoods, say goods produced from 30-40s counts or over, during the years 1928-1932.

*Answer:* The enclosed statement "C" contains the prices realised ex-mill (excluding "Sahi", brokerage, etc.) in respect of certain types of cloth. In this connection it may be pointed out that, as anticipated, it has been somewhat difficult to obtain anything like a running record of prices over the desired period for the reason that in very many cases there was no production of this type of cloth in 1928 and 1929.

(4) The Board requested the Association to reconsider its views in regard to the import duty on yarn and submit a note thereon.

*Answer:* This note has already been submitted (*vide* my letter No. 1686/121, dated the 8th September, 1932).

(5) Mr. Mody was asked whether he could give the Board an idea of the comparative rates of interest charged by Banks and Managing Agents on loans advanced to mills.

*Answer:* During the years 1929 to 1931, the bank rate averaged from about 6.34 per cent. to 6.63 per cent. That means loans would not be available in these years at anything less than  $\frac{1}{2}$  per cent. above these rates, whereas in the case of an important group of mills with which Mr. Mody is connected, the Managing Agents have been advancing money to the mills at a uniform rate of 6 per cent.

(6) The Hon'ble Mr. H. M. Mehta and Mr. S. D. Saklatvala promised to furnish the Board with statements showing the comparative cost of production in their Bombay and up-country mills.

*Answer:* These figures have already been forwarded to the Board (*vide* my registered letter No. 1727/121, dated the 14th September, 1932).\*

(7) Mr. Fazal Ibrahim Rahimtoola asked the Association's representatives to furnish the Board with a statement showing how many mills paid their agents an "office allowance" and how this amount was spent by the Agents.

*Answer:* With reference to this enquiry, a special questionnaire was sent out to all mills in Bombay. Returns received from 70 mills show that 34 mills pay their agents an office allowance. With the exception of 7 mills, the allowance is entirely or partly used for the remuneration of the superior staff employed by the agents on the work of the mills.

(8) In reply to a question by Mr. Fazal Ibrahim Rahimtoola, Mr. Mody undertook to furnish the Board with a statement showing the progress made by Bombay Mills in placing their insurance business with Indian insurance companies.

*Answer:* The position on 1st July, 1932, as compared with that on 1st July, 1930, is, that while there was a reduction of about 3 crores of rupees in the total insurance specifications, the specifications placed with Indian insurance companies by mills in Bombay City and Island increased by about 2½ crores of rupees.

(9) Mr. Boag asked whether the Board could be supplied with a summary of the Report made by the Managers' Sub-Committee of the Association in 1930 on the economies effected in regard to the number of operatives employed per 1,000 spindles and 100 looms since 1926.

*Answer: Spinning Department.*—The conclusion arrived at was that on the average, a reduction of 2 operatives per 1,000 spindles had been effected, and that in mills spinning average counts of about 18s, a mill in Bombay employed from 20 to 22 operatives per 1,000 spindles. In a few mills where the double side system had been introduced, the number of operatives per 1,000 spindles when spinning 20s average counts had been reduced to 13. From the data supplied by two or three mills spinning counts similar to those spun in Ahmedabad, the number of operatives per 1,000 spindles—when spinning about average 25s—varied between 15½ and 18.

These complements compared with those of Ahmedabad.

*Operatives per 100 looms.*—The difference in complements per 100 looms in Bombay and Ahmedabad was largely due to the greater number of winders employed per 100 looms—21.6 in Bombay as compared with 9 in Ahmedabad. Two or three additional operatives per 100 looms in Bombay were accounted for by the greater amount of colour then being worked in Bombay, and about 2 to 3 operatives per 100 looms, by the fact that a greater amount of re-winding of weft was being done in Bombay.

In warping and sizing, the disparity between Bombay and Ahmedabad was not great, but in the latter department, the wages of sizers in Bombay greatly exceeded those of Ahmedabad.

In drawing-in, the figure of 3.5 operatives per 100 looms compared unfavourably with that of Ahmedabad, but this was accounted for by the fact that some of the mills in Ahmedabad had their drawing-in done on contract.

In the weaving shed, there was very little difference between Bombay and Ahmedabad complements, and what there was, was almost entirely accounted for by the fact that in the mills covered by the Wage Census Enquiry, the proportion of 3 and 4 loom weavers was greater in Ahmedabad.

(10) The President asked whether Joint Stock Companies in Japan issue Annual Profit and Loss Accounts.

*Answer:* We understand from the local Japanese Consul that such Profit and Loss Accounts are published but they are not detailed. We have, however, been unable to obtain copies.

(11) Mr. Fazal Rahimtoola asked what were the exact provisions in the Fire Tariff Regulations which prohibited the refunding to mills of commissions on premia earned by managing agents.

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\* Not printed.

*Answer:* Clause II of the Bombay Presidency Tariff General Rules and Regulations reads, as below:—

“The sharing of any agency commission and/or remuneration by any Representative of a Company with the insured or any one other than a Broker licensed or a Sub-Agent registered in accordance with the Tariff Regulations, being in effect a reduction of the net rate, constitutes a breach of Tariff obligations.”

(12) The President of the Board wanted to know how the rates for fire insurance in this country compared with other countries.

*Answer:* This information has already been supplied for the confidential information of the Board.

(13) Mr. Mody promised to communicate to the Board the Committee's decision on the question of agents waiving their commission on insurance premia in favour of their mills.

*Answer:* The Association is in consultation with the Fire Insurance Association in this matter, and the Chairman has met prominent individual members of that body, but no final decisions have as yet been taken. We hope to be able to acquaint the Board as to the exact position at an early date.

(14) *Merger Scheme.*—With reference to the point made by the Board on this subject, I am to inform you that the members of the Merger Committee, who have been consulted, have no objections to your Board referring to this matter in their report, on the lines suggested by the President during the hearing of the Association's oral evidence.

(15) In referring to a figure of Rs. 1,75,92,950, being loans advanced to mills by Managing Agents and converted into capital, Mr. Fazal Ibrahim Rahimtoola asked what portion of this amount represented actual losses.

*Answer:* With regard to this question, detailed information is being collected from the agents of the mills concerned. In some instances, it appears that the exact losses sustained by mill agents on this account cannot be ascertained for the reason that the shares of the mills concerned are not even quoted in the market, but in these cases, certainly more than 50 per cent. of the moneys converted into capital has been lost. One of the mills included in these figures is in liquidation, and until it is definitely ascertained whether there will be any surplus for distribution to the shareholders after paying off all the creditors, it may be assumed that the entire amount has been lost.

The other points on which the Board desired further information relate to costs of manufacture in individual mills and have been dealt with in a separate and confidential communication.

The representatives of the Association would be glad to have another opportunity of appearing before the Board to explain any points that may arise out of the statements we have furnished subsequent to our oral examination and the Board's examination of other witnesses.

#### Enclosure “A.”

The following statement shows the approximate gross weights (in pounds) of one cubic ton of various classes of Indian mill-made piecegoods:—

Grey and bleached longcloth . . . . .	1,700 lbs.
Grey shirtings . . . . .	1,500 ”
Grey dhoties . . . . .	1,300 ”
Grey chadars . . . . .	1,500 ”
Fancy checks . . . . .	1,600 ”

#### Enclosure “B.”

##### *Analysis of Japanese Dhoties.*

Trade No.	Trade Mark.	Nominal dimensions.			Results of analysis.			
		Ins.	Yards.	Pounds.	Warp.	Weft.	Reed.	Pick.
252	.....	44	10	1½	36	44	52	40
777	.....	44	10	1½	36	44	60	48
...	Horseshoe.	44	10	1½	36	36	52	52

Enclosure "C."

	DIMENSIONS.			Warp.	Weft.	1928.		1929.		1930.		1931.		1932.	
	Ins.	Yds.	Lbs.			January	July	January	July	January	July	January	July	January	July
						1st week.	1st week.	1st week.	1st week.	1st week.	1st week.	1st week.	1st week.		
MILL No. A.	(Quotations are per pound.)					Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Grey dhoty . . .	44	10	1 ½	60	70	..	..	..	2 10 10½	2 2 8	2 1 9	2 0 5½	..	1 14 0	1 14 0
Bl. dupetta . . .	42	6	1	30	42	..	..	..	1 8 10½	1 5 1½	1 6 0	1 8 8½	1 4 2	1 0 10½	1 0 10½
MILL No. B.	(Quotations are per pound.)					Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Grey dhoty . . .	44	10	2 ½	30	40	1 8 6	1 4 5	1 4 2	1 8 11	1 4 2	1 1 6	0 14 6	0 14 6	0 14 8	0 14 8
Bl. check shirting . . .	27	24	3 ½	36	44	2 4 10	2 8 11	2 8 2	2 8 2	2 2 0	2 1 6	2 0 5	1 15 5	1 12 7	1 18 11
Grey longcloth . . .	48	39	7 ½	28	36	1 0 0	1 0 0	..	1 1 3	1 0 4	0 15 8	0 14 10	0 13 10	0 12 8	0 12 7
Bl. mull . . .	36	20	8 ½	36	44	1 9 9	1 9 9	..	1 15 0	1 11 4	1 9 6	1 8 0	1 8 0	1 8 10	..
MILL No. C.	(Quotations are per piece.)					Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Bld. sual No. 989 . . .	27	24	4 ½	30	40	8 2 0	7 14 0	7 12 0	7 10 0	7 10 0	(Not worked.)	5 8 0	5 6 6	5 4 0	..
Bld. doria No. 1722½ . . .	45	24	4 ½	30	40	8 9 0	8 7 0	8 4 0	8 0 0	8 0 0	Do.	7 4 0	7 0 0	(Not worked.)	..
MILL No. D.	(Quotations are per pound.)					Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Grey Calcutta dhoty . . .	44	10	1 35	44	60	..	..	..	2 0 0	..	1 13 0	..	1 12 0	..	..
Bld. Calcutta dhoty . . .	42	10	1 25	40	60	..	..	..	2 0 0	..	1 13 0	1 9 9	1 9 6	1 8 0	1 8 0
Average realization of cloth made from 40s/60s. . . . .	..	..	..	..	..	..	..	..	1 11 6	..	1 10 6	..	1 8 10	1 6 9	..
MILL No. E.	(Quotations are per pound.)					Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Bl. mull . . .	51	20	4	40	40	..	1 9 0	1 9 5	1 7 1½	1 5 1½	1 8 0	1 5 1½	1 8 0	1 6 1	1 8 2½
Bl. longcloth . . .	36½	40	9½	30	40	..	..	..	..	..	1 8 2½	1 2 8½	1 2 2½	1 1 3½	1 1 8½

The above statement shows the prices realized ex-mill in respect of the sorts shown (excluding commission, brokerage, "Sahi", etc.).



(10) Letter No. 1887/121 of 1932, dated the 27th September, 1932, from the Millowners' Association, Bombay.

In paragraph 61 of the Association's representation, a reference was made to the heavy importations of artificial silk goods into this country which were dealing a severe blow both to the powerloom industry and the handloom industry. As stated in the representation, these imports competed directly with the production of the handloom industry and indirectly with the fine fancy goods turned out by Indian mills. It is, however, necessary to mention specifically one member of this Association—the Sassoon and Alliance Silk Mill—which does not manufacture cotton goods, but turns out superior cloths made from artificial silk and pure silk yarn. This mill has been reduced to a very sad plight owing to heavy importations of cheap Japanese artificial silk goods. As a result, the mill worked only 18 or 19 days per month from September, 1931 to March, 1932, had to close down its spinning department and two-thirds of its looms from April, 1932, and since 3rd September, 1932, has entirely stopped working owing to heavy stocks which cannot be marketed even at the cost of production, owing to the intense Japanese competition which the mill has had to face.

2. My Committee understand that the Chhoi Silk Mill which is turning out goods similar to the Sassoon and Alliance Silk Mill is also severely handicapped owing to this competition, but as this mill is not a member of the Association, it is not possible to furnish your Board with detailed information.

3. My Committee submit that the position in which these two mills are situated at present still further strengthens the case already put up by the Association for very substantial protective duties on imports of Japanese artificial silk goods. The emergent report recently submitted by you to Government had made out an unanswerable case for an increase in import duties on Japanese manufactures owing to the serious depreciation in the rupee value of the yen, and it is extremely unfortunate that the law as it stands at present did not allow imported artificial silk goods to be brought within the scope of your inquiry, for it is just this particular class of goods which at present constitute the greatest danger to the industry. The tremendous strides made by these goods can be very well gauged by a study of the figures of imports from Japan for the last four months compared with the figures for the corresponding months for 1930:—

	1930.	1932.
	Yards.	Yards.
April . . . . .	4,524,005	6,698,513
May . . . . .	4,810,532	6,364,188
June . . . . .	3,756,009	9,872,550
July . . . . .	1,027,138	12,913,300

4. My Committee are seriously perturbed at the prospect of these imports being allowed to flood the Indian market without any check till March next, and they earnestly trust that in your report you will make strong recommendations for an amendment in the law as it stands at present, so that the necessary relief might be forthcoming at an early date.

5. In replying to the Questionnaire of the Board (Question No. 43), the Association urged the necessity of levying on artificial silk goods an *ad valorem* duty of 100 per cent. or a minimum specific duty of Rs. 2 per lb., whichever was higher. The Association in its representation dated the 30th July, 1932, in connection with the special inquiry, drew the Board's attention to the drop in the prices of these goods owing to the heavy depreciation in the rupee-

value of the yen, but the Board were precluded from making any recommendations in this connection. Attention has already been drawn to the rates of duty on artificial silk goods in other countries in the Association's reply to the Tariff Board's questionnaire. So far as Japan is concerned, the rate mentioned, namely, 380 yen per 100 kin has been increased by 35 per cent. since 18th June (*see* footnote on page 13 of the Board's last report). In view of these facts, my Committee submit that it is necessary that the rates of duty on these goods should be substantially greater than the rates suggested in the Association's answer, *viz.*, 100 per cent. *ad valorem* or Rs. 2 per pound, whichever is higher.

6. As already stated above, the imports of artificial silk goods hit the power industry as well as the handloom industry, and so far as the latter is concerned, my Committee would like to take this opportunity of impressing upon your Board the necessity of abolishing the import duty on artificial silk yarn. The relief which the abolition of this duty will give to the handloom industry will be very substantial, since, according to the latest information furnished to the Association, 90 to 95 per cent. of the artificial silk yarn imported into this country is used by handloom weavers, especially in Southern India and the Punjab. By using this yarn, the weaver can brighten up his cloths very considerably and make attractive fancy cloths which are much more profitable to him than ordinary plain cloths. If Government wish to help the handloom industry, most effective assistance could be rendered by removing the duty on artificial silk yarn. It is problematical whether the reduction in the import duty on fine counts yarn will help the handloom industry to any appreciable extent, but there cannot be any doubt that the abolition of the import duty on artificial silk yarn will substantially assist it, and my Committee, therefore, commend this proposal to the earnest consideration of your Board.

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(11) *Letter No. 1976/121 of 1932, dated the 12th October, 1932, from the Millowners' Association, Bombay.*

The attention of my Committee has been drawn to the written reply sent by the Indian Central Cotton Committee to a question put to the Committee by the President of your Board when their oral evidence was taken. The question referred to dealt with the margin to be allowed for indirect competition and errors of testing in fixing the staple length for purposes of import duty on foreign cotton, and the Indian Central Cotton Committee in their letter of the 21st September, stated that they were of the opinion that cottons of 1" staple and below should be given effective protection and that this object would be achieved if the maximum staple length of cotton were fixed at  $\frac{3}{4}$ " with a margin of  $\frac{1}{4}$ ". The views of my Committee on this matter do not coincide with those of the Central Cotton Committee. As the question vitally affects the textile industry, my Committee would like to submit a few observations.

2. The present position is that there is a duty of half an anna per pound on all imported cotton, whatever its staple length, but it has to be remembered that this duty was imposed purely for revenue purposes, and the Finance Member himself admitted that it was in some ways inconsistent with the previous policy of the Government of India. In a letter to the Government of India, dated the 2nd November, 1931, the Association voiced its opposition to the duty on cotton mainly on the ground that it offended against the canons laid down by the Fiscal Commission, and that it would hamper India's progress in the production of yarns and cloths of finer counts for which the raw material must necessarily be imported. Realizing the revenue difficulties of the Government of India, however, the Association suggested that Government might well consider the grading of the tariff so as to tax only those varieties of imported cotton which competed directly with Indian cotton,

and indicated that a duty of half an anna per pound on cottons of  $\frac{7}{8}$ " staple or less would probably meet the case if revenue considerations made a duty imperative.

3. The circumstances to-day are somewhat different from those which existed when the Association addressed the Government of India in November, by reason of the fact that at the present moment the amount of protection to be given to the industry is being considered in all its bearings by your Board. That being the case, provided your Board come to the conclusion that it would be advantageous to the growers of cotton in India to impose a duty upon cotton imported from abroad, then my Committee maintain that the most equitable method of protecting the interests of the cultivator without damaging the competitive capacity of the mills would be to impose the same rate of duty per pound on all cottons and increase the protection found necessary on yarn and cloth by a corresponding amount. The reason for advocating this procedure is that if a dividing line is drawn to define competitive and non-competitive imports, the parity between long and short staple cottons would be upset, and demand might be switched from taxed to untaxed cotton to the disadvantage of the cotton grower in India. Suppose, for instance, cotton of 1" staple and under were to be taxed and longer cotton admitted free: it is more than probable that the mills in this country rather than pay exorbitant prices for 1" cotton would buy untaxed  $1\frac{1}{8}$ " cotton and the advantage of the duty to the cotton grower would be considerably reduced. This could not happen if all cottons were equally taxed, and the interests of the cotton mills and the handloom industry were protected by the imposition of correspondingly higher duties on cloth and yarn, though it must be admitted that the interests of the consumers might be penalised to some extent if large scale production of finer cloths did not effect a substantial reduction in manufacturing costs.

4. If, however, the Tariff Board after full consideration are of opinion that the interests of both the cultivator and the consumer demand the imposition of a duty only on directly competitive imported cotton, or higher duties on competitive than on non-competitive imported cottons, then my Committee maintain that the dividing line should be  $\frac{3}{4}$ " cotton with a margin of  $\frac{1}{8}$ " on the higher side. This would mean in effect that  $\frac{7}{8}$ " cotton would be subject to a higher duty than cotton of 1" staple and over. My Committee's reasons for fixing the dividing line at a slightly lower figure than that recommended by the Central Cotton Committee is that there has for a number of years been a definite deficiency of long staple Indian cotton. This shortage was referred to in letter No. 263 sent to the Tariff Board by the Indian Central Cotton Committee on 21st September, 1932. In paragraph 6 of that letter, it is stated: "As there was general agreement amongst the representatives of the various bodies referred to by me that there were no reports of unsaleable quantities of staple cottons during the seasons referred to, they believe that it is justifiable to infer that the long staple cottons available in India were absorbed by mills in India." It is, moreover, the general experience of mills that owing to scarcity, the premiums which have to be paid for staple cottons are consistently high in July, August and September, and that for some time past all Indian cottons have been high in parity compared to Americans.

5. This point is more clearly brought out in the statement attached hereto, which is based on the appendices to the Indian Central Cotton Committee's letter to the Tariff Board, dated the 21st September last.

With such a heavy deficiency of Indian cotton of over  $\frac{7}{8}$ " staple, it is somewhat difficult to believe that it is necessary to give artificial protection against imports of cotton of 1" staple as recommended by the Central Cotton Committee, especially when the demand for long staple Indian cotton is increasing so rapidly from year to year. Finally, my Committee wish to make it perfectly clear that they are opposed to any form of duty on imported raw cotton unless for the time being the finances of the country make such a duty imperative, and that even if a duty is necessary for revenue purposes, an additional corresponding duty should be imposed on cloth.

Enclosure to letter No. \_\_\_\_\_, dated the 12th October, 1932, from the Secretary, Millowners' Association, Bombay, to the Secretary, Tariff Board, Bombay.

	1929-30.	1930-31.	1931-32.
	Lbs.	Lbs.	Lbs.
Yarn of 24s and above produced in India . . . . .	206,000,000	233,000,000	270,000,000
	Bales.	Bales.	Bales.
Converted into bales of 400 lbs. of cotton (85 lbs. yarn=100 lbs. of cotton) . . . . .	606,000	685,000	794,000

Average cotton required during the last three years to produce yarns 24s and above 695,000 bales.

Against the above figure, there were the following supplies of cotton of over  $\frac{3}{8}$ " staple:—

Supplies of Indian cotton of over  $\frac{3}{8}$ " staple (average of last three years):—

	Bales.
Hyderabad/Gaorani (25 per cent. of average crop) . . . . .	30,000
Surat/Navsari . . . . .	70,000
Gadag . . . . .	13,000
Jayawant . . . . .	10,000
Tinnevallies (50 per cent. of average crop) . . . . .	72,000
Cambodia . . . . .	122,000
Punjab/American—289 F. . . . .	7,000
Total supplies of Indian long-staple cotton . . . . .	324,000
Plus American (12 months' average on basis of 32 months' imports) . . . . .	116,000
Plus Egyptian (average of last 3 years' imports) . . . . .	83,000
Plus East African cotton (average of last 3 years' imports) . . . . .	127,000
Total supplies of cotton (Indian and imported) as over $\frac{3}{8}$ " staple . . . . .	650,000
Cotton required for production of yarns of 24s and upwards . . . . .	695,000

NOTE.—The deficiency shown above in the supply of cotton of over  $\frac{3}{8}$ " staple would be considerably increased if allowances were made for the exports of long-staple cotton—which have been fairly considerable in recent years—and for the staple cotton used for domestic purposes. The total deficiency of staple cotton must have been made up by using cotton of  $\frac{3}{8}$ " staple or less in mixing for 24s count.

(1) Letter dated the 5th June, 1932, from the Ahmedabad Millowners' Association Ahmedabad.

Referring to the Press Communiqué, forwarded by you on 11th April, 1932, in regard to Resolution No. 341-T. (150), dated the 9th April, 1932, of the Government of India, relating to the Tariff Board Inquiry on the question of granting protection to the Cotton Textile Industry I have the honour to forward herewith 6 copies of the written statement of my Association.

Enclosure.

*Written Statement submitted to the Tariff Board by the Ahmedabad Millowners' Association.*

1. The Government of India appointed a Tariff Board (Cotton Textile Industry Enquiry) in 1926, to inquire into the causes of depression, through which the Industry was then passing, and to report whether the Industry was in need of protection. The report of this Board, which was published in the year 1927, made certain recommendations for the improvement of the condition of the textile industry in general and suggested to the Government that protection should be granted to the Industry. Except, however, extending a certain amount of protection to yarns the Government of India did not put any of these recommendations into effect till 1930. By this time, the condition of the textile industry had become so bad on account of outside competition that the Government felt that unless it came to the help, the Industry would be faced with ruin. Accordingly, with a view to render immediate help to the Industry, duties on imported piecegoods were raised in 1930, for a period of 3 years as under:—

- (i) 15 per cent. *ad valorem* on imports of piecegoods of British manufacture.
- (ii) 20 per cent. *ad valorem* on goods of non-British manufacture.
- (iii) A minimum specific duty of 3½ annas per pound on plain grey goods imported from any country.
- (iv) 20 per cent. *ad valorem* on other goods of non-British manufacture.

This Bill also provided for the continuance of the duties on yarn levied in the year 1927 for a further period of 3 years.

It is necessary to mention here that though the rates of the duties created a differentiation between the imports, the Commerce and the Finance Members during the debate on this Bill gave assurances in the Legislative Assembly that by the adoption of these differential rates of duty the House was not subscribing to the principle of Imperial Preference.

The above duties were raised in 1931 as under:—

- (i) 25 per cent. *ad valorem* or 4½ annas per pound, whichever is higher; on plain grey goods of British manufacture.
- (ii) 31½ per cent. *ad valorem* or 4½ annas per pound, whichever is higher; on goods of non-British manufacture.
- (iii) Other goods—
  - (a) of British manufacture 25 per cent. *ad valorem*;
  - (b) not of British manufacture 31½ per cent. *ad valorem*;
- (iv) Cotton twist and yarn—
  - 6½ per cent. *ad valorem* or
  - 1½ annas per pound, whichever is higher.

At the same time it should be stated that the economic crisis created in India by the fall in prices of commodities accentuated by the world crisis considerably increased the difficulties of the textile industry.

To add to this the Industry had to bear the following further burdens enhancing its cost of production:—

- (1) The full effect of the Maternity Bill which was passed in 1929 was felt in the year 1930.
- (2) 5 per cent. increase in wages had to be granted to the weavers and 8 per cent. to the spinners in the Ahmedabad mills, from the 1st of January, 1930.
- (3) The Ahmedabad Municipality revised its Terminal Tax on coal, cotton and iron during the period. In the case of coal the tax was raised from 8 annas per ton to 11 annas per ton, while in the case of cotton and iron it was raised from 8 pies per Bengal maund to 1 anna. The Municipality has resolved further to

increase Terminal Tax on cotton and iron from 1 anna to 1 anna 3 pies and is only awaiting the sanction of the Government thereon, to put it into effect.

- (4) The freight on coal has been increased by 15 per cent. from the current year.

Under the Supplementary Budget of September, 1931, the following additional taxes were imposed:—

- (i) Import duty on cotton at 6 pies per pound from September, 1931.
- (ii) 10 per cent. import duty on machinery from September, 1931.
- (iii) Duties on dye-stuffs and mill-stores.

The least that can be said about these taxes is that they are indefensible and against all recognised principles of industrial development. Both the Fiscal Commission and the Tariff Board had expressed their unequivocal disapproval of such levies and specially the latter had specifically recommended that the duties on machinery, dye-stuffs and mill-stores should be abolished in order that the Industry may be able to reduce its cost of production. Unmindful of this the Government has chosen to revive the said duties.

2. In spite of the above drawbacks the Industry at Ahmedabad has tried to overcome the shortcomings pointed out by the Tariff Board by carrying out the following improvements:—

- (i) Use of better type of cotton and spinning of finer counts of yarn and diversification of production in piecegoods.
- (ii) Addition and replacement of machinery.
- (iii) Improvement in the working conditions.

3. Following the advice of the Tariff Board since 1927, the mills in India made serious efforts to spin yarn in medium and fine counts. The following table gives the production figures in counts 31s to 40s, as well as in counts above 40s, in the whole of India, during the years 1926 to 1931:—

(In thousands of lbs.)					
Year.	31s to 40s.	Above 40s.	Year.	30s to 40s.	Above 40s.
1926	26,245	10,435	1929	45,719	14,212
1927	31,643	11,899	1930	56,657	23,612
1928	35,370	9,454	1931	68,486	33,299

It must have been in the knowledge of the Government of India in the year 1930 when the Cotton Industry (Protection) Bill was introduced in the Legislative Assembly that the production of Indian mills in these counts had materially increased even then.

At a time when the Indian mills were trying to increase their production in medium and fine counts and to spin finer and finer, they required full protection against competition from any quarter. However, a lower rate of duty was imposed on piecegoods from Great Britain while the manufacture of the fine count goods by the Indian mills was still in the experimental stage. This was in direct contrast to the Tariff Board's recommendation in the year 1927 for the grant of a bounty to those mills that took to the manufacture of medium and fine counts. The Assembly passed the Bill in 1930, with the clause for a differential duty on British goods due to the uncompromising attitude of the Government. But for the impetus given to the sale of fine goods by the Swadeshi Movement, which was more or less in full swing during these years, it is problematic whether the Indian mills would have withstood the competition from the British manufactures and continued the manufacture of the fine counts cloth, especially to the extent to which they have been able to do during this period.

How far progress has been made in Ahmedabad on these lines will be seen from the following:—

Year	31s to 40s.	Above 40s.	Year.	31s to 40s.	Above 40s.
1927	8,239,000	4,526,000	1930	15,399,000	5,899,000
1929	15,232,000	5,434,000	1931	18,597,000	14,234,000

We may mention that further installations for the spinning of fine counts are being made in Ahmedabad.

4. It was in the year 1927 that the Government of India passed the Indian Tariff Cotton Yarn (Amendment) Act, whereby the 5 per cent. duty on cotton yarn was made subject to a specific minimum duty of 1½ annas per pound, on all imports of yarn into India. The effect of such a levy on the figures of imports from different countries into India would not be reflected in the import figures till the year 1928.

The Tariff Board had observed in their report of 1927 that the most striking feature as regards the imports of yarn was "the decline in the imports of Japanese grey yarns of counts under 30s" and further that "an almost equally striking feature has been the gain of Japan at the expense of the United Kingdom in counts 31s to 40s and in grey twofolds which it should be explained consists mostly of 2/42s".

The total imports of grey yarns 31s to 40s from all countries were in—

Year.	Lbs.	Year.	Lbs.
1925-26	21,680,000	1929	15,996,000
1927	25,049,000	1930	14,897,000
1928	13,826,000	1931	13,024,000

Thus the fall in imports of grey yarns of counts 31s to 40s on an average of 3 years (1929 to 1931) was about 30 per cent. of the average imports during 1924 to 1926—

Year.	Lbs.	Year.	Lbs.
1924-25	21,383,000	1926	20,924,000
1925-26	21,689,000		

The figures of imports in 1927, are not compared as the imports in that year had evidently increased in anticipation of an increase in duty consequent to the Tariff Board Inquiry in 1926. The import figures of grey yarn of counts 31s to 40s quoted above show clearly that until the imposition of the minimum specific duty on yarn the mill industry in India was not able to make any headway in the manufacture of grey yarn of counts 31s to 40s and above 40s. The heavy drop in the figures of 1928 may be due evidently to an excess of imports in the previous year to avoid the payment of the anticipated increase in duty as mentioned above. The Swadeshi Movement was instrumental to a very great extent in reducing subsequent imports still further, the figure for 1931 being the lowest.

If we examine the imports of grey yarn above 40s, i.e., 41s to 50s, 51s to 60s, 61s to 100s and above 100, we find that whereas the import trade in 41s to 50s has decreased that in 51s to 60s has increased, showing that the nature of demand had changed to a somewhat finer quality. The quantity of total imports of yarn of counts above 40s was maintained right up to the year 1929 at about 7,500,000 lbs. The subsequent fall was evidently due to the Swadeshi Movement. The import figures for 1930 and 1931 being 3,593,000 and 3,716,000. The only conclusion that can be drawn is that the rate of import duty imposed on these counts was not sufficiently high to give impetus to the production of these counts although the industry had the latent potentiality of doing so under favourable circumstances. Similarly there is no

reason why the Indian mills should not supply the local demand in grey twofolds, white bleached and twofold mercerised cotton yarn and for sewing thread if adequate protection is given by Government.

The main argument brought forward in support of the proposal to impose a lower duty on British piecegoods at the time of the Cotton Industry (Protection) Bill in 1930 was that the goods manufactured in Great Britain were of fine counts and that as the mills in India were not manufacturing similar goods, there was no likelihood of a competition between the two. A lower duty, therefore, it was argued, can and will do no harm to the Indian cotton textile industry.

5. The Industry has also attempted a greater diversification of its products as can be seen from the following figures of production of certain types of goods for the ten months April to January in 1929-30, 1931-32, in Ahmedabad:—

	1929-30.	1931-32.
	Yds.	Yds.
Cambrics and lawns . . . . .	999,649	11,540,029
Printers . . . . .	2,035,863	5,968,311
Coloured piecegoods . . . . .	108,662,940	162,899,416

In this connection, it may be stated that the progress in printers has revived the indigenous printing industry and has been a timely help to that dying trade.

The difference in the figures of our block accounts during the last 5 years will convey a rough idea of the machinery introduced into the industry during the period. This machinery has been utilised in consolidating and improving the technical section of the industry by adding new departments to the existing units and by replacing the old machinery. Machinery suitable for the spinning and weaving of fine counts and for dyeing, bleaching and finishing has been installed in several mills. The working conditions in mills have also been improved by the installation of humidifying and ventilating plants based on the carrier principle.

In spite of these improvements the figures of profits show that the Industry has not been able to earn sufficiently to make even the bare interest on the capital outlay.

Tables Appendix A and B give the number of mill-companies which made losses as well as of those whose Managing Agents had to give up commissions. The decline in profits from year to year will show that the amount of protection granted has not been enough. If the amount that ought to be set aside each year for depreciation is taken into consideration the margin of profits is still lower. Unless the protection is continued not only the growth of the Industry will be retarded but even it may have to surrender grounds already won. For, it must be pointed out that the Industry has been receiving the benefit of the Swadeshi Movement for the last 3 years.

6. That this fear is not without foundations can be seen from the following paragraphs:—

*Increase in Imports from Japan in certain qualities.*

(In millions of yards.)

	1929.	1930.	1931.
Grey dhoties . . . . .	49	55	59
Bleached shirtings . . . . .	6	16	36
Nainsooks . . . . .	...	...	11.6
Printed goods . . . . .	...	34	42
Dyed goods . . . . .	25	27	29
Artificial silk goods . . . . .	16	33	72



The extent of this increase will be more realised when these figures are compared with figures of previous years—

	1926-27.	1927-28.
Grey dhoties . . . . .	29	24
Bleached shirtings . . . . .	2	3
Nainsooks . . . . .	...	...
Printed goods . . . . .	8	21
Dyed goods . . . . .	26	29

This state of affairs is all the more serious because most of these goods belong to the variety of goods made out of medium counts, in which the industry could be said to have made a good progress. The phenomenal increase of bleached shirtings is also offering intense competition to the home-made goods. Japanese imports of coloured woven goods have decreased. However, the competition in such fancy goods has not decreased as the imports of artificial goods are increasing.

7. It is to be regretted that the Government have not acted upon the advice of the Tariff Board and of Mr. Hardy for the preparation of detailed statistics, classifying and showing the counts of the goods imported as well as produced in India. In the absence of such statistics it is impossible to gauge the true extent of competition from Lancashire and other countries in the various sorts of goods.

8. It has been often argued that most of the piecegoods imported from United Kingdom do not enter into competition with the Indian goods. It was on this very ground that the lower import duty on British goods was urged by the Government member during the debate on the protection bill in 1930. The figures of the main lines of United Kingdom imports show that the major part of the United Kingdom trade is concentrated in dhoties, grey and bleached. Their imports have fallen from 475,113,000 yards in 1927 to 28,244,000 yards in 1931. On the other hand, the production of dhoties in India has increased from yards 614,199,000 in 1927 to 947,392,000 yards in 1931, showing that the shortage in the supply of British imports in dhoties has been made good by an almost equally higher production in India. This may be said to have been achieved in response to the Tariff Board's pointed remarks, especially in reference to the production of these by the Bombay mills. On page 106 of their report they say, "The outstanding feature of the above table" of production "is the small extent to which Bombay participates in the trade in dhoties". In these dhoties there is every likelihood of competition between Indian-made and British-made. The argument that there is no competition between Indian and British goods, therefore, cannot stand. In order that the Indian textile industry may be able to maintain its position in these, adequate protection should be granted against British goods also on the same basis as the non-British goods.

9. In order to estimate the increase in the production of piecegoods in India in medium and fine counts, we give below the following figures:—

Increase in production of yarn 31s to 40s in India—

1931 . . . . .	68,486,000
1926 . . . . .	26,645,000
	<hr/>
	41,841,000 increase.

The total increase in production in 31s and above is 64,705,000.

Deducting the exports in these, the balance was used in India for weaving. Probable exports in double yarn 5,706,000 lbs. in 1931 against 7,675,000 lbs. in 1926 (taking all white yarn as double yarn in these counts).

In yarn of counts above 40s it was as under:—

Year.	Indian production.
1931 . . . . .	32,299,000
1926 . . . . .	10,435,000
	<hr/>
	21,864,000 increase.

The above data furnish a convincing evidence of the increase in the output of piecegoods of fine counts by Indian mills and of the growing competition between Lancashire and Indian goods and thus prove the inadvisability of imposing any lower preferential import duty on British goods. In further support of this we quote the following from the Tariff Board's Report, page 106:—

“ While the tendency all the world over is for a progressive cotton mill industry to spin higher counts, a tendency which has been specially marked in Japan, this table shows that the progress in this direction in India during the last 5 years has been small as to be almost negligible though in the first six months of the current year there were signs of some development in this direction.”

10. But apart from this direct competition there is a considerable indirect competition both from Lancashire and Japan. Though the market of piecegoods is divided into gradations, the one link which connects them all is that of price through which both the competitors can replace home-made goods. This fact was first noticed by Carborough in his brochure on “ The Piecegoods Trade of India ”, but the following remarks of Mr. Hardy are more apposite and recent:—

“ Thus he may buy the finer cloth merely because it is cheaper, whereas he may prefer coarse cloth if he could get it at the same price..... nor must it be forgotten that the general movement of prices over any considerable part of the total range of piecegoods is apt to reverberation over the most distant parts of the range.”

11. This means that unless protection is granted against this class of goods India would be relegated to the position of producer of coarse goods, even though the Industry satisfies all the conditions laid down by the Fiscal Commission for a grant of protection, viz.:—

- (1) The Industry must be one possessing natural advantages, such as an abundant supply of raw materials, cheap power, a sufficient supply of labour or a large home market.
- (2) The Industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country. This is an obvious corollary from the principles which have led us to recommend protection. The main object of protection is either to develop industries which otherwise would not be developed or to develop them with greater rapidity.
- (3) The Industry must be one which will eventually be able to face world competition without protection.

12. India like any other country in the world has a right to be self-sufficient in every respect and especially so in respect of the supply of cotton piecegoods. The demand for Lancashire goods in the whole world is bound to decrease gradually to the extent each country drawing its supply in these becomes self-reliant. We on our part realise that to the extent the Lancashire piecegoods trade thus suffers the pressure to give greater and greater preferential treatment in India to British goods will increase, but we say, with all the emphasis we can command. that it is incumbent on the Government of India, if its intention is to do no injustice to the Indian textile industry and to India, to adopt the same scale of duties on British goods as on goods of non-British manufacture and to help the free and natural growth of the textile industry in India by giving adequate protection.

13. The question as to the rate of import duty to be levied in order to give adequate protection to the Industry resolves itself into that of duty on yarn, on piecegoods, and on artificial silk goods and silk yarn. As to the first, the import figures show that in spite of the specific minimum duty imposed in the year 1927 the imports of yarn in counts between 31s to 40s in 1929, 1930 and 1931 have continued on a fair scale. So also with reference to yarns of counts above 40. Although the figures of import are nearly half of what they were previously, the figure for 1931 is as high as about 3,700,000 lbs. The Indian textile industry has therefore still to make a good progress before all imports of yarn are stopped and the whole quantity required by the country is supplied by the Indian mills.

Further in the case of fine counts, the levy of a duty of half-an-anna per lb. on imports of cottons has made the Indian yarn from such cotton costlier and there is every probability that it would lead to an increase in the imports of foreign yarn. It will not be out of place to mention here that due to the increase in the cost of yarn made in India the export trade in twofold yarn will also suffer.

On a rough calculation the increase in the cost by the use of cotton costing 5 annas a lb. due to the duty of half-an-anna will be by about 6½ pies per lb. of yarn. With cotton costing 6 annas a lb. and with a higher loss in combing the increase in cost will be about 8½ pies per lb. of yarn. This increase in the cost of production would necessarily mean, that the handloom industry will have to pay higher for their requirements. We therefore urge that the duty on cotton should be abolished and that on yarn be adequate to protect the industry in India and it should be for a long duration.

As regards the duty on piecegoods we have shown clearly that the Industry has recently developed the manufacture of medium and fine yarns and piecegoods and we therefore claim that it should be adequate to protect the Industry from the competition of British goods as well as non-British goods.

Regarding artificial silk goods, as the import from Japan is increasing enormously a prohibitive duty should be imposed on the same.

The reason why we have asked for protection for a long period is that protection given for a short period "Lacks the assurance of permanence and fails to give the sense of security which arises from a deliberate adoption of a policy of protection". Capital is so shy that unless it is assured of a sufficient return for a certain number of years as well as of its safety the industrial development in India will be retarded. So far as Ahmedabad is concerned the only industry that has been developed until now is the cotton textile industry and we earnestly believe that with adequate protection an impetus will be given to further development of the industry, especially on the finer side.

The additions of duty on machinery and stores, especially in these depressed times, are a great handicap to the industry and were removed on the special recommendation of the Tariff Board. We press on this Board the necessity of impressing on the Government the inadvisability of levying such duties except under very special financial circumstances and of recommending to the Board their complete removal at the earliest opportunity.

14. In conclusion, we state that we have shown that the Indian textile industry has taken to the manufacture of fine counts and that the competition of goods from foreign countries, including that from the United Kingdom, would impede and retard the progress of Industry in that direction. On these grounds, this Association is of opinion that a scale of import duties on yarn and piecegoods sufficient to protect the Industry should be imposed for a sufficiently long time.

APPENDIX A.

Financial Statement of Ahmedabad Mills for the years 1926 to 1930.

	1926.	1927.	1928.	1929.	1930.
No. of Mills . . . . .	54	50	59	58	61
	Rs.	Rs.	Rs.	Rs.	Rs.
Paid-up Capital . . . . .	3,70,17,075	3,59,13,342	4,02,92,194	3,60,85,184	3,86,47,306
Reserves including carried forward . . . . .	8,63,31,537	7,56,48,931	8,40,30,393	8,40,10,823	8,73,70,363
Block Account original value . . . . .	12,30,81,964	12,01,70,262	13,67,82,001	14,49,55,138	15,35,91,039
Block Account after depreciation . . . . .	8,10,99,687	7,88,27,865	8,95,21,473	9,44,42,855	10,29,97,679
Annual depreciation . . . . .	30,31,187	33,01,309	38,52,773	53,81,519	35,65,830
Net profit . . . . .	56,52,240	52,45,723	50,09,833	67,35,407	48,38,015
Dividend . . . . .	45,88,308	42,78,192	43,81,998	47,41,452	40,61,188
Percentage of dividend on paid-up capital . . . . .	12 14/15	11 32/35	10 7/8	13 1/2	10 5/8
Reserves . . . . .	8,64,618	8,29,355	9,20,669	15,92,997	3,72,000
Carried forward . . . . .	1,72,265	1,25,692	1,00,350	1,69,574	1,46,848
Loss . . . . .	3,93,975	3,55,221	5,17,975	1,33,668	20,45,676
Agents' Commission given up to declare dividend . . . . .	3,27,740	2,12,834	4,69,321	2,07,337	10,66,406
Reserves debited to declare dividend . . . . .	60,000	7,210	4,26,298	..	2,00,000
Percentage of profit on paid-up capital . . . . .	12-57	14-58	11 1/2	18 21/72	4-465
Percentage of profit on capital + reserves . . . . .	4 1/2	4 1/2	3 43/62	5 1/2	1-369
Percentage of profit on Block Account . . . . .	4 1/2	1 1/3	3 6/17	4 4/7	1-123

APPENDIX B.

STATEMENT I.—Statement showing percentage of profit or loss.

	1926.	1927.	1928.	1929.	1930.
No. of Mills . . . . .	54	50	59	58	61
	Rs.	Rs.	Rs.	Rs.	Rs.
Paid-up Capital . . . . .	3,70,17,075	3,59,13,342	4,02,92,194	3,60,85,184	3,86,47,306
Block Account original value . . . . .	12,30,91,964	12,01,92,284	13,67,82,001	14,49,55,138	15,35,91,039
Depreciation fund . . . . .	4,19,92,277	4,13,42,399	5,08,60,528	5,05,12,283	5,05,93,360
Block Account less depreciation . . . . .	8,10,99,687	7,88,49,885	8,95,21,473	9,44,42,855	10,29,97,679
Profit or loss after deducting full depreciation, Agents' commission and repairs.	13,78,606	17,53,519	12,00,677	43,66,630	24,92,302 (Loss).
Percentage of net profit or net loss on paid-up capital . . . . .	3.72	4.43	2.98	12.15	6.43 (Loss).
Percentage of net profit or net loss on Block Account after depreciation.	1.69	2.22	1.41	4.69	2.42 (Loss).
Reserves including carried forward . . . . .	8,63,31,537	7,56,48,931	8,40,30,393	8,40,10,823	8,70,70,363
Capital <i>plus</i> reserves . . . . .	12,33,48,612	11,15,62,273	12,43,22,587	12,00,96,007	12,90,17,669
Percentage of net profit on capital <i>plus</i> reserves . . . . .	1.11	1.57	.96	3.63	1.93 (Loss).
Percentage of net profit or net loss on Block Account original value	1.119	1.46	.87	3.05	1.56 (Loss).

STATEMENT II.—Statement showing the number of mills which made losses and whose agents had to give up commission.

Year.	No. of Mills.	No. of mills which made losses.	No. of mills whose Agents gave up commission.	Amount of commission given up.
1926 . .	54	8	19	6,88,011
1927 . .	50	6	19	5,74,912
1928 . .	59	11	24	7,53,315
1929 . .	58	3	14	2,84,870
1930 . .	61	13	30	9,24,841

(2) Letter No. 1012, dated the 25th July, 1932, from The Ahmedabad Millowners' Association.

In reply to your letter No. 186 of the 2nd May with a copy of the letter from the Government of Madras to the Government of India, dated the 25th January, 1932, regarding the effects of the existing duty on yarn on handloom industry, I beg to state the opinion of my Committee as follows:—

The last couple of years to which the enquiry refers, have been those of acute depression and severe economic readjustments. Consequently, a great reliance cannot be put on any deductions drawn from the state of industry during the period. On the other hand, the ground covered by the enquiry has been very limited. In order to ascertain the correct state of affairs in the handloom industry, it is imperative that the inquiry should cover different centres wherein the industry is being carried on as also the various sections in which it is divided, such as the supply of yarn, the cost of manufacture, the various cloths manufactured, the financing thereof and the marketing of cloth. Only after a detailed survey of this nature it can be stated as to which of these factors are responsible for the present state of industry.

My Committee, however, wants to emphasise the fact already tacitly accepted by the enquiry conducted by the Director of Industries, Madras, that in general there is very little, if at all, competition between the products of the handloom industry and the mill industry. The former specialises in varieties like *khadi*, coloured saris, loongis and fine counts dhoties, saris, kerchieves, made with the mixture of gold thread, silk or artificial silk. None of these practically are manufactured by the mills. Regarding one of them, however, *viz.*, *khadi*, it has been contended that the Indian mills have been turning to the production of the cloth of coarse counts and are directly competing with the handloom industry. So far as the Mills in Ahmedabad are concerned, they have undertaken not to weave cloth from counts below 18s. This has been done definitely with a view to safeguard the interests of the handloom industry. On the other hand, after the levy of the import duties on yarn, the mills have taken to the production of yarn of finer counts, some of which goes for the requirements of the handloom industry.

However, there cannot be a stronger evidence of the truth of the above statement than the fact that all these years, the handloom industry and the mill industry have been flourishing side by side. This would not have happened, but for the difference in the natures of the market commanded by both the industries. The one characteristic which has dominated the entire history of the handloom industry, is the taste of the consumers,

governed by other considerations than those of price. In view of this, the suggestion advanced by the Assistant Director of Industries that the spheres of the handloom industry and the mill industry should be separated, does not seem to be of much use. More to the point is the suggestion of other students of the industry that the prosperity of the industry could be maintained only by its individuality in colour and design instead of encroaching on the zone of the mill industry.

It has been contended, however, that even if there is no competition between the finished products of both the industries, the yarn duties have raised the price of the cloth and adversely affected the market for the products of the handloom industry. It is difficult to accept that the yarn duties alone are the cause of the depression through which the industry is passing. Apart from the various defects of organisation from which the industry has been suffering, and the decreased demand for its products due to the economic depression, of late, another factor has come into existence. It has been observed by the Assistant Director of Industries that imported yarns have been offered cheaper than the mill-made yarns, "and yet, in spite of the reported difference, both in regard to quality and price, the consumption of imported yarns has decreased latterly owing to the preference shown now-a-days for cloth made from Indian mill-made yarn". From this it will be clear that it is not the imposition of the duties which have debarred the handloom weavers from using the imported yarns, but a change on the part of the consumers who now prefer Swadeshi products. It therefore appears to us that out of the seven firms who replied to the inquiry of the Director of Industries, the opinion given by Messrs. T. A. Taylor & Co., seems more to the point. They state "The handloom weavers have been more affected by the general trade depression and by the boycott than the revised duty on yarns". Little weight can be attached to the views expressed by the other importing firms as they are naturally interested in larger imports of foreign yarn and in larger profits as middlemen on the sale of these imports.

Again it may be pointed out that it will not be advisable that the handloom industry should be permanently dependent on the imports of foreign yarns for the supply of its raw materials. That position will have several disadvantages. The industry will have to pay various charges "such as commission to the wholesale exporters of yarn in England, transport charges by steamer and the rail, commission to the wholesale importers and the middlemen" which have been admitted by the exporting houses as an important element in the cost of the yarn to the handloom industry. These will persist, even in the absence of the duty, and will handicap the industry; all the more so, as the foreign products compete with the handloom products that are produced by the people who both spin and weave the yarns. Thus, the removal of the duty, as has been suggested in the enquiry, will only mean the removal of the slight disadvantage, as compared with the other serious disadvantages under which the industry is working at present. On the other hand that step will seriously harm the spinning as well as the weaving sections of the mill industry.

The extent of the probable harm that may result from the step, can be realised by considering the advance of the industry in producing yarns of counts above 40s. We have given the relevant figures in our main representation to the Tariff Board. It will be seen from these figures that the industry has made a good progress, a considerable part of which will be destroyed if any adverse change is made in the duties.

It has been alleged, however, that the quality of the yarn spun is not comparable to the imported products, and therefore the progress achieved is of not much use to the handloom industry. In relation thereto, my Committee has to state that various qualities of yarns are being spun by the mills in India and prices are charged according to the quality. We can confidently say that there are certain mills which supply to the

market yarns as good as foreign ones. The increasing use of Egyptian and other cottons for spinning fine counts may be mentioned in support of this statement. If the handloom weavers will care to purchase good qualities of yarn the production of the handloom will increase and also there will be no complaints whatsoever about the quality of their cloth. As far as the spinning section of the mill industry is concerned it has been proved that there is a very keen competition amongst themselves and their products are marketed at very meagre margins and in most cases at a loss. With the assurance that there will be an adequate protection for the production of yarns, there is bound to be an increase in the quantity and the varieties produced which will meet the requirements of the handloom weavers.

(3) *Letter No. 1037, dated the 27th July, 1932, from The Ahmedabad Millowners' Association.*

We beg to forward herewith six copies of our replies to the questionnaire. Replies to Questions 15 to 22 and 30, are being forwarded separately. Please treat them as strictly confidential and in case you require any further information please write to us about the same confidentially and we will obtain the necessary information and supply it to you. Please do not mention the names of the Mills nor give out the figures of any individual Mill in any of your returns or report. The Mills have supplied this information on that understanding.

#### ANSWER TO THE QUESTIONNAIRE.

1. In the year 1929 when Mr. Hardy made his report on the Import Tariff on Cotton Piecegoods and on External Competition in the Cotton Piecegoods Trade he found it difficult to obtain reliable figures as regards the production of the various qualities of piecegoods in Indian mills. Nor was he able to obtain data as regards the quantities of the counts of yarn used in the production of different qualities and sorts of cloth in India.

Even after the publication of Mr. Hardy's Report on the Import Tariff on Cotton Piecegoods and on External Competition in the Cotton Piecegoods Trade no change has been made in the classification of piecegoods, in the statistical publication of production issued by Government. Our replies relating to the conclusions drawn by Mr. Hardy in the year 1929 are therefore based mainly on the knowledge of the production of the mills in Ahmedabad in particular and the textile industry in India in general.

(i) We consider that the conclusion drawn in 1929, viz., "Only about 1 per cent. of the cloth returned as 'Grey or Bleached' by the Indian mills is bleached", does not hold good at present.

So far as Ahmedabad mills are concerned on a rough calculation about 70 per cent. of the total production in cloth is bleached. Out of the total production of 135,819,000 lbs. during the 11 months ending 29th February, 1932, 95,073,000 lbs. are "bleached". This is made up of about 30,207,000 lbs. of saris and susis included in the returns in the piecegoods under the heading "Coloured piecegoods" and of about 64,866,000 lbs. of other bleached piecegoods included under the heading "Grey or Bleached".

This alone is 13 per cent. of the total production in "grey and bleached" in India for the same period. The production of bleached cloth has increased to a great extent during the last few years at other centres also and we shall not be wrong in putting our estimate of the bleached included in "grey and bleached" produced in the whole of India at 25 per cent.

(ii) We agree with Mr. Hardy that Calcutta was and is the principal market for grey cloth of Indian production but consider that the percentages put down by him for the sale of both dhoties and grey cloth are high. When Calcutta was importing 90 per cent. of the grey dhotis imported into India it took less of the production in these of Indian mills



and a fair portion of the latter supplied the demand from other areas. We consider that the inference drawn by Mr. Hardy in the following is erroneous:—

“It will be seen later on, that even in days when Indian production was negligible, 90 per cent., of the grey dhoties imported went to Calcutta. It is common knowledge that Calcutta is the principal market for Bombay and Ahmedabad dhoties and the Calcutta share of the imported trade had varied so little in 30 years that it is reasonable to suppose that 90 per cent. of the total Indian mill-output of dhoties also goes to the Calcutta distribution area.”

In 1931, when the imports of dhoties “grey and bleached” in India had decreased from 475,000,000 yards in 1927 to 28,244,000 yards in 1931, the percentage of dhoties that Calcutta took of Indian make had increased, but it could not be so high as 90 per cent. Our opinion about the percentage of grey cloth sold on the Calcutta market to total production of same in Indian mills is also that the percentage mentioned by Mr. Hardy is on the high side. It is not possible for us to mention any percentages as no data are available. On the basis of population also the percentages given by Mr. Hardy are apparently high.

(iii) It is difficult to ascertain any percentage of coloured goods produced in Indian mills and sold in the Calcutta area.

(iv) In order to arrive at definite percentages as mentioned by Mr. Hardy, figures of yarn used by the mills’ weaving sheds are necessary. As these are not published it is impossible to ascertain the respective percentages of cloths of various counts at present manufactured in India. We can, however, state that so far as Ahmedabad mills are concerned 75 per cent. of the looms are engaged on cloth manufactured out of counts of about 20s warp and 30s weft. The rest 25 per cent. of the looms are on cloth of counts 30s to 100s.

(v) This conclusion does not represent in any case the present condition of the market. As mentioned in our statement (paragraph 8) the imports of British dhoties have been almost replaced by the Indian mills’ dhoties. Therefore there is a direct competition between the British and Indian goods.

(vi) This is quite probable.

(vii) We agree with Mr. Hardy’s conclusion.

(viii) The statement even now holds good.

(ix) The production of the finer classes of grey goods in India has increased to a great extent since 1928. From the figures of production of fine counts of yarn mentioned in paragraphs 3 and 9 of our statement it is evident that India has been producing finer classes of goods to a much greater extent. From our knowledge of the industry we can say that some portion of this production is sold in the grey state in such of the markets as required grey sorts.

(x) The first part of the conclusion that the import trade in white goods mostly in the hands of Lancashire is still partially true. In 1929, out of a total import of white bleached goods of 477 million yards United Kingdom’s contribution was 445 million yards. In 1931 it was 197 millions out of 262 millions. In 1929 it was 91 per cent. and in 1931, 75 per cent. of the imports into India. Imports from Japan, however, have increased from 9 million yards in 1929 to 53 million yards in 1931. Major portion of the goods in whites imported from the United Kingdom is made of the fine counts.

The second part, viz., “and consists largely of goods whose fineness is above the limit at which production from Indian cotton is possible”, is misleading inasmuch as the total production of finer varieties made by Indian mills ought to have been compared with the imports of fine piece-goods and not the quantity manufactured by Indian mills from Indian

cotton. The output of fine counts has increased very considerably and therefore the statement does not represent the present position of the output of fine counts.

(xi) That printed drills and jeans from Japan and printed shirtings from Japan and Italy compete with Indian woven striped shirtings is still true but the conclusion that "fancy prints and chintz from the United Kingdom do not compete with any Indian mill products" is not so. Though the import of printed drills and jeans from Japan has fallen from 14,881,000 in 1929 to 3,276,000 in 1931, that in prints and chintz is almost maintained, the import in 1931 being 2,218,000 against 2,581,000 in 1929 and that in printed shirtings has increased from 5,523,000 to 7,752,000 in spite of the general depression in trade. So far as Ahmedabad is concerned it is feared that competition in the last sort would be more seriously felt both by the local mills and "chippas" (hand-printers). Mr. Hardy's conclusion was based on the assumption that the Indian mills did not produce finer cloth in material quantity and that United Kingdom imports in shirtings were of finer quality. But this is not the present state of affairs. The printing done by "chippas" on fine cloth manufactured by Ahmedabad mills, is in very attractive patterns and has gained wide popularity. There is bound to be competition between these and the fancy prints and chintzes from the United Kingdom, if the latter are imported in greater quantities by the reduction of duties.

(xii) & (xiii) The imports in dyed goods as well as in coloured woven goods have fallen during the last three years. The fall, however, is due to the strong Swadeshi Movement.

(xiv) & (xv) The competition in coloured goods between United Kingdom and Indian mills will be severe if import duties are reduced as the Indian mills as mentioned above are manufacturing striped shirtings and saris in fine and medium qualities. Also because some mills have installed printing plants and other projects are under consideration. We agree with Mr. Hardy in his conclusion about the competition from Japan and Italy.

Besides, the fluctuation in price of raw cotton, fluctuations in Japanese Exchange also bring about variation in the price of Japanese cloth. The recent fall in the prices of Japanese cloth due to the fall in Rupee Yen Exchange has completely upset the market.

(xvii) We agree with the conclusions embodied in Questions (xvii), (xviii) and (xix).

(xxi) As mentioned in paragraph 6 of our statement imports of Artificial Silk cloth and of mixed cotton and artificial silk fabrics compete with fancy goods of Indian manufacture. The Artificial Silk used in some cases is so little that it does not affect the price of the piecegoods as compared to those woven from cotton and these appear more attractive than similar manufactures of cotton only. This conclusion therefore is not correct.

5. Merchants in the moffusil remain in touch with the prices of piecegoods prevailing at important centres of production; if there is any reduction in the prices at those centres the prices in the moffusil are reduced almost to the same extent. Similarly when the prices increase at the centres of production they are increased generally at other centres.

6. If the protective duties are withdrawn in 1933 and there was in consequence a substantial decline in Indian production at certain centres, the chances of the mills at other centres supplying the deficiency are remote but on the contrary on the removal of the protective duties, the competing countries will flood the Indian markets with their goods and sell at sacrificial prices to capture the markets. Competition at the importing centres by the Indian mills will be dead. As regards moffusil markets formerly supplied by the mills at the ports (importing centres) the probability of supplying the deficiency by the moffusil mills is only in cases where the Railway freight act as a barrier or where the moffusil mills' lower produc-

tion cost as compared to the importing centres enable them to stand the foreign competition. This could happen so far as the supply to the surrounding districts is concerned and the quantity of deficiency thus made up would be very small if at all.

7. Statements on freights are attached as Appendix "A".

11. The chief consumers of Indian cotton at present are the Indian mills, Japan and the Continent. Both the latter have been accustomed to the use of American cotton also and are also regular purchasers of the same. The Japanese mills even make use of Chinese cotton which is short stapled like some varieties of Indian cotton. They could therefore switch on to whichever cotton is cheaper. If Indian mills are out of the market the price of cotton is bound to be adversely affected.

If due to shortage of crop the prices of cotton in the Indian markets are above parity the buyers in the cotton markets would be the Indian mills only. If Indian mills' consumption is reduced the prices of Indian cotton must fall in order to attract foreign purchasers.

The mills in or near the cotton districts pay a little better price for the cotton nearer to them due to the saving in Railway freight. We understand that large tracts of land in Sind are to be put under cotton cultivation. There being perennial supply of water due to Sukker Barrage it is probable that long staple cotton will be grown. Mills in India have now increased their production in fine counts and will be keen buyers of this long staple cotton grown in India. Only American cotton of  $\frac{3}{4}$  inches to 1 inch staple comes in competition with the Indian stapled cottons. Duty on that cotton does affect the price of Indian cotton but the duty on other long stapled cottons such as African and Egyptian does not affect the prices of Indian cotton to the same extent.

14. The principal classes of imported cloth which generally enter into competition with our manufacture directly or indirectly are dhoties, bleached and grey shirtings and longcloth, striped coloured goods, susis and saris, cambrics, sheetings, drills.

23. The increase in the present cost of manufacture over that in 1931 due to the imposing of new or increased import duties are as under:—

- (1) A new duty of 6 pies per pound has been levied on cotton. The increase in the cost of yarn due to this is from 6 to 8 pies per pound as estimated in paragraph 13 of our statement.
- (2) A new duty on machinery: Taking the price of the machinery for a mill of 25,000 spindles and 600 looms at Rs. 16 lakhs the duty will amount to Rs. 1,60,000. Taking 5 per cent. depreciation and 6 per cent. interest annually the additional charge to the mill would be Rs. 17,600. That would mean an additional charge of 18.8 pies per loom per day in the cost of manufacture. In the case of the manufacture of fine cloth where the production is about 5 pounds per loom per day, the additional cost per pound of cloth due to the duty on machinery works out to 3.76 pies.
- (3) Increase due to the duty on dyes will vary according to the quantity of dyes used.
- (4) The increase in the cost per pound of yarn of count 30s due to the increase in Railway freight on coal in January, 1932, is about .385 pies per pound.

24-25. The cost of manufacturing a typical class of Indian yarn competing with imported yarn will be submitted under a separate statement.

27. We consider a mill with 25,000 spindles and 600 looms to be one of economical size. Production capacity would be about 8,000 pounds per day of yarn and about 9,000 pounds of cloth, the counts being about 20s and 30s.

28. The cost of equipping and erecting a mill of the above size in 1928 was as under:—

	Rs.
25,000 spindles with preparatory machinery and 600 looms with preparatory machinery and engine and boilers gearing, etc.	about 16,25,000
Buildings . . . . .	about 8,50,000
Total . . . . .	24,75,000
Cost at present would be machinery as above . . . . .	about 15,45,000
Add—Duty . . . . .	about 1,55,000
Total . . . . .	17,00,000
Building cost . . . . .	about 7,75,000
Total . . . . .	24,75,000

29. The rates of depreciation allowed by the income-tax authorities are as under:—

	Percentage on prime cost.
Buildings:—First class substantial buildings of selected materials . . . . .	2½
Machinery and Plant:—General rate . . . . .	5
Electrical machinery:—Other electrical machinery including electrical generators, motors (other than tramway motors), switch gear and instrument transformers and other stationary plant and wiring and fittings of electric light and fan installations . . . . .	7½

We consider these rates reasonable in the case of mills working single shift; but are strongly of opinion that double depreciation should be allowed in the case of double shift. When machinery is run on double shift it does not receive the same attention at night as it receives when working during the day time only, and as a consequence something more than double depreciation should be allowed for day and night working. Our representation to Government in this connection is appended hereto.

31. The mills are able to get deposits at 5 to 5½ per cent. per annum from the public.

32. (i) The Managing Agents do not charge any office allowance or expenses.

(ii) The figures of commission paid to the Managing Agents during the last 5 years in the case of the mills (whose figures of cost of production will be submitted separately) will be mentioned in the said statement.

We consider these charges to be a fair standard of remuneration inasmuch as the Agency Commission is distributed among the shareholders or partners of the Agency Company.

33. No such commissions as mentioned in the question are taken by the Managing Agents.

35. (a) The Ahmedabad mills have been reorganising the labour conditions by adopting various measures, e.g., bringing up the scale of wages in spinning, employing staff with technical training, making the working conditions inside the departments more congenial and healthy, the installation of ventilating fans, provision of creches, medical aid and other facilities. The Mill-Management attends promptly to the complaints of the workmen.

whether received directly or through the Labour Union. In fact relations between the Management and the Labour as also the Labour Union are harmonious. We may add that if Labour can be induced to efficiently manage more spindles and to work 4 looms on a slightly increased scale of wages further reductions in the cost of manufacture are possible.

As finances permit, machinery of the latest type is being installed and old machinery is being discarded. The use of better cotton and efficient humidifying arrangement have enabled the mills to obtain better efficiency. Efforts have been made in every direction to reduce the cost of production, by effecting economies, where possible.

We do not think any change in the system of purchases and sales or of management or of securing finances is necessary.

(b) (i) Wages have been standardised in spinning section in Ahmedabad by mutual consent of Labour Union and the Association through Arbitration Board. In the weaving section increment, etc., have been granted by the Arbitration Board.

(ii) (a) It is not possible to extend the system of piecework to spinning section in Ahmedabad. The present system works satisfactorily without affecting efficiency. Increase in the number of spindles allotted to each spinner entitles him to an increase in the scale of wages as settled under the Awards.

(b) Saving can be effected if a weaver minds four looms instead of two; but efforts in this direction have not been successful.

(c) Is being done where possible.

(d) The results of experiments made in England and reported in the Journal of the Textile Institute is that "The costings show a definite wage cost advantage for all the automatic looms against the Lancashire loom, but the additional expenses more than offset this advantage. The bulk of the additional expense is due to the much greater interest and depreciation charges and in addition the weft for the automatic has been costly. This latter item might be reduced when operatives become more skilled in the conditions".

In India where the saving in wages would be less due to lower wages of the weavers as compared to England the introduction of the automatic loom will not be of any advantage. In India there is the further difficulty of the labour being not so trained as in England.

(iii) Government should give grants on a liberal scale to the Technical Institutes and open more Technical Schools at all centres of the Textile Industry. The Technical Schools must be equipped with all kinds of machinery and sufficient funds should be made available for installing in the schools new machines, as and when, placed on the market. Unless the students get the chance of studying the mechanism and working of the latest type of machinery they will not be as efficient as their competitors working in foreign countries.

(iv) We do not agree with the view that the specialisation of particular mills in the manufacture of particular kinds of cloth will reduce the difficulties under which the mill-industry is labouring. The present practice of the mills manufacturing various kinds of cloth has proved to be very satisfactory and we are not in the least inclined to experiment by giving up the same. If mills take to the manufacture of particular sorts as soon as the demand for the same is slack stocks rapidly accumulate. In the case of mills that manufacture different sorts when the demand for one kind is slack the other kind commands the sale. This keeps stocks at the mills lower than the stocks at the mills manufacturing particular sorts only. The former mills therefore require less working capital than the latter and are also able to realise better prices for their goods.

(\*) The present tendency in Ahmedabad is to have mills in units of 25,000 spindles and 600 looms, these being considered an efficient unit as mentioned in our reply to Question No. 27. Amalgamation of mills therefore will not lead to any advantage. The reduction in the overhead charge

that would be brought about by the amalgamation of the mills will be counterbalanced by less strict supervision and lower efficiency when a number of mills are amalgamated and the unit is made a bigger one.

It is more easy to secure working capital for a smaller unit than for a bigger one especially in difficult times. We therefore are of the opinion that the existing organisation of the mill industry in Ahmedabad is satisfactory.

(vi) In order to reduce the cost of production and secure the highest degree of efficiency old machinery should be replaced by new with latest improvements. We do not think that without doing this material reduction in cost can be brought about, merely by a change in the system of management in the mills. So far as Ahmedabad is concerned it is by the adoption of this policy that Ahmedabad has been able to improve its efficiency to a certain extent.

(vii) In the interest of the mill-industry depreciation should be regarded as a first charge on profits. It is not advisable to go on disbursing profits in dividends from year to year without laying aside proper amount for depreciation.

(viii) Instances of overcapitalisation of mills in Ahmedabad are few. But even in such cases one has written down its capital.

(ix) Except for the condition of making provision for setting aside depreciation before declaration of dividends we do not think it desirable to put any other conditions as regards the same. It may be a practicable proposition in the case of an industry like steel and iron where one is dealing with one or two companies only, to restrict the dividends, but in the case of the Textile Industry which is distributed all over India it is not a practicable proposition in our opinion. There are several concerns which are in a position to distribute decent dividends out of the large reserves they possess, while there are several which are not in a position even to take out depreciation. Again there has been a fundamental difference of system in the manner in which the Companies have been capitalised even in big centres like Bombay and Ahmedabad. It is therefore not desirable to put any restriction on the declaration of dividends.

(x) The practice prevailing at present in Ahmedabad for purchasing raw-cotton directly from the merchants as well as of supplying the consuming centres with cloth through Agents is the most economical and efficient. The Ahmedabad mill-industry does not cater for the export trade in particular.

(xi) The existing arrangement and constitution between the Labour Union and the Association have proved efficient and useful in maintaining better relations between the mill management and the labour.

(xii) In Ahmedabad direct and close supervision is exercised over purchases of mill-stores and other articles. The Managing Agency system as prevalent in Ahmedabad is different from that in most of the other centres. The share capital is raised by the Managing Agents themselves subscribing a fair lot of shares and by giving others a share in the Managing Agency Company for subscribing specified lots of shares and for depositing certain sums for a fixed period of years. The financial stability of the Agents coupled with their experience in industrial and commercial line enable them to float the concerns. It is because of this system that the local industry has been able to expand and develop to this extent in Ahmedabad.

The Directors of most of the concerns are connected with the industry and command the confidence of the public.

The fact that Ahmedabad mill-industry has been able to hold its head above water during these times of depression is in itself an evidence of the improvement and of the confidence of the public gained by the Ahmedabad mills as regards the quality of their manufactures.

To our knowledge the system of stamping double numbers on yarn has been discontinued in the Ahmedabad mills in consequence of the resolutions and recommendations of the Ahmedabad Millowners' Association.

As regards the inspection of cloth very strict supervision is being exercised in the Folding Departments.

The existing system of sales in Ahmedabad is quite satisfactory. The Managing Agents remain in direct touch with the various markets and get the sales effected either through their own Commission Agents or their selling agents. We are not in favour of loans of money given by one Mill to other Mills under the same Agency.

The complaint about the Managing Agents themselves acting as the cloth or yarn selling agents or guarantee brokers of the mills hardly applies to Ahmedabad.

36. We are of opinion that the Indian Companies Act should be so amended as to make it compulsory for the Auditors to verify the stocks at the mills instead of depending on the stock-lists certified by the mill-authorities.

38. Even in Great Britain refunds have been granted by Railways on cotton piecegoods meant for export and the rates of freight for goods for the Far East have been reduced by the Steamship Companies. The following are the extracts from the supplementary Annual Report of Manchester Chamber of Commerce for 1931, in this connection:—

(Page 17).—"Freight rates of cotton goods to the Far East have all been revived during 1931. We desire to place on record our appreciation of the action of the lines in reducing them. A full statement of the reductions was published in the monthly record for August. Following Great Britain's suspension of the Gold Standard the Lines found it necessary to reclaim part of their concessions in order to meet increased costs but the present rates are still below those ruling a year ago.

(Page 16—India Section).—It is desired to record appreciation of the action of the Steamship Line in granting special reductions at varying dates during the year on shipments to Rangoon, Calcutta, Madras, Colombo and Chittagong. These reductions were introduced as an experiment and will remain until the last date of February, 1932.

For the information of interested members we take pleasure in recording that the London Midland and Scottish Railway and London North Eastern Railway have in the nature of an experiment further reduced rates of yarn in Class 16, and cotton and linen goods for export to the Hull Group and sent from Manchester, and the number of Stations in the surrounding Districts.

It will doubtless be recalled that in December, 1928, the Railway Companies reduced the rates for these traffics. The present experimental reduction will represent a further concession of 6 shillings per ton, and will operate from 1st January to 31st December, 1932."

Such special concessions enable the exporters to enter into unfair competition with our manufactures.

39 & 43. We consider that the scale of duties to be imposed on cloth should be adequate to give the Industry proper protection. During the last two years the revised import duties, the Swadeshi Movement and the general depression in commodity prices which affected the Indian population to a great extent contributed to the fall in imports of cotton yarn and piecegoods. The scale of duties hence forward should be at the minimum on the same scale as that in operation at present. These duties should be uniformly imposed on all imports of cotton yarn cotton piecegoods, artificial silk and goods manufactured out of the same from all foreign countries.

In addition to the above the Government should enhance the scale of import duty whenever any abnormal conditions affecting the price of the imported goods arise, such as the depreciation in Exchange, the grant of a bounty or rebate or such other aid by the exporting countries: direct or indirect aid or assistance given in the shape of reduction in Shipping rates, Railway freights, etc.

The period should not be less than 10 years, as any shorter period does not give the industry a chance to re-organise itself.

41. There is no change in the labour conditions in China and therefore the present Tariff on cotton twist and yarn should be continued.

42. A copy of our representation to the Government of India in this connection is attached hereto (Appendix B). The definition of "Plain Grey" should be so modified as to preclude the possibility of the importers passing off "Plain Grey" shirtings as cotton tigris, by dividing the piece by a transverse woven heading and thus avoiding the payment of a minimum tariff rate of 3½ annas per pound.

44. As mentioned in our statement competition between goods manufactured in India and those imported from United Kingdom has increased and is on the increase. There should therefore be no preferential duties on the goods imported from the United Kingdom.

Any preferential duties on the goods imported from the United Kingdom would hamper and kill the medium and fine counts industry which has recently been established by the Indian Mills and in which still further progress is being made by them.

The Indian textile industry is trying its level best to meet the demand from the Indian consumers for fine cotton goods. In order that there may be sufficient encouragement for the manufacture of these in India, it is necessary that the expansion of this section of the spinning and weaving industry be given full protection against imports of similar goods from all foreign countries.

As early development of this section will ensure a full supply of these goods at reasonable prices due to internal competition of the Mills in spite of the import duties that may be levied.

#### APPENDIX A.

##### *Statement showing the rates of freight on cotton piecegoods by the Rail-Sea Route,*

No.	From	To	By British India Steam Navigation Co., Ltd.
1	Ahmedabad . .	Madras	Rs. 55 per ton of 20 cwts. Rs. 50 " " Rs. 62 " "
2	" . .	Calcutta	
3	" . .	Rangoon	

\* This route is not yet in working order.

##### *Statement showing rates of freight on cotton piecegoods supplied by Messrs. Killick Nixon & Co.*

No.	From	To	Rates.
1	Manchester . .	Bombay . .	} 42-6d. per ton of 40 c. ft.
		Calcutta . .	
		Karachi . .	

This freight is per the Ellerman's "City" and "Hall" line steamers. Biby line steamers do not call at Bombay, Calcutta and Karachi.



Statement showing the steamer freight on cotton piecegoods from Japanese Ports to Indian Ports.

No.	From	To	By Nippon Yusen Kaisha Line.	By Indian Steam Navigation Co., Ltd.	By Osaka Shosen Kaisha.
1	Japan calling ports.	Calcutta and Bombay .	Yen 13-50 per 40 c. ft. includ- ing 10 per cent. rebate.		
2	"	Karachi by direct Steamer.	Yen 13-50 per 40 c. ft. includ- ing 10 per cent. rebate <i>plus</i> Yen 2-30 per 40 c. ft. nett.		
3	Japan . . .	Bombay . . . .	....	Yen 13-50 per ton of 40 c. ft. less 10 per cent. deferred rebate.	
4	" . . .	Cochin } . . . .	....	About Yen 29-50 } Per ton of " " 31-50 } 40 c. ft. less " " 31-50 } 10 per cent. " " 31-50 } depressed " " 31-50 } rebate. " " 23-50 }	
5	" . . .	Calicut } . . . .	....		
6	" . . .	Quilon } <i>Via</i> . . . .	....		
7	" . . .	Allepey } Colombo	....		
8	" . . .	Coconada } . . . .	....		
9	" . . .	Tuticorin } . . . .	....		
10	" . . .	Karachi <i>via</i> Bombay .	....	" " 25-50	
11	" . . .	Karachi direct . . .	....	" " 16-00	
12	Yokohama . . .	} Bombay . . . .	....	....	Yen 13-50 per ton of 40 c. ft.
13	Osaka . . . .				
14	Nagasaki . . .				
15	Kobe . . . .				
16	" . . .	Karachi direct . . .	....	....	Yen 16-00 per ton of 50 c. ft.
17	" . . .	Karachi <i>via</i> Bombay .	....	....	Yen 25-50 per ton of 50 c. ft.

*Statement showing the rates of steamer freight on cotton piecegoods from  
Bombay to Calcutta and Karachi.*

From	To	Amount.
Bombay . . .	Calcutta . . .	Rs. 7-8 per ton of 40 c. ft. less 10 per cent. deferred rebate.
„ . . .	Karachi . . .	As. 7 per maund less 15 per cent. deferred rebate.

These rates are given by British India Steam Navigation Co., Ltd., Bombay.

Statement showing the rates per maund on piecegoods, cotton or woollen in bales press packed (Great Indian Peninsular Railway).

No.	From	To	Route.	Conditions.	Proportions.		Rate per Maund,
					G. I. P.	E. I.	
					Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Bombay.	Agra Cantonment . . . .	..	Owner's Risk.	2 8 9	..	2 8 9
2		Cawnpore, C. G. Shed . . . .	..		2 4 2	..	2 4 2
3		New Delhi . . . . .	..		*2 10 3	..	2 10 3
4		Allahabad . . . . .	} Vid Naini .		1 15 4	0 1 0	2 0 4
5		Benares Cantonment . . . .			1 15 4	0 4 10	2 4 2
6		Lucknow . . . . .			1 15 4	0 7 0	2 6 4
7		Amritsar . . . . .	} Vid New Delhi		*2 9 7	N. W. 0 14 7	3 8 2
8		Peshawar Cantonment . . . .			*2 9 7	1 14 6	4 8 1

\* Cheaper by the Bombay, Baroda and Central India Railway Route.

Statement showing the rates per maund for piecegoods, cotton, woollen or artificial silk in bales press packed and bound with iron bands or packed in boxes or cases (East Indian Railway).

No.	Station from	Station to	Route.	Conditions.	Rate per Maund.
					Rs. A. P.
1	Howrah . . .	Delhi . . . .	..	Owner's Risk on actual weight.	2 9 3
2	" . . .	Cawnpore Central goods shed.	..	"	2 1 3
3	" . . .	Lucknow . . .	..	"	2 0 6
4	" . . .	Allahabad . . .	..	"	1 11 1
5	" . . .	Benares Cantt.	..	"	1 6 10
6	" . . .	Belanganj . . .	..	"	2 8 9
7	" . . .	Lahore . . . .	Via Shaharan- pur.	"	E. I. 2 10 5 N. W. 0 12 7
					3 7 0
8	" . . .	Amritsar . . .	"	"	E. I. 2 10 5 N. W. 0 10 10
					3 5 3
9	" . . .	Feshwar City . . .	"	"	E. I. 2 10 5 N. W. 1 11 3
					4 5 8

Statement showing the rates per maund for piecegoods, cotton, woollen or artificial silk in bales press packed and bound with iron bands or packed in boxes or cases at owner's risk (Bombay, Baroda and Central India Railway).

No.	Stations to	Route Vid.	From Bombay C. O. B. B. P. Stations.			Route Vid.	From Karachi.					Route Vid.	From Ahmedabad.		
			B. B. C. I.	N. W.	Total.		N. W.	J. By.	B. B.	B. B.	Total.		B. B.	N. W.	Total.
			Rs. A. P.	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.	Rs. A. P.
1	Agra Fort to— B. K. A. 771 780 465	..	..	..	..	H. D. R.- K. C. R.	0 6 0	1 8 0	..	0 10 9	2 8 9	..	..	..	1 13 2
2	Belanganj to B. K. A. .. .. ..	..	..	..	..	H. D. R.- K. C. R.	0 5 11	1 8 0	..	0 10 10	2 8 9	..	..	..	1 13 3
3	Delhi Queen's Roador Delhi Gate to— B. K. A. 845 781 539 881	..	..	..	*2 9 3	..	0 6 0	1 8 1	..	0 11 2	2 9 3	..	..	..	1 13 3
4	Cawnpore to— B. K. A. .. .. ..	..	..	..	..	..	0 4 5	1 1 7	..	1 0 4	2 6 4	..	..	..	1 14 0
5	Lahore Junction to— B. K. A. 1142 836 4158	K. K. P.	2 9 4	0 4 8	2 14 0	..	..	..	..	..	2 7 6	K. K. P.	2 3 8	0 4 9	2 8 4
6	Amritsar Junction to— B. K. A. 1123 817 1139	K. K. P.	2 9 4	0 5 6	2 14 10	..	..	..	..	..	2 9 8	K. K. P.	2 3 8	0 5 6	2 9 2
7	Peshawar City to— B. K. A. 1436 1124 1446	K. K. P.	2 9 4	1 3 5	3 12 9	..	..	..	..	E. I.	3 0 6	K. K. P.	2 3 8	1 3 5	3 7 1
8	Lucknow to— B. K. A. 885	..	..	..	..	H. D. R.- K. C. R. & C. O. P.	0 4 5	1 1 7	1 0 1	0 3 0	2 9 1	C. P. C.	1 14 0	0 3 0	2 1 0
9	Allahabad Junction to— B. K. A. 845 813 <i>vid</i> Agra	..	..	..	..	H. D. R.- K. C. R. & C. O. P.	0 4 5	1 1 7	1 0 1	0 6 6	2 12 7	C. P. C.	1 14 0	0 6 6	2 4 6
10	Benares Cantonment to— B. K. A. 921 889 <i>vid</i> Agra	..	..	..	..	H. D. R.- K. C. R. & C. O. P.	0 4 5	1 1 7	1 0 1	0 10 5	3 0 6	C. P. C.	1 14 0	0 10 5	2 8 5
11	Calcutta	..	..	..	..	..	..	..	..	..	..	..	..	..	2 9 1

\* This rate is for New Delhi (*vid* Muttura).  
H. D. R. = Hyderabad.  
K. C. R. = Kuchaman Road. } Conditions—At owner's risk.

K. K. P. = Kat Kapura.  
C. P. C. = Cawnpore Central Goodsshed.  
B. K. A. = Bombay, Karachi, Ahmedabad. } Conditions—At owner's risk.

## Statement showing the freightage on full-pressed cotton bales to Bombay.

No.	Name of stations from	Owner's	Railway
		risk-rate per maund.	risk-rate per maund.
		Rs. A. P.	Rs. A. P.
1.	Surat . . . . .	...	0 9 6
2.	Dhulia . . . . .	...	1 2 6
3.	Jalgaon . . . . .	1 6 3	...
4.	Tutikorin . . . . .	...	3 5 11
5.	Koli-patti . . . . .	...	3 3 9
6.	Satur . . . . .	...	3 3 1
7.	Dindigal . . . . .	...	2 14 10
8.	Coimbatore . . . . .	...	2 11 6
9.	Tiruppur . . . . .	...	2 9 11
10.	Tadpatri . . . . .	...	1 7 5
11.	Bellary . . . . .	1 8 4	...
12.	Adoni . . . . .	...	1 3 7
13.	Kurnool . . . . .	...	1 9 6
14.	Viramgam . . . . .	0 13 4	1 3 0
15.	Dholka . . . . .	...	0 12 1
16.	Dhandhuka . . . . .	...	0 12 1
17.	Derol . . . . .	0 14 9	0 15 3
18.	Broach . . . . .	...	0 11 5
19.	Palej . . . . .	...	0 12 3
20.	Anjegaon . . . . .	2 2 2	...
21.	Khamgaon . . . . .	1 12 11	...
22.	Yeotmal . . . . .	2 3 0	...
23.	Kekri . . . . .	1 13 8	1 14 2
24.	Beawar . . . . .	1 11 6	1 12 0
25.	Kadi . . . . .	1 1 8	1 2 11
26.	Alwar . . . . .	2 5 10	2 6 4
27.	Bardoli . . . . .	...	0 10 11
28.	Navsari . . . . .	...	0 8 7
29.	Nandurbar . . . . .	...	1 0 6
30.	Dondaicha . . . . .	...	1 2 0
31.	Pachora . . . . .	1 3 10	...
32.	Chalisgaon . . . . .	1 1 6	...
33.	Amalner . . . . .	...	1 4 9
34.	Bijapur . . . . .	...	1 3 9
35.	Hubli . . . . .	1 0 11	...
36.	Hyderabad (Sind) . . . . .	5 2 5	...
37.	Aligarh . . . . .	2 9 11	...
38.	Hathrus . . . . .	2 8 3	2 9 3
39.	Etawah . . . . .	2 8 5	...
40.	Hardoi . . . . .	2 9 6	...
41.	Cawnpore . . . . .	2 3 8	...
42.	Belanganj . . . . .	2 8 3	2 8 9
43.	Agra . . . . .	2 8 3	2 8 9
44.	Muttra . . . . .	2 7 5	...
45.	Meradabad . . . . .	2 14 6	2 15 0

No.	Name of stations from	Owner's	Railway
		risk-rate per maund.	risk-rate per maund.
		Rs. A. P.	Rs. A. P.
46.	Meerut . . . . .	2 11 8	...
47.	Ambala . . . . .	2 15 10	...
48.	Kasur . . . . .	3 6 6	...
49.	Lahore . . . . .	3 8 7	...
50.	Pattoki . . . . .	3 8 9	...
51.	Patti . . . . .	3 7 11	...
52.	Tarn-Taran . . . . .	3 8 5	...
53.	Amritsar . . . . .	3 7 7	...
54.	Okara . . . . .	3 10 2	...
55.	Lyalpur . . . . .	3 3 5	3 3 11
56.	Harda . . . . .	1 12 11	...
57.	Khandvah . . . . .	1 7 0	...
58.	Wardha . . . . .	1 14 4	...
59.	Hinganghat . . . . .	2 0 1	...
60.	Arvi . . . . .	2 1 3	...
61.	Nagpur . . . . .	1 11 5	...
62.	Akola . . . . .	1 14 9	...
63.	Ahmedabad . . . . .	...	1 0 11
64.	Amraoti . . . . .	2 1 7	...
65.	Dhamangaon . . . . .	2 0 8	...
66.	Ellichpur . . . . .	2 1 4	...
67.	Dabhoi . . . . .	0 14 9	0 15 3
68.	Bodeli . . . . .	1 1 0	1 1 6
69.	Indore . . . . .	1 6 7	1 7 1
70.	Balotra . . . . .	1 13 3	1 13 9
71.	Bhiwani . . . . .	2 8 2	2 8 8
72.	Bilimora . . . . .	...	0 7 11
73.	Cambay . . . . .	...	1 0 11
74.	Chitorgarh . . . . .	...	1 12 3
75.	Delhi-sadar . . . . .	2 8 9	2 9 3
76.	Erinpur . . . . .	...	1 9 5
77.	Hindaun . . . . .	...	2 5 6
78.	Jaipur . . . . .	2 1 1	2 1 7
79.	Jaora . . . . .	1 6 7	1 7 3
80.	Junagarh . . . . .	...	1 6 1
81.	Kaimganj . . . . .	2 6 9	2 7 3
82.	Kashganj . . . . .	2 8 7	2 9 1
83.	Karachi . . . . .	3 0 0	3 0 6
84.	Kotah . . . . .	...	1 14 7
85.	Mandal . . . . .	1 13 8	1 14 2
86.	Mandsaur . . . . .	1 8 3	1 8 11
87.	Mehsana . . . . .	1 0 3	1 3 2
88.	Nasirabad . . . . .	1 13 8	1 14 2
89.	Naswadi . . . . .	1 1 11	1 2 5
90.	Porbandar . . . . .	...	1 7 2
91.	Rajkot . . . . .	...	1 2 8

No.	Name of stations from	Owner's	Railway
		risk-rate per maund.	risk-rate per maund.
		Rs. A. P.	Rs. A. P.
92.	Rajpipla . . . . .	0 13 4	0 13 10
93.	Rewari . . . . .	...	2 6 8
94.	Rutlam . . . . .	1 5 6	1 6 0
95.	Bhatinda . . . . .	3 2 10	...
96.	Burhanpur . . . . .	1 10 4	...
97.	Chandausi . . . . .	2 14 7	...
98.	Dharwar . . . . .	...	1 2 7
99.	Hapur . . . . .	2 14 10	...
100.	Jalesar . . . . .	2 10 1	...
101.	Jamner . . . . .	1 7 3	...
102.	Jhansi . . . . .	2 8 2	...
103.	Sukkur . . . . .	4 9 0	...
104.	Ujjain . . . . .	1 9 7	...
105.	Sanawad . . . . .	1 4 11	1 5 5
106.	Raichur . . . . .	1 0 5	...
107.	Jhotanu . . . . .	...	1 1 4

## APPENDIX B.

THE AHMEDABAD MILLOWNERS' ASSOCIATION,  
Ahmedabad, 28th October, 1931.

To  
The Secretary to the Government of India,  
Department of Commerce,  
Delhi.

Dear Sir,

At the conference of the representatives of the Cotton Textile Industry in India, held at Delhi, on 9th December, 1929, the question of proper classification of piecegoods arising out of the Report on the Import Tariff on Cotton Piecegoods, prepared by Mr. G. S. Hardy, I.C.S., was discussed. The representatives of my Association, who attended that conference, understood that the Government has realised the complex nature of the extreme diversity of the kinds of cloth which enter into the trade, as also the various factors which contribute to that diversity. It was also decided that a special Officer will be appointed to inquire into the matter and make recommendations on the question but my Committee understands that nothing has been done in that direction so far. The Committee has therefore to urge upon the Government to take necessary steps immediately. It has been recently found that the classification of piecegoods adopted for the purpose of import trade returns is not obviously clear to prevent importers from taking advantage by paying duties at a lower rate than that contemplated under the Schedule. The definition of the term "Plain Grey" as appears in Articles 120—156-A of Schedule II of the Import Tariff, which runs as



under leaves scope for the passing off of the "Plain Grey" shirtings as "Tigris", by the device of transverse woven heading.

*Schedule.*

156-A. Cotton piecegoods (other than tents of not more than 9 yds. in length)—

(a) Plain grey, i.e., not bleached or dyed in the piece, if imported in pieces which either are without woven headings or contain any length of more than 9 yds. which is not divided by transverse woven headings—

(i) of British manufacture . . . *Ad valorem* 20 per cent. or 3½ annas per pound, whichever is higher.

(ii) not of British manufacture . . . *Ad valorem* 25 per cent. or 3½ annas per pound, whichever is higher.

(b) Others—

(i) of British manufacture . . . *Ad valorem* 20 per cent.

(ii) not of British manufacture . . . *Ad valorem* 25 per cent.

Tigris "dhotis" were to be left out of the limit of assessment based on the definition of "Plain Grey". If "Plain Grey" shirtings are passed off as Tigris by the device of transverse woven headings the very purpose of the classification is defeated. For want of exact classification Government unnecessarily suffers less in revenue and the cotton trade has to meet with unfair competition in the market.

In support of the above I beg to request the Government to obtain precise information particularly from the Calcutta Customs House and to take immediate steps to prevent the loss of revenue to the Government on account of the passing off of the "Plain Grey" shirtings as Tigris. If "Plain Grey" shirtings are thus imported as Tigris by paying 20 per cent. instead of the minimum rate of 3½ annas per pound the Government have to suffer in revenue. I am therefore desired by my Committee to request you to make necessary alteration in the classification of the goods referred to above as early as possible.

Yours faithfully,  
G. I. PATEL,  
Secretary.

APPENDIX C.

(Question 29.)

MILLOWNERS' ASSOCIATION,  
Ahmedabad, 2nd January, 1932.

To  
The Secretary,  
Central Board of Revenue,  
New Delhi.

SUBJECT:—*Depreciation allowance for machinery running day and night under Rule 8 of the Rules of the Indian Income-tax Act (XI of 1922).*

Sir,

Some of the textile mills in Ahmedabad and Bombay are working double shift. As the double shift working involves a great wear and tear

of the machinery my Committee invites your attention to the fact that Rule 8 of the Rules under the Indian Income-tax Act should be amended with a view to allow double depreciation on machinery of mills and factories working double shift. In order to obviate some administrative difficulties and complexities which are likely to arise in calculating the period of double shift and the proportionate depreciation allowance, my Committee suggests that proportionately higher allowance on machinery should be granted in such of the mills and factories where it can be proved that the same used to work extra night shift or holiday shift during the whole or a part of the year. The proportion of the increased allowance should be fixed according to the percentage which the extra night shift or holiday shift may bear to the maximum number of permissible day shifts in the year subject to the provision that no such increase in the allowance would be granted in cases in which such proportion is less than 10 per cent.

Subject to the above provisions my Committee hold strongly to the view that due and equitable depreciation allowance should necessarily be granted to the spinning and weaving mills that are working double shift and hopes that the Central Board of Revenue will see its way to issue necessary instructions to the Income-tax Officer.

I have the honour, etc.,  
G. I. PATEL,  
Secretary.

R. Dis. No. 617-I-T./31.  
CENTRAL BOARD OF REVENUE.  
Simla, 4th May, 1932.

To  
The Secretary,  
Millowners' Association,  
Ahmedabad.

*Depreciation:—Machinery working double shift—Enhanced rates—Your letter No. 3/32, dated the 2nd January, 1932.*

Sir,

In reply to your letter quoted above, I am directed to enclose a copy of the Board's Memorandum on the subject which has the approval of the Government of India and to say that the Government of India are not at present prepared to reconsider their previous decision.

I have the honour, etc.,  
RAM NATH,  
Secretary,  
Central Board of Revenue.

(4) Letter No. 1152, dated the 5th August 1932, from the Ahmedabad Mill-owners' Association.

I have been directed to acknowledge the receipt of your letter No. 279, dated the 4th July 1932, with a copy of the representation of the Bombay Shareholders' Association, and have been desired by my Committee to submit the following observations thereon.

As most of the comments in the above representation are in regard to the working and management of the mills in Bombay, my Committee propose to confine their comments only to those points which refer to the industry in general or those which refer specifically to the mills in Ahmedabad.

Taking up first the Managing Agency system, my Committee feel that the evidence submitted before the Textile Tariff Board, in 1927, and the views expressed by them in this connection are a sufficient answer to the comments of the representation. They state on page 85 of their report: "There is no doubt but 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. We are much impressed by the strong evidence of the high financial prestige possessed by the better class agency firms and of the readiness of the investing public to follow their lead, a position only reached, we recognise, by a policy extending over many years of efficient management, cautious finance and watchful attention to the interests of client enterprises . . .": On page 86: "The Managing Agency system is the outcome of conditions which are peculiar to India. It has so to speak, grown up with India's industrial development and so far as can be seen, there does not appear any immediate probability of a change". Again on page 88 they say: "It will be clear from this examination that the system of remuneration of Managing Agents has in no way either caused or contributed to the depression which is more acute in Bombay than elsewhere, in spite of the fact that it is in that centre that the system of commission on profits, which we consider the most satisfactory, is the one most generally adopted".

My Committee submit that however desirable it may be on theoretical grounds to do away with the Managing Agency system, in actual practice, it serves the function which under the present conditions cannot be fulfilled otherwise. On the one hand, the Indian investor is shy and does not readily invest capital in debentures or preference shares as the investor elsewhere. On the other, we have neither the issuing houses or securities companies which in other countries float new concerns and take up the risk in their initial stages, nor industrial banks which will sympathetically consider the condition of concerns and grant them long period loans. In the absence of these facilities the Managing Agents have fulfilled these functions and according to the testimony of the Tariff Board, 1927, fulfilled them well. Their names, their integrity, and their loyalty to the concern in their charge have drawn to the industry capital which would not certainly have forthcome to an equal degree, and in general, the Managing Agents have rendered a good account of capital entrusted to them. It is true in some cases the interests of the shareholders have suffered but then it should also be remembered that they are not completely immune from danger, even in the hands of their accredited representatives in any other system of commercial organisation. It is not necessary for us to go into details here but the financial records of any country will convince any one of the truth of the statement. Many of those things will not occur here except in exceptional circumstances, as in general, the Managing Agents have a much greater stake in the interest of the Company under their control.

The representation has cited a passage from the pages of the Report submitted by the Central Banking Enquiry Committee. With due deference to the opinion of the Committee my Committee submit that the shortcomings of the Managing Agency system are not exclusively its own. It has been known that the financial weakness of the Managing Board of a concern has affected other concerns, which were themselves intrinsically sound, but happened to have common Directors. Again during the period of depression it is not only Managing Agents who fail to cope with financial requirements. For the same reason, *viz.*, shortage of capital seeking long period investments, Banks are also forced to cut short their commitments. Otherwise, the well-known phenomena of large cash reserves, and yet a shortage of funds in the capital market, during periods of depression would not occur at all.

Looking to all this my Committee feel that Managing Agency system is best suited to the conditions prevailing in this country. If, however, the investing public find that the system has outgrown its usefulness, the proper

course for the advocates of other systems would be to start other concerns on the lines they advocate, and to convince the public of their usefulness. My Committee feel confident that if they prove advantageous, the public will readily take to them and the present system will automatically change, for after all it is existing at present only under their support.

My Committee fail to appreciate the significance of the views under various items of mill-accounts. Both the quotations cited by the presentation approve of the system of valuation adopted by the mills and Messrs. A. F. Ferguson & Co., go to the extent of saying that they do not see any room for improvement. Even a reference to the Annexure J of the representation does not create an impression to the contrary. Regarding the item of "book value" there seems to be some confusion in the minds of those making the representation. In accounts which have been properly audited this restriction in relation to fixed assets cannot mean anything else than "cost", as these do not form the stock-in-trade and their value cannot be modified to suit discretion.

Further, my Committee is in agreement with them that the Indian Companies Act requires a revision. The lines on which it should be done will be threshed out when the Government will bring forward a measure for this purpose, and my Committee do not propose to comment on it at length at this stage.

Turning to the specific instances pointed out in the representation page 28, paragraph 17, they mention the instance of Raipur Manufacturing Co., Ltd. The fact of the matter is that the Company have capitalised the funds mostly invested in Government securities and have deposits with mills and banks, and took up the shares of a new concern as it was not possible to extend the existing one. It is not a case of investments by Agents or Directors in allied concerns; but the matter was fully considered by the shareholders and the purchase was resolved upon by all shareholders exclusive of Agents and Directors, who did not vote. While my Committee can appreciate the force of the arguments against such investments when made by Agents or Directors without the previous sanction or concurrence of shareholders, it is difficult to see why shareholders' rights of deciding upon investments be restricted if the management happens to be interested or common. My Committee fail to see what is objectionable in the procedure adopted by this Company.

Page 48, paragraph 4, points out an instance wherein a large surplus of Rs. 16,17,000 is held by the Managing Agents Firm. We may state for the information of the Board that the Board of Directors have decided to return the surplus reserves to the shareholders.

*Item 5.*—This is not true.

*Item 6.*—As the mills in Ahmedabad and the districts are financed on the deposit system it is found necessary to have accounts with the Shroffs who take the deposits on behalf of the mills and pay them on due date. Sale-proceeds are received after the banking hours and therefore an account with a firm of Shroffs is found essential and therefore it is natural that balances may be lying with the Shroffs.

*Item 7.*—The same general remarks apply to this case also. Under the Companies Act it is not incumbent to disclose the names of the Shroffs to whom money has been lent. If the shareholders desire to have this information it is generally available.

The above remarks apply to items 8, 10, 11, 13 and 14.

*Page 50, Item No. 1 regarding The Raipur Manufacturing Co., Ltd.*—It is only in the case of the Banks that the mode of valuation of investments may be disclosed. The shareholders are always supplied with information on such points when applied for.

*Item 4.*—With reference to fixed assets "book value" cannot be anything else than cost and we are not able to comprehend the significance of the point made out therein.

Page 51, Items 6, 7, 8, 9, 10 and 15.—Stock-in-trade have been described either below cost or below market value.

My Committee do not see what objection there could be to valuing stocks in such a manner, which is the soundest method of valuing stocks.

My Committee hope that the above explanations will be satisfactory; but if any further elucidation is needed my Committee will be glad to furnish the same.

(5) *Supplementary Statements.*

STATEMENT No. 1.

*Percentage of printed goods to total goods manufactured in 3 representative mills in 1932.*

	Per cent.
1. The Vikram Mills Co., Ltd . . . . .	4.75
2. The New Commercial Mills . . . . .	2
3. The Aruna Mills . . . . .	1

STATEMENT No. 2.

*Advantages derived by mills situated in Ahmedabad and Native States.*

(i) While in centres like Bombay and Ahmedabad annual municipal taxation alone amounts to Rs. 28,000 and 12,000 respectively at Kalol in the adjoining Baroda State it amounts to Rs. 500 a year for a mill of any size.

(ii) The rates in force for non-agricultural assessment works out at an average of Rs. 2,000 per mill in Ahmedabad at present, while in the adjoining Baroda State it works out to Rs. 250 per mill.

(iii) No cotton cess is paid by mills in the Indian States. In Ahmedabad a mill has to pay on an average Rs. 600 annually in cotton cess only.

(iv) The cost of living being considerably cheaper in Native States the wages are about 15 per cent. lower than in Ahmedabad.

NOTE.—Income-tax and super-tax are left out of consideration in this statement.

STATEMENT No. 3.

STATEMENT OF MACHINERY OF ALL KINDS OLD AND REPLACED IN MILLS WHOSE COSTS ARE SUPPLIED.

*Jehangir Vakil Mills Co., Ltd.*

Year.	No. of Machines.	Make.	Total Spindles.
1907 . . . . .	23	Platt Bros.	8,276
1909 . . . . .	1	Do.	416
1911 . . . . .	8	Do.	3,024
1913 . . . . .	8	Do.	3,328
1923 . . . . .	14	Howard Bullough	4,896
1924 . . . . .	10	Do.	4,080
1927 . . . . .	3	Do.	1,224
1929 . . . . .	8	Do.	3,264
	75		28,508

**Looms—**

500 Looms between years 1907 to 1910.

208 Looms in year 1927.

*The Maneklal Harilal Spinning and Manufacturing Co., Ltd.*

*Twist Ring Frame Spindles.*—1905—1,280, 1907—960, 1920—648, 1921—1,944, 1922—1,620, 1925—3,240, 1928—648, 1929—3,888, 1930—2,916. Total Spindles—17,144.

*Wet Ring Frame Spindles.*—1912—776, 1913—776, 1919—1,552, 1920—2,328, 1922—1,552, 1926—1,940. Total Spindles—15,908.

*Looms.*—1913—324, 1919—102, 1921—57, 1925—33, 1927—168. Total Looms—684.

*The Motilal Hirabhai Spinning, Weaving and Manufacturing Co., Ltd.*

Department.	Name of the machine.	Number.	Age of the machine.
			Years.
Blow Room	Bale breakers	2	30
	Crighton combined with bale breakers	2	
	Crighton combined with crighton patent cage exhauster.	2	
	Dobsons vertical beater opener	2	44
	Hopper combined with breaker scutchers H. & B.	3	41
	Breaker scutchers H. & B.	1	
	Finisher scutcher	1	
	Breaker scutcher H. & B.	2	40
	Finisher scutcher, H. & B.	1	
	Finisher scutcher, asalees	1	37
	Hopper combined with cleaner opener	1	6
	Finisher scutcher	3	5
	Cleaner opener	2	3
	Pneumatic Mixing Box	3	3
	Exhaust Fans	2	
	Vertical Beater Opener combined with Dust Trunks.	2	
	Dust Trunks	2	
Case Exhauster combined with Hopper	2	2	
Hopper combined with cleaner opener	1		
Ward	Cards Ashworth	19	30
	Cards H. & Bullough	14	41
	Cards H. & Bullough	15	40
	Cards H. & Bullough	8	39
	Cards H. & Bullough	2	38
	Cards Asa Lee	4	
	Cards Asa Lee	26	
Frame	Drawings, H. & B.	1	39
	Drawings, H. & B.	1	38
	Drawings, H. & B.	5	30
	Drawings, T.w. S.	1	6
	Drawings, H. & B.	1	3
	Slubbings, H. & B.	2	41
	Slubbings, H. & B.	3	40
	Slubbings, H. & B.	2	38
	Slubbings, H. & B.	1	7

Department.	Name of the machine.	Number.	Age of the machine.	
			Years.	
	Slubbings, H. & B.	1	3	
	Inters, H. & B.	4	41	
	Inters, H. & B.	3	40	
	Inters, H. & B.	3	39	
	Inters, H. & B.	3	38	
	Inters, Brook & Doxy	2	24	
	Inters, H. & B.	1	20	
	Inters, H. & B.	1	6	
	Inters, H. & B.	1	3	
	Roving, H. & B.	7	41	
	Roving, H. & B.	10	40	
	Roving, H. & B.	2	39	
	Roving, H. & B.	4	38	
	Roving, B. & D.	1	27	
	Roving, B. & D.	4	25	
	Roving, H. & B.	6	20	
	Roving, H. & B.	2	8	
	Roving, H. & B.	4	3	
Ring Frame	Ring Frames, H. & B.	13	41	
	Ring Frames, H. & B.	24	40	
	Ring Frames, H. & B.	3	39	
	Ring Frames, H. & B.	24	38	
	Ring Frames, Asa Lees	8	37	
	Ring Frames, Asa Lees	10	36	
	Ring Frames, H. & B.	8	3	
	Ring Frames, H. & B.	4	1	
	Ring Frames, H. & B.	4	1	
Winding	Winding, W. M. Dickinson & Sons	6	30	
	Winding, Robert Bros. & Sons Bert	1	30	
	Winding, Butterworth & Dickinson	1	30	
	Winding, Howard Bullough	1	7	
			(1924)	
	Winding, Howard Bullough	2	30	
Warping	Warping, William Dickinson & Sons	7	30	
	Warping, Harling & Todd	1	30	
	Warping, Thomas Holt Ltd.	4	30	
	Warping, Butterworth & Dickinson	1	28	
	Warping, H. & B.	2	7	
Sizing	Sizing, William Dickinson & Sons	3	} 30	
	Sizing, Felber Jucker & Co.	1		
	Sizing, Felber Jucker & Co.	1		
	Sizing, Platt Bros	1		43
	Sizing, Butterworth & Dickinson	1		9
Calendering	Calenders, Sir James Farmer & Sons	1	22	
	Calenders, C. G. Hanbold	1	4	
Weaving	Looms, Butterworth & Dickinson	229	} 31	
	Looms, Harling & Todd	62		
	Looms, William Dickinson & Sons	353		25
	Looms, Cooper	57		4
Engineering	Power Plant, i.e., Turbines & Boilers	..	3	

*The Commercial Ahmedabad Mills Co., Ltd.*

## Frame Department.

		Year.			Year.
Preparation No. 1	.	1903	Preparation No. 5	.	1921
Preparation No. 2	.	1905	Preparation No. 6	.	1922
Preparation No. 3	.	1905	Preparation No. 7	.	1932
Preparation No. 4	.	1920			
Year.	Total Spindles.	Year.	Looms.		
1905	9,424	1914	354		
1914	7,128	1922	110		
1922	4,780	1925	50		
1924	688	1930	34		
1926	1,032	1931	48		
1927	1,032				
1928	2,584				
1932	344				
	<u>27,012</u>		<u>596</u>		

## STATEMENT No. 4.

## STATEMENT OF SIMPLE WEAVING SHEDS CONSUMPTION FIGURES OF FOREIGN YARN.

*The Ahmedabad Jupiter Spinning, Weaving and Manufacturing Co., Ltd.*

Warp.	1926.	1927.	1928.	1929.	1930.	Looms.
40s	40,116	40,507	248,822	116,027	18,658	364
34s	90,706	58,288	..	..	..	..
50s	13,284	7,513	408	..	..	..
32s	101,013	14,320	..	..	..	..
80s	2,249	812	..	..	..	..
<b>Weft.</b>						
60s	5,124	65,651	203,884	96,791	23,603	..
50s	48,691	56,923	1,230	..	..	..
44s	68,537	946	..	..	..	..
34s	90,706	10,281	..	..	..	..
70s	5,713	8,014	1,408	..	..	..
110s	1,154	568	505	107	..	..
100s Weft	..	..	..	123	..	..
2/60	5,400	..	..	..	..	..
2/40	4,800	..	1,200	..	..	..
2/42	40,000	40,400	21,600	..	..	..
44s Warp	..	17,392	..	..	..	..



The Himabhai Manufacturing Co., Ltd.

Year.	50s/70s	80s/110s.	34s/40s	54s Weft	60s Weft	34s Cross single.	2/60s.	2/80s.	30s. Threefold.	Total for each year.
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
1926 . . . . .	278,125½	9,074	41,703	4,638	..	31,280	35,980	..	110	430,910
1927 . . . . .	247,085	7,662	44,189	10,772	3,391	31,760	19,730	..	49	364,629
1928 . . . . .	295,542½	27,782	51,151	5,494	1,945	39,330	25,050	..	900	447,174
1929 . . . . .	380,280½	32,594	33,753	..	4,059	33,258	57,550	..	..	521,526
1930 . . . . .	186,385½	43,843	12,611	..	..	43,445	54,405	1,790	..	342,979
TOTAL . . . . .	1,387,919	120,955	183,407	20,904	9,395	179,065	172,395	1,790	1,050	..
Looms . . . . .	..	..	..	..	..	..	..	..	..	376

*The New Rajpur Mills Co., Ltd.*

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
30s Warp . . . . .	Nil.	..	200	..	...
40s Warp . . . . .	..	..	193,437	217,498	71,578
50s Warp . . . . .	..	..	12,463	10,232	2,041
60s Warp . . . . .	..	..	..	8,867	..
80s Warp . . . . .	..	..	..	1,845	..
40s Weft . . . . .	..	..	..	5,139	..
60s Weft . . . . .	..	..	99,332	149,131	94,923
70s Weft . . . . .	..	..	9,271	9,221	1,000
80s Weft . . . . .	..	..	..	2,841	..
110s . . . . .	..	..	..	1,195	..
30 s Single . . . . .	..	..	..	6,100	..
40s Double . . . . .	..	..	..	300	..
50s . . . . .	..	..	3,000	2,100	..
60s . . . . .	..	..	24,000	22,894	33,600
Artificial . . . . .	..	..	..	1,532	..
Looms . . . . .	..	..	226	256	256
<b>TOTAL</b> . . . . .	..	..	341,703	492,895	202,192

NOTE.—The Mill being in liquidation in 1926-27 and 1927-28 the figures are not available.

*The Ahmedabad Shri Ramkrishna Mills Co., Ltd.*

Count.	1926-27. 1st April 1926. to 31st March 1927.	1927-28.	1928-29.	1929-30.	1930-31.	No. of Looms.
40s	45,490	168,246	195,765	265,111	11,453	..
50s	149,657	112,312	95,297	86,370	24,207	..
60s	39,503	90,014	179,566	25,917	23,186	..
70s	125,206	80,037	110,291	19,422	8,530	..
80s	19,693	3,237	10,181	17,131	12,467	..
100s	..	1,006	..	..	..	..
110s	..	..	5,000	7,690	9,654	..
30s	..	3,122	1,900	27,810	..	..
20s	2,006	3,156	..	..	..	..
2/60	56,145	30,800	52,910	47,710	1,260	..
2/50 Art. Silk	5,332	8,188	4,021	6,218	1,607	..
300 Art. Silk	6,052	4,820	..	..	..	..
		1,210	..	..	..	..
<b>TOTAL</b> . . . . .	449,174	506,140	554,931	503,379	103,764	410

COTTON TEXTILES

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## STATEMENT No. 5.

Statement of figures for average production in counts against total production.

Year.	20s.	30s.	Average production in Counts.	Total production of Yarn.
				Lbs.
1927-28 . . .	37,912,600	55,662,000	25.96	111,112,000
1931-32 . . .	52,741,150	60,912,000	25.36	152,364,000

NOTE.—The formula for finding out 20s is as follows:—

$$\frac{11s \text{ to } 20s \times 95}{100} = \frac{39,908,000 \times 95}{100} = 37,912,600.$$

NOTE.—(2) The whole 21s to 30s is considered to be 30s.

The mode of Calculation is as follows:—

1927-28—

$$37,912,600 \times 20 = 758,252,000.$$

$$55,662,000 \times 30 = 1,669,860,000.$$

$$93,574,600 \quad 2,428,112,000 \div 93,574,600 = 25.96.$$

1931-32—

$$52,741,150 \times 20 = 1,054,823,000.$$

$$60,912,000 \times 30 = 1,827,360,000.$$

$$113,653,150 \quad 2,882,183,000 \div 113,653,150 = 25.36.$$

## STATEMENT No. 6.

*Statement of the spindles of coarse, medium and fine counts in Ahmedabad.*

Year.	No. of Spindles of Coarse Counts (1 to 30s).	No. of Spindles of Medium Counts (31s to 40s).	No. of Spindles of Fine Counts (above 40s).	Total No. of Spindles.
1926-27 . . . . (March ending)	1,120,443	146,474	137,935	1,404,852
1927-28 . . . .	1,127,777	171,075	109,561	1,408,413
1928-29 . . . .	1,135,240	224,711	123,855	1,483,806
1929-30 . . . .	1,154,334	273,777	179,779	1,607,890
1930-31 . . . .	1,004,263	304,995	324,510	1,633,768
1931-32 . . . .	963,255	348,746	439,466	1,751,467

NOTE.—Calculations are made from the various counts of yarns (as grouped) produced in the Ahmedabad Mills on the basis of the scale of production of such groups of counts.

## STATEMENT No. 7.

*Capital estimate for a mill with 40,000 spindles and 1,000 looms producing 30s and 40s yarns and cloth as at present.*

	Rs.
Cost of machinery . . . . .	27½ lacs.
Cost of building . . . . .	12½ lacs.
Cost of land . . . . .	1 lac.
Total	41 lacs.
	Rs.
Dyeing and bleaching department—	
Cost of machinery . . . . .	1,75,000
Cost of building . . . . .	80,000
Cost of land . . . . .	10,000
Total	2,65,000
Grand Total	43,65,000

## STATEMENT No. 8.

*Percentage of total working capital to sales in 1951.*

Name of the Mill.	Percentage.
1. Jehangir Vakil Mills Co., Ltd.	26.84
2. Ahmedabad Cotton Mills Co., Ltd.	25.42
3. Motilal Hirabhai Mills Co., Ltd.	26.39
4. Maneklal Harilal Mills Co., Ltd.	24.22
5. Asoka Mills Co., Ltd.	26.990

## STATEMENT No. 9.

*Yardage of cloth per lb. of yarn in bleached sorts.*

	Yards in a lb.
20s/30s . . . . .	5
30s/45s . . . . .	7
50s/70s . . . . .	10

## STATEMENT No. 10.

*Note on the period of protection.*

In order that the Industry should be in a position to compete with the imported goods, certain re-organisation is essential. But before such re-organisation can be undertaken, the Industry should be given sufficient time to recoup the losses that it has made during the last few years. It should be particularly so in the case of Bombay which forms 40 per cent. of the Indian Textile Industry. Without such necessary financial strengthening it would be impossible for any industry to undertake a programme of re-organisation involving the investment of considerable capital. We estimate that this cannot be accomplished within a period less than 3 to 5 years.

After securing the recoupment and its financial strength, the Industry would be in a position to tackle the problems of technical re-organisation. In the case of existing mills, this would mean a change over of such of its machinery as is obsolete because of recent improvements and technical inventions or whose operating costs are high as compared with the cost of up-to-date improved machinery. Again certain mills will find it necessary to change over to the production of finer counts. This will mean a considerable change in its equipment, which will have to be ordered, obtained and erected.

After this period, a concern should be in a position to put goods on the market by such methods and the concern should be in a position to turn out finer goods. But such goods, as is well-known will be necessarily defective. A considerable amount of adjustment of the various machinery would have to be undertaken before the industry attains its ideal, in the quality and fineness of yarn and perfect weave and finish of cloth. In order to achieve this result detailed adjustments not only of methods of production, but also of technical organisation, will have to be carefully made. The various processes in the case of fine counts require in particular, complete equipments and adjustments. The taste and the requirements of the consumer of this class of goods are very exacting and the fashions also change so rapidly that unless a concern's equipment and command over the various processes is perfect it will not be able to cater for the market, to its entire satisfaction. A large part of this success, however, is dependent upon the Labour force. Since the major part of this force has been used to the coarser counts, it will have to be trained up to the handling of finer counts and the working of the machinery like combers, high speed frames, etc., we feel that all this will not take less than three to four years.

Thus nearly 7 years will have passed by the time a concern would be in a position to produce goods which will be reasonably cheap and will satisfy the requirements of the market regarding quality, design, finish, etc. The concern will require two or three years more to secure a regular footing and stabilise the market.

Apart from these technical considerations the investors' point of view also requires careful consideration. Progress and efficiency are possible only if, as suggested above, the old machinery is scrapped and new and up-to-date machinery is introduced without delay. This would mean that the investor should have a sufficient guarantee that eventually he will be able to get a fair return on his capital; as otherwise he would not be prepared to invest money which in his opinion was a risky proposition. We therefore

also feel that with a view to induce the investor it is necessary to assure him of the safety of the investment. This cannot be done unless protection is granted for at least 10 years.

In view of the above grounds we are of opinion that if a re-organisation is to be carried out with a view that the industry should be able to withstand foreign competition it is necessary that it should be granted protection for at least ten years.

## STATEMENT No. 11.

## OUTPUT PER LOOM PER DAY ON TYPICAL KINDS OF CLOTH.

Looms of 40" and 52" reed space.

*The Aruna Mills, Ltd.*

	Counts.	Lbs.
<i>40" Looms.</i>		
Bleached Taka 42 × 40 . . . . .	20/30	13-56
" " 163 × 40 . . . . .	20/30	13-01
" Twill 35 × 40 . . . . .	20/30	12-65
" Nakshi 37 × 6 . . . . .	20/30	11-85 plus* 21 col.=12-06
<i>52" Looms.</i>		
Bleached Nakshi 51½ × 8 . . . . .	20/30	14-38 plus 21 col.=14-59
" " 51½ × 8 . . . . .	20/30	14-79 plus 23 col.=15 02
" " 50 × 8 . . . . .	20/30	14-56 plus 21 col.=14-77

Double-shift.

*Vikram Mills.*

Double-shift working.

Sort.	Count.	Coloured Count.	Daily average per loom.	Grey Yarn.	Coloured Yarn.	Total Yarn used.
			Takas.	Lbs.	Lbs.	
<i>40" Rs. Loom.</i>						
24 Yds. Sushl Bleached . . . . .	20s 30s	20s	2-37	10-50	1-57	12-07
6 Yds. Nakshi Dhori . . . . .	20s 30s	40/2	10-39	11-74	44	12-18
20 Yds. Taka Bleached . . . . .	20s 30s	..	3-99	12-25	..	12-25
<i>52" Rs. Loom.</i>						
10 Yds. Dhori Bleached . . . . .	20s 30s	40/2	6-19	14-98	38	15-86
24 Yds. Sushl Bleached . . . . .	20s 30s	20/	2-30	13-50	1-27	14-77
20 Yds. Taka Bleached . . . . .	20s 30s	..	3-82	15-70	..	15-70

NOTE.—Daily average per shift for day and night working per loom.

*The Commercial Ahmedabad Mills Co., Ltd.*

	Looms.	Warp Count.	Wett Count.	Coloured Yarn count.	Grey Yarn consumed.	Coloured Yarn consumed.	Total Yarn consumed.
					Oz.	Oz.	Oz.
Taka C. . . . .	40"	19s	28s	..	12-9	..	12-9
Bl. Long Cloth . . . . .	40"	19s	28s	..	12-12	..	12-12
Bl. Sushl (Fancy) . . . . .	40"	19s	28s	28s	10-2	1-4½	12-6½
Bl. Sushl . . . . .	40"	19s	28s	28s	11-6	0-10	12-0
Bl. Dobby Sushl . . . . .	40"	19s	28s	28s	10-3½	0-10½	10-14½
Taka C. . . . .	52"	19s	28s	28s	14-9	..	14-9
Bl. Mulmul . . . . .	52"	19s	28s	..	13-12	..	13-12
Bl. Crape . . . . .	52"	19s	28s	..	13-5	..	13-5
Bl. Dobby . . . . .	52"	19s	28s	2/40s	13-14	0-3½	14-1½
Dobby Uncalendered	52"	19s	28s	2/40s	12-12	0-7½	13-8½

*The Ahmedabad Cotton Manufacturing Co., Ltd.*

Sorts.	Counts of Yarn.	Quantity of Grey Yarn.	Quantity of coloured Yarn.	Total.
		Lbs.	Lbs.	Lbs.
1. Calendered Patti . . . . .	20s/30s	11-15½	48½	11-64½
2. Calendered Nakshi . . . . .	20s/30s	10-93	12½	11-05½
3. Calendered Taka . . . . .	20s/30s	11-57½	..	11-57
4. Calendered Bleached Sushl	20s/30s	10-15	1-02	11-17
<i>Remarks.</i> —Sorts run on 38" reed space looms as we have no 40" looms.				
1. Calendered Chadar . . . . .	20s/30s	12-55	..	12-55
2. Calendered Dhanush . . . . .	20s/30s	13-17	..	13-17
3. Bleached Nakshi . . . . .	20s/30s	12-22	22½	12-44½
4. Calendered Cut Taka . . . . .	20s/30s	12-76	..	12-76
5. Bleached Nakshi Sadi . . . . .	20s/30s	11-77	1-0	12-77
<i>Remarks.</i> —Sorts run on 50" reed space looms as we have no 52" looms.				

## STATEMENT No. 13.

## STEAM CONSUMPTION PER HORSE POWER.

*Arvind Mills, Ltd.*

Our turbine is of Messrs. The A. E. G. type with automatic nozzle and is designed as a bleeding turbine with a maximum continuous output of 3,000 B. H. P. at coupling, the speed being 3,000 R. P. M.

Steam pressure at stop valve—250 lbs./sq. inch.

Steam temperature at stop valve—710°F.

*Steam Consumption.*—Provided the turbo generator is supplied with steam at 250 lbs. per sq. in. gauge and 708°F. temperature at the stop valve, the consumption of steam is 2,600 g/mm. Cooling water at 95°F. giving 27" vacuum.

	lbs./hr. per B. H. P.
<i>When straight condensing—</i>	
3,000 B. H. P. at turbine coupling . . . . .	8.03
2,000 B. H. P. at turbine coupling . . . . .	8.4
1,000 B. H. P. at turbine coupling . . . . .	9.4

The above figures are given with a margin of 5 per cent.

*The Aruna Mills, Ltd.*

Our turbine is of Messrs. Metropolitan Vickers Electric Co., Ltd., having maximum continuous rating of 1,800 B. H. P. Speed of the turbine is 4,500 R. P. M.

*Working Conditions.*—Pressure of Steam at turbine stop valve 250 lbs. per sq. in. gauge.

Super-heat of steam at turbine stop valve—250°F.

Inlet temperature of cooling water supplied to condenser—95°F.

Vacuum at the turbine exhaust at economical load—27" H. G. (Bar 30").

*Steam Consumption.*—When working under the above conditions and when the output is measured at the slow speed coupling on the second motion shaft of the gears, the steam consumed in lbs. per B. H. P. hour shall not exceed the following:—

<i>When exhausting into the B. H. P. surface condenser—</i>			
1800	1400	1080	720 loads.
9.52	9.25	9.66	10.38 lbs. B. H. P. hour.

The above figures include for all losses in the turbine and gears but are exclusive of all auxiliary power.

STATEMENT No. 14.

*Expense per spindle and per loom per day.*

	Rs. A. P.
Expense per spindle per day . . . . .	0 0 10
Expense per loom per day . . . . .	3 12 0

STATEMENT No. 15.

*Re import duties on yarn and how best the handloom weaver could be assisted.*

We are attaching herewith a statement showing the production, and the consumption of yarn by the mill industry, the surplus, the export and the consumption of the same by the handloom industry, for the facility of correctly gauging the importance of this problem.

A reference to this statement will clearly indicate the important part that the Indian spinning industry is playing in supplying the requirements of the handloom industry. At the same time the Tariff Board can very well convince itself from the figures it has got in its possession that the industry has not made any profit out of the transaction, but since the year



only been just enabled to eke out its existence. In other words, duties were not there and if the free imports of yarn had been allowed, the spinning section of the mill industry would have been obliged to close down. For the gravity of this danger we once again refer you to the quota of this yarn which is supplied by the spinning section, to the handloom weaving industry.

My Committee feel that looking at these figures of the Home supplies of yarn, the Board cannot but come to the conclusion that the spinning section of the industry is absolutely indispensable for the handloom industry. As nearly 80 per cent. of the requirements of the handloom industry are provided by this section, the interest of both are common and if the duty is removed the handloom industry will be hit equally hard. The trouble will even spread further affecting not only the workmen who are employed in this section but also the cotton grower who supplies the raw materials.

Besides, we are afraid, the removal of the duty, with the present Swadeshi spirit in the country, will not materially help the handloom industry. As we have already pointed out on another occasion quite a large part of the difficulties at present experienced by the handloom weavers, is due to the fact that the consumers prefer goods which are manufactured out of Swadeshi yarn. Even after the removal of the duty, that difficulty is bound to continue. We, therefore, feel that this measure will do immense harm to the spinning section without greatly benefiting the handloom industry.

My Committee, therefore, feel in view of these facts, the Board cannot come to any other conclusion except that the yarn duty should be retained in the general interests of all concerned.

At the same time, my Committee fully recognises the anxiety of the Board to improve the condition of the handloom weaver and is no less keen to support any practical scheme formed to achieve this end. We, therefore, suggest the following scheme.

The Board should recommend the Government that the revenue from the present yarn duties should be earmarked for the purpose of assisting the handloom weaver, and a body like the Indian Central Cotton Committee should be created to decide how best this funds could be spent.

In our view the handloom weaver is capable of turning out quality and designs of cloth which could hardly be made on machine looms. But what is needed is that in important handloom weaving districts there ought to be a technical Adviser and a salesman, who are conversant with the requirements of the market.

Those people can advise the weavers in improving their efficiency and thereby lowering the cost of production, as also who can advise them to turn out the cloth which will have a bigger margin of profit.

The great secret of successfully running a mill concern has been to turn out qualities by the adjustments of different counts of yarn and different designs of cloth and thereby procuring a bigger margin of profits. This is as much essential in the case of handloom weaver as in the case of a textile mill.

We may further suggested that the great difficulty the handloom weaver has to meet is in re-winding the yarn and sizing it. Not only there is certain amount of waste but the cost of re-winding it from the hank is considerable which can be saved to him by the co-operation of the mill industry, i.e., he should be in a position to obtain the yarn in the warp form in required lengths and required number of threads. It is also possible by co-operation of the industry to supply him with sized yarn balls in required lengths and number of threads. If this is done my Committee feel confident that those advantages will be far more valuable to him than the removal of the duty. These advantages will be difficult to be had from the foreign suppliers. My Committee hold that only by practical measures as suggested above it will be possible to improve the condition of the handloom weaver

and not by the removal of the yarn duties or the imposition of a cess, to both of which, my Committee is strongly opposed.

1. Creation of central buying and selling organisation with branches scattered all over the districts of the handloom weaving to improve the lot of the weavers by inducing them to accept outside assistance which can be effectively rendered whereby they would be free from the clutches of the money lenders. This will help the weavers to buy their Indian as well as imported yarn requirements at wholesale and reasonable prices and at the same time to secure fair prices for their cloth.

2. Active encouragement of the starting of large handloom factories thus reducing the overhead cost and ensuring better supervision.

3. Establishment of technical institutions to disseminate the knowledge of the technique of weaving where also the improvements and inventions in the handlooms along with the labour saving devices may be demonstrated and impressed upon the weavers, e.g. The flying Shuttle Loom may be profitably adopted in place of an ordinary handloom yielding an increased production of between 25 per cent. and 40 per cent. as pointed out by Mr. Alfred Chartton in his book "Industrial Evolution of India", clearly reducing the cost of production in a handloom.

4. Pointing out to the weavers the sorts and varieties of cloth that will not come into competition with the mill-made cloth and will fetch good prices.

In spite of these measures, however, the condition of the handloom weavers may not improve. We regret the Government has not made any serious efforts to give a careful consideration to the development of this industry, by studying relevant facts. So far, it has shown only spasmodic activity wherever it found that suitable for other ulterior purposes. The correct way to deal with the situation is to appoint a Committee of Inquiry with particular reference to the financing, producing and marketing the products of the handloom industry. Such an Inquiry Committee should have on the Board at least two weavers technically qualified who understand the problems facing the Industry. We feel that such a Committee will find that the difficulties which the industry is suffering are more a matter of the lack of proper organisation than a temporary ill. In spite of our strong opinion as regards facts stated above if the Board takes the view that import duties on yarns or counts over 50s be abolished then our submission is that there should be a provision that such an abolition will be applicable only to the yarns imported in hanks and not on cops, as it is likely that it may lead to the competition of the powerloom factories with the handlooms.

Statement showing the Indian Production of Yarns.

(In million lbs.)

Year.	Mill production.	Mill consumption.	Surplus.	Yarn export.	HANDLOOM CONSUMPTION OF YARNS.		Handloom consumption of yarn.	It must be foreign yarn.
					Mill-yarn.	Yarn-imports.		
	1	2	3	4	5	6	7	8
1926-27 . .	807	481	326	42	284	49	324	8
1927-28 . .	808	507	301	25	276	52	323	40
1928-29 . . (strike year).	648	384	264	24	240	43	279	47
1929-30 . .	833	501	332	25	307	43	351	39
1930-31 . .	..	..	..	..	..	..	..	44
1931-32 . .	937	580	357	..	..	..	355	..

	31s—40s.	Above 40s.
1926-27 . . . . .	28	12
1927-28 . . . . .	34	11
1928-29 . . . . .	37	10
1929-30 . . . . .	46	15

## STATEMENT No. 16.

*Statement showing the cost of running a mill equipped with 53,000 spindles and 1,100 looms with the latest machinery and a similar sized mill with machinery which was in general use only a few years back.*

The cost of working a mill with the latest machinery will amount to Rs. 21,18,000 for 305 working days of 10 hours, while the cost of a mill with older machinery will be Rs. 22,02,000, i.e., there will be a direct saving of about 4 per cent. but the extra production to be had for the modern machinery for the same cost will result in a further saving of 6 per cent., i.e., the number of units produced during the year in two different mills described above will differ in their cost of production to the extent of 10 per cent. The above included the combing and bleaching charges but dyeing charges have not been taken into account as it is difficult to decide what portion of the goods will be dyed and further the cost of dyeing different shades varies considerably.

The cost of producing one pound of cloth of 40s×40s will be 11½ annas per pound.

## STATEMENT No. 17.

*Whether protection should be given by specific or ad valorem duty.*

We are of opinion that the existing system of *ad valorem* duties subject to a minimum specific duty whichever is higher be extended to all classes of goods. The specific duties should be based on the normal level of prices and not on the present prevailing prices.

## STATEMENT No. 18.

*Financial statement of Ahmedabad Mills for the year 1930.*

No.	Profit or loss before allocation of depreciation.		Profit or Loss after allocation of depreciation.		Agents' Commission given up.	Dividend declared.
	Profit.	Loss.	Profit.	Loss.		
1	45,500	..	..	15,375	7,600	45,450
2	1,63,423	..	74,525	..	..	1,00,000
3	..	340	..	79,193	53,603	..
4	..	2,59,871	..	5,44,098	1,01,055	..
5	48,018	..	..	21,082	..	48,400
6	1,32,066	..	15,585	..	..	53,600
7	1,46,050	..	75,673	..	..	1,00,000
8	1,11,774	..	33,308	..	..	1,00,000
9	2,39,475	..	1,47,019	..	..	1,50,000
10	..	17,734	..	71,238	26,955	..
11	2,49,979	..	1,21,569	..	..	90,000
12	46,518	..	..	34,106	11,865	32,500
13	39,159	..	12,450	..	23,514	27,300
14	..	1,91,847	..	3,33,922	18,353	..
15	1,38,276	..	44,025	..	36,000	35,000
16	..	1,90,218	..	3,59,461	24,143	..
17	2,50,088	..	75,564	..	..	2,11,000
18	3,40,592	..	1,01,232	..	..	1,42,350
19	1,32,559	..	62,238	..	..	56,754
20	1,179	..	..	83,126	22,107	35,508

No.	Profit or loss before allocation of deprecia- tion.		Profit or loss after allocation of deprecia- tion.		Agents' Commission given up.	Dividend declared.
	Profit.	Loss.	Profit.	Loss.		
21	2,82,304	..	1,46,950	..	..	1,57,675
22	..	1,56,834	..	2,64,266	24,000	..
23	2,08,060	..	1,09,446	..	..	1,05,525
24	84,726	..	51,022	..	..	47,022
25	..	1,88,688	..	2,91,931	20,874	..
26	..	62,104	..	1,91,493	18,416	..
27	71,943	..	..	1,69,853	..	1,39,524
28	2,66,770	..	1,21,657	..	..	1,26,420
29	1,02,402	..	54,052	..	..	53,025
30	..	1,90,889	..	2,43,592	12,856	..
31	70,505	..	44,616	..	..	43,080
32	1,62,910	..	52,703	..	..	1,12,000
33	15,477	..	4,617	..	15,308	8,304
34	1,06,808	..	51,047	..	..	1,05,000
35	1,52,672	..	41,506	..	..	67,500
36	39,008	..	..	88,755	15,614	59,940
37	92,316	..	44,027	..	13,250	44,100
38	2,15,497	..	1,31,869	..	..	1,32,440
39	2,34,742	..	1,60,852	..	32,000	32,025
40	63,197	..	..	15,310	33,296	95,025
41	..	1,38,753	..	2,04,897	..	..
42	133	..	..	25,875	24,522	..
43	..	7,02,245	..	8,21,703	27,065	..
44	4,33,319	..	2,73,354	..	..	2,50,000
45	2,01,833	..	41,483	..	..	..
46	32,478	..	11,502	..	15,952	16,600
47	28,303	..	..	49,347	34,487	21,000
48	4,11,217	..	2,68,707	..	..	2,32,000
49	..	26,636	..	1,59,920	90,142	..
50	2,99,349	..	2,14,735	..	..	2,27,500
51	1,23,423	..	41,182	..	..	39,032
52	1,32,274	..	13,472	..	24,777	57,600
53	1,28,768	..	58,864	..	..	30,500
54	44,823	..	19,539	..	19,417	22,358
55	1,00,309	..	37,298	..	7,000	50,292
56	31,359	..	..	55,888	31,863	..
57	1,95,259	..	..	45,976	29,250	1,20,000
58	7,76,944	..	3,47,750	..	..	2,88,000
59	2,74,248	..	1,37,266	..	..	2,00,000
60	1,46,088	..	98,236	..	..	23,333
61	2,47,949	..	88,347	..	1,09,348	78,006
	78,62,069	21,26,159	34,29,287	41,67,358	9,24,841	42,12,688

## Summary 1930.

Loss	..	..	..	..	..	41,67,358
Less profit	..	..	..	..	..	34,29,287
				Net loss	..	7,38,071
<i>Add—</i>						
Commission given up by agents	..	..	..	..	..	9,24,841
Repairs deducted from reserves	..	..	..	..	..	8,29,390
				TOTAL LOSS	..	24,92,302

## STATEMENT No. 19.

*The measurement of the force of internal competition.*

On analysing the problem it is found that it is difficult, if not impossible, to measure correctly the effect of internal competition on cloth prices. It would possibly be done in the case of a country, whose entire needs are supplied by domestic production. But when such requirements are partly met by domestic production, and partly by foreign imports, a number of reservations have to be made, which render the result of very little value.

In the former case, the average cost of production will approximately govern the cloth prices. Now such costs with the exception of the raw materials, do not change suddenly or in short periods. Therefore, if there are changes in the cloth prices during such short periods one may attribute them to the force of internal competition. But it is necessary to remember that such changes might as well result from changes in demand. Consequently even in the country which is able to supply all its requirements, it is not possible to measure correctly the influence of domestic competition, except on the assumption that the demand remains constant.

In the second case all these difficulties are actually increased if the foreign imports are comparatively large or of a superior variety, they will govern the prices of all cloth which is produced at home. This home produced cloth, however, will consist of several varieties. Some of them would be sufficiently large to cope with the entire needs of the country; and their prices will move more or less within the orbit of their cost of production. Others would be of those types which are not able to supply the whole of the domestic market and whose prices are dominated by the prices of imported goods. Therefore, the domestic cloth prices will be a result of the prices of three independent classes of goods, and the changes in these domestic cloth prices would be influenced by changes in the cost of production of these three classes, their temporary variation of supply, and the reaction of these supplies on each other. Consequently, even when one notices changes in the domestic cloth prices it is difficult to attribute these changes to the force of internal competition. On the contrary, the presumption is that these changes are due to foreign competition, that being the only force which can affect the whole market.

It might be argued, however, that all the same, there might be some amount of domestic competition, and that may affect the prices. But as against that it has to be remembered, that protection opens out a much wider market for the domestic producers, because the Indian Manufacturer, whenever he finds that any varieties are depressed in prices because of Internal Competition can change over to the manufacture of those varieties, which would otherwise be imported if sufficient protection is existing against those varieties, *i.e.*, in short, the position amounts to this that granted a sufficient protection the effect of the internal competition, if any, can be easily met by the manufacturer adjusting his production. Therefore, for some years the demand will so far outstrip the supply that the producers will easily be able to sell their goods without cutting down their prices. Only when the saturation point of the market has been reached, he will find it necessary to cut down prices with a view to market the goods. That would be the time, however, when it would have also freed itself of foreign competition.

India has occupied the position above analysed for the last two years, and may occupy for a few years to come, if protection is continued.

Below are given figures to show that in several varieties domestic production has wide field to cover before the requirements of the country are satisfactorily supplied:—

Years.	1928.	1929.	1930.	1931.
<b>Chadars—</b>				
1. Home . . . . .	55,669	65,342	57,500	54,520
2. Imports . . . . .	954	1,193	318	23
	173	54	85	..
	1,137	1,247	403	23
<b>Dhoties—</b>				
1. Home . . . . .	555,131	726,656	829,348	941,393
2. Imports . . . . .	454,127	490,653	304,944	87,149
	40,907	51,704	20,921	2,845
	495,034	5,42,357	3,35,865	89,994
<b>Drills and Jeans—</b>				
1. Home . . . . .	73,668	98,330	80,327	100,232
2. Imports . . . . .	10,132	13,179	5,411	2,862
	5,603	6,468	4,767	3,694
	15,735	19,647	10,178	6,556
<b>Long Cloth and Shirtings—</b>				
1. Home . . . . .	466,134	581,417	605,150	769,607
2. Imports . . . . .	207,860	344,623	213,600	130,970
	121,773	100,408	91,883	91,903
	339,573	445,031	305,483	202,873
<b>Cambrics and Lawns—</b>				
1. Home . . . . .	5,204	3,132	17,236	37,574
2. Imports . . . . .	7,481	11,953	7,344	4,867
<b>Coloured—</b>				
1. Home . . . . .	486,149	600,741	566,315	646,703
2. Imports . . . . .	518,727	471,900	328,940	207,447

We, therefore, conclude that during the course of the last two years Indian cloth prices have not been depressed on account of domestic competition.

My Committee recognises that the basis suggested by the Board for assessing protection is reasonable. We submit that as stated in our representation we are not merely seeking protection for improving the condition of the Industry, as it exist to-day; but we have also proved by facts and figures placed before the Board, that we are in a position to supply the entire needs of the country. We feel that the protection suggested by the Board may not be sufficient to make progress in this latter direction. We, therefore, urge that the example of United States where the import duty on cotton cloth varies from a minimum of 30 per cent. to 60 per cent. and of the United Kingdom where the duty is 50 per cent. should be followed.

*Statement showing the Indian production of yarns.*

(In million lbs.)

Year.	Mill production.	Mill consumption.	Surplus.	Yarn, export.	HANDLOOM CONSUMPTION.			It must be foreign yarn.
					Mill yarn.	Yarn import.	Handloom consumption (Total).	
1920-21	660	328	332	92	240	47	287	..
1921-22	698	361	332	90	242	57	299	..
1922-23	705	362	343	69	274	59	333	..
1923-24	617	359	258	50	208	44	252	..
1924-25	719	410	309	50	259	55	314	..
1925-26	686	415	271	32	239	51	290	..
1926-27	807	461	326	42	284	49	324	40
1927-28	808	507	301	25	276	52	328	47
1928-29 (Strike year)	648	384	264	24	240	43	279	39
1929-30	838	501	332	25	307	43	351	44
1931-32	937	681	336	..	386	15	351	..

31s to 40s. Above 40s.

1926-27	28	12
1927-28	34	11
1928-29	37	10
1929-30	46	15

Mill consumption of yarn in the year 1931-32 is arrived at by taking 100 lbs. of yarn equal to 112 lbs. of cloth.

Handloom production of piecegoods is taken for the year 1931-32 as 1,404 million yards, as it was 1,355 million yards in 1930-31. The yarn required in 1931-32 will be 350 million lbs. on the assumption that 4 yards of cloth are produced per pound of yarn.



### The Baroda Mill Owners' Association.

*Letter dated the 27th July, 1932.*

With reference to the resolution No. 341-T. (150), dated the 9th April, 1932, of the Government of India in the Department of Commerce and to your press communiqué dated the 11th April, 1932, inviting representations of those interested on the above subject for consideration by your Board, I am directed by this Association to submit the following representation to you:—

You are aware that it is only two years back that the Cotton Textile Industry (Protection) Act, 1930, was passed when the Indian Mills were trying to increase their production in medium and fine counts and to spin finer and finer; and that although it was necessary to afford better protection to the manufacture of finer piecegoods which was in the experimental stage by levying a higher rate of duty, the Government of India imposed a lower rate of duty on goods from Great Britain. Had it not been due to Swadeshi movement, it was doubtful if the mills could compete with the Japanese and British manufactures in finer goods.

Over and above this there are several other factors which necessitate continuance of the present rates for a period longer than 5 years:—

1. *Trade Depression.*—The prices of agricultural products as well as manufactured articles have gone down tremendous and this state like other countries was in the grip of a great economic depression, during the period of protection as can be observed from the following extract from the address of His Excellency the Viceroy to both the houses of the legislature:—

“The situation for a country which is as dependent as India on the prices she realizes for the products of her fields is one of great anxiety.”

The extraordinarily low level of prices prevailing since 1930 has further crippled the already low purchasing power of the agriculturist on which the Cotton Mill Industry almost entirely depends. The prices of Indian cotton, like the prices of other commodities, touched very low levels, and the constantly declining tendency in prices from month to month from the commencement of 1930 until September 1931 added greatly to the difficulties of the Industry. The value of stocks of cotton and cloth had constantly to be written down with disastrous consequences to the working results. The gradual fall in prices also caused merchants to adopt a hand to mouth buying policy, and cloth and yarn offtake was reduced to the lowest possible limits.

2. *Superior efficiency of Japanese Mills.*—Independent observers like Mr. Arno S. Pearse have pointed out that while in Japan operatives work as many machines as can be attended to under fair conditions, labour in India is indolent by nature, is steeped in usages and is ruled by caste. Differences of environment, physique, habits of life and education make it impossible to expect that the efficiency of Indian mill labour can be brought to the Japanese standard in the course of a few years.

From figures published in the Indo Japanese Trade Bulletin in the early part of this year, it would seem that despite the efforts made in Bombay, the disparity between the efficiency of labour in India and Japan is increasing. In the last five years, the number of spindles per operative in Japan has been nearly doubled. A similar increase has taken place in the productive capacity of the weaving operative. Against these achievements the progress made in India has been insignificant. The advantage which Japan has in the cost of labour was brought out very clearly by Mr. Sasakura of the Tovo Podar Mills, Bombay, in his written statement to the Fawcett Enquiry Committee, wherein he has explained why it is that the cost of production in India is much higher than in Japan despite a somewhat high individual wage paid in that country. Also the latest authoritative state-

ments of Sir H. S. Ghour appearing in the Times of India throws sufficient light on the subject. He says: "To begin with he was struck by the thorough scientific rationalisation of that Industry in Japan. Girls drawing a wage of Rs. 1-4 or Rs. 1-8 per diem were actually in charge of 20 looms".

3. *Exchange Variation.*—In the last few years, the difficulties of the Industry, have been undoubtedly increased by the maintenance of the exchange value of the rupee at 1s. 6d. gold. This has adversely affected the purchasing power of the agriculturist owing to the lower rupee prices received for his crops, and greatly reduced the margin left over to him for the purchase of the necessities of life. In such circumstances, it is scarcely to be wondered at that his purchases of cloth have been reduced to a minimum.

The difficulties of the Industry owing to the sustained effort to maintain the  $\frac{1}{2}$  ratio have been aggravated by the high bank rate which has prevailed in India for a number of years partly as a consequence of the manipulations of exchange.

4. *Higher rate of Interest.*—The disadvantage in the matter of interest charges from which Indian mills suffer, as compared with mills in Lancashire and the United States of America, is one of the additional factor and is evident when the relative bank rates in the three countries are compared.

In 1930, for example, the Bank of England made four changes in the bank rate, always in the downward direction. Standing at 5 per cent. at the commencement of the year, it stood at 3 per cent. on 1st May, and was later in the month reduced to 2½ per cent. The bank rate in the United States was, in the first four months of 1930, reduced from 4½ to 2½ and further reduced to 2 per cent. in December. In India, the bank rate remained at the high level of 7 per cent. from November, 1929, to April, 1930. On 6th April, it was brought down to 6 per cent., and on 10th July to 5 per cent. and raised to 7 per cent. on 20th November. In 1931, the average rate for the whole year worked out at 7.046 per cent.

Apart from the high bank rate, industrial concerns find great difficulty in obtaining adequate finance on reasonable terms. Even when the advance is against the liquid assets of a concern, it has to be guaranteed by the managing agents in spite of an adequate margin being retained by the bank. Advances against the fixed assets of a mill are rare, and are only possible when the managing agents who guarantee them happen to be very substantial parties. The enormous losses suffered by managing agents personally during the last few years through making themselves responsible jointly with their mills for loans from banks, are alike indications of the difficulties under which the Industry has been carried and the risks by those who control it.

5. *Imposition of Additional customs duties on the Industry during September, 1931.*—This Association has already protested against these duties on the 8th November, 1931, to the Finance Member as per copy of the President's letter enclosed herewith, but to no avail.

The Protection which was granted to the Industry in 1930 has been in effect appreciably neutralised by the burdens of fresh taxation imposed on the Industry in September, 1931. The Association would draw the Tariff Board's special attention to the following new taxes and the effects thereof on the Industry:—

- (i) an import duty of 6 pies per lb. on raw cotton;
- (ii) an import duty of 10 per cent. on machinery; and
- (iii) an import duty of 10 per cent. on dyes.

The imposition of a duty on raw cotton is in direct contravention of the principle laid down by the Fiscal Commission and accepted by Government, that "raw materials required for Indian industries should ordinarily be admitted free of duty". Though ostensibly a revenue duty, it is in its

application a tax on the production of medium and finer counts of yarn and cloth inasmuch as much of the Egyptian and American cotton of a type which is not grown in India, is used in the Mills. The total quantity of cotton of an inch and over staple grown in India is very limited, and most of the cotton which is imported does not, therefore, enter into competition with the indigenous growth. Whatever the effect of the duty on the price realised by the Indian cultivator may be it has resulted in increasing the cost of production in new lines of cloth for which a market has been created in the last few years.

The 10 per cent. duty on machinery is equally indefensible. The Fiscal Commission stated that they could not approve of the principle of taxing machinery for the purpose of revenue, and recommended the removal of the then existing duty of 2½ per cent., being definitely of the view that the revenue duty on machinery was undesirable in the present stage of the country's development.

The duty on dye-stuffs has come at a particularly inopportune moment. Owing to the departure of Great Britain from the Gold Standard, and the linking of the rupee with sterling, the price of German and other dye-stuffs has gone up considerably, and the additional handicap of a ten per cent. duty must seriously affect the coloured goods trade of Indian mills, which is already being threatened by imports of printed and artificial silk goods from Japan at prices which defy competition.

6. *Strikes.*—The occasional strikes which hamper the progress of the mills and place them in great losses, are engineered and kept alive by the communist element which has acquired a certain hold over labour. I also beg to emphasize the injury done to the Industry by the occasional stoppages of works.

7. *Protection Needed.*—It must be said however to the credit of the Industry that enormous improvement has taken place in the quality of goods manufactured by the Indian Mills, and that the variety and excellence of these products have been widely recognized. A perusal of the range of samples will convey the idea of the way in which the Industry is trying to displace the better classes of goods, which used to come exclusively from foreign countries only a short while ago

In order to protect a wide classification of goods, the import duty—whether specific or *ad valorem* in character would necessarily have to be fixed at a rate which would protect mills against competition in goods of the highest value in that class. This may be so, but it does not follow that on this account, the consumer would be unduly penalised in respect of the prices paid for goods of a lower average value, on which the specific duty would give more protection than necessary. As a matter of fact, the experience of the last few years has shown that the prices realized for coarse grey goods on which the existing minimum specific duty has been equivalent to a high *ad valorem* duty, have been consistently below a fair selling price, and at times, below the cost of manufacture, not taking into consideration any profit and depreciation. What in effect happens is that internal competition is sufficient to keep down prices to normal levels, and in times of economic stress such as India has been passing through, even to uneconomic levels.

Another fact which has also to be borne in mind in this connection is that the prices throughout a class must continue to bear a fairly close relationship with each other, for a dealer would naturally refuse to pay a price for coarse goods which was entirely out of relationship to the price at which he could purchase finer cloths of the same general character.

8. *Lastly*, I beg to say that if the Board are satisfied that the continued existence and progressive development of the Industry is a matter of national importance, that those who control it are continually trying to improve its methods and organisation, and that the assistance given by the import duties has benefited the Industry and the country in many ways without injuring the interests of the consumer—if the Board are satisfied about these

matters, I would urge them to recommend measures which would effectively safeguard the Industry against external competition, and ensure it a fair selling price for its products.

It will, however, be observed from the above that the Cotton Textile Industry has taken to the manufacture of fine counts and is also making improvements at every step in the manufacture of coarser counts, and that the competition of goods from foreign countries including the United Kingdom and Japan, impedes and retards the progress of the Industry in general. On these grounds this Association desires that a sufficiently protective scale of duties, higher than the present one, on yarn and piecegoods without any preferential treatment, be imposed for a sufficiently long period—not shorter than 5 years just as in the case of Sugar Industry.

### THE BARODA MILL OWNERS' ASSOCIATION.

GHADIALI POLE,

Baroda, the 8th November, 1931.

To

The Hon'ble Sir George Schuster, K.C.M., C.B.E., M.C.,  
Finance Member, Government of India,  
New Delhi.

Sir,

On behalf of the Baroda Mill Owners' Association, I beg to protest most emphatically against the proposed import duty of half anna per lb. on raw cotton imported in general, as the same has been proposed without any detailed enquiry into its possible effects on the Textile Industry of India.

My association objects to the principle of taxing raw materials imported for Indian Industry. You might be aware that in all the civilized manufacturing countries of the world, such taxes are not levied. The proposition in itself is wrong. The Fiscal Commission have laid it down, and the Government have accepted that "raw materials required for Indian Industries should be admitted free of duty." Thus it is surprising that Government propose to tax an essential raw material required by the Premier Industry of India. The Fiscal Commission had also stated that the principle of taxing machinery for revenue purposes is not desirable and recommended the removal of the then existing duty of 2½ per cent. My Association would also like to urge that the proposed duty of 10 per cent. on machinery is equally inequitable and indefensible, because the revenue duty on machinery is not desirable in the present state of the country's development.

Though the proposed duty on raw cotton is a revenue duty, it will be like taxing the production of medium and fine counts of yarn and cloth. Cotton that is imported is generally for the production of counts above 40s. As recommended by Tariff Board, a lot of the mills in India are spinning and weaving fine counts. The production of yarn of 40s and above has considerably increased for the first three months of this year and it is likely that it will go on increasing likewise if the duty proposed be not levied.

My association thinks that the Government of India are killing three birds with one shot by imposing the said duty viz. :—

- (1) Handicapping of the Indian Textile Industry.
- (2) Securing cheaper cotton for Lancashire Mills.
- (3) Securing of additional revenue by Government.

Besides my association is of opinion that the proposed tax will not benefit the Indian farmers as the tax proposed is in stapled cotton which is not produced by Indian farmers.

I have this day wired your honour on behalf of my association and beg to confirm the same as under:—

“My committee strongly protests against imposition of half anna duty per lb. on imported raw cotton and ten per cent. on machinery same being against the interest of the Textile Industry.”

In conclusion my association is of opinion that the proposed duty is ill-conceived and altogether against the best interest of Textile Industry which the Government are pledged to support.

I have the honour to remain,

Sir,

Your most obedient servant,

MOTILAL KASANDAS PARIKH,

President,

The Baroda Mill Owners' Association.

### The Berar Manufacturing Co., Ltd., Badnera.

*Letter dated the 23rd May, 1932.*

In accordance to a copy of the resolution No. 341-T. (150), issued by the Government of India, Commerce Department, dated New Delhi, the 9th April, 1932, received together with a copy of Press Communiqué, dated the 11th April, 1932, issued by the Tariff Board I beg to forward the following representation on behalf of the Berar Manufacturing Co., Ltd., for favourable consideration by the Tariff Board.

Though protective duties were imposed on cotton piecegoods for a period of three years in order to give the textile industry in India a chance of re-establishing her former position and enabling her to stand against foreign competition, but the period which has elapsed since the passing of the Act 1930, and now, though being a momentous one in the textile industry of India, is only too short to produce the desired effect. The local industry has not been able to obtain any substantial benefit by the Act of 1930 firstly owing to the world-wide depression and secondly on account of the activities of the congress party in this country disorganising the trade generally and particularly the textile industry. Since the passing of the Act there has been neither sufficient time nor opportunities for careful examination of the effects of the measure and of ascertaining to what extent the protection given under the Act has benefited the country. Since the passing of the Act of 1930, it is significant that on two successive occasions the Finance Department of the Government of India has found it necessary for purposes of revenue to impose additional duties, but even with the substantial increase in import duties the textile industry in India has not been benefited appreciably. It is also a known fact that during the last two years the competition from Japan particularly in artificial silk and also in grey goods ordinarily imported in India has been unexpectedly tremendously heavy. It is beyond comprehension how Japan has been able to compete successfully with India in face of these additional heavy duties. The only inference that could be drawn is that it may be due to the frugal habits of the Japanese people, their skilled labour, their unlimited hours of work and their low wages, but as the matter stands if the present duties are lowered in any way it will be impossible for the textile industry in India to exist at all. An expression of final opinion on the subject is not possible until we know exactly of the decision arrived at the forth coming Imperial Conference at Ottawa when the question of formulating commercial treaties between England and India will be fully considered,

Our answers to the queries put in your Press Communiqué are as given below:—

- (1) The claim of the Indian Cotton Textile Industry to protection in our opinion has been established.
- (2) Protection in future should take the form of import duties, no other form of protection India will avail of. It is not possible to give to the local industry subsidy in any form.
- (3) The standard of existing duties in our opinion should continue which slightly differentiate between goods imported from the United Kingdom and from foreign countries. The present difference in import duties between the United Kingdom and other countries should continue.
- (4) We cannot express any opinion on clause 3 (b) as we do not manufacture artificial silk in our mills.
- (5) The imposition of additional duties we do not think has in any way seriously interfered with the handlooms industry in this country. The handloom industry has not been in any way affected and is prospering to the same extent as hithertofore. There are no indications to show that the handloom industry has disappeared in certain villages to any extent.

### The Burhanpur Tapti Mill, Ltd., Bombay.

*Letter No. 2/296, (dated the 13th May, 1932.*

Our company abovenamed own spinning and weaving mills at Burhanpur in the Central Provinces. Our Mill Manager has been notified by the Director of Industries, Central Provinces, that representation on the subject of protection of the Cotton Textile Industry in India be made to your Board. We therefore, beg leave to submit the following few observations for the consideration of your Board:—

- (a) Mills in centres like Burhanpur are greatly handicapped by high railway freights and especially by disparity of rates. For example cotton cloth and yarn sent from Bombay to Shalimar is charged Rs. 1-8 per maund whereas the freight from Burhanpur to Calcutta is Rs. 3-3-4 though Bombay is much too far distant from Shalimar than Burhanpur. If freight from Burhanpur to Shalimar is not reduced in proportion to mileage, it should at least be equal to the freight from Bombay. Also freight from Sholapur to Amritsar and Delhi respectively are much less than those from Burhanpur a much nearer place.
- (b) Municipal terminal taxes at Burhanpur are abnormally heavy on coal, cotton, building materials, machinery, etc., and they help to enhance the cost of our finished articles.
- (c) Mills like ours have to buy and store cotton only during the cotton season and suffer heavy losses in case the price of cotton falls throughout the rest of the year not to speak of larger working capital required for such storage.
- (d) Import duties on foreign cotton, wheat, etc., must be maintained at a sufficiently high rate so that the Indian cultivators may secure remunerative prices for their products and if the cultivators are flourishing not only Government will be benefited but also the cultivators will have increased buying power which will help to a larger consumption of Indian cloth and yarn. The cotton mills now can hardly make both ends meet owing to the absence of satisfactory demand from the impoverished cultivators on whom depend the prosperity of the country.

- (e) Japan and China have become deadly competitors of Indian mills and in spite of the present tariff they succeed in dumping the Indian market with their cloth and yarn at far cheaper rate. We recommend that the duty be increased sufficiently high to eliminate this competition as otherwise we feel that the Indian industry is doomed to extinction.
- (f) New enactments have been proposed in connection with welfare work for workmen. They should be postponed till the industry enter upon better times, as mills are now over burdened with expenditure which help to increase production cost which cannot be realized.
- (g) By giving adequate and ungrudging protection to the industry, say, at least for five years unemployment will greatly decrease.
- (h) Referring to Japanese dumping, we would also point out that since that country discontinued gold standard, she has become able to undersell, in a great degree, the Indian manufacture and thus the necessity of adequate protection arises. Further, be it noted that Japan has discarded Washington Convention, which makes it imperative for fixing much higher import duties.
- (i) Steps should be taken to prevent dumping of Japanese and Chinese goods through Native States.

### **The Model Mill's Nagpur, Ltd, Nagpur.**

*Letter No. L/426/32, dated the 15th May, 1932.*

I have received a copy of the resolution No. 341-T. (150), issued by the Government of India, Commerce Department, dated New Delhi, the 9th April, 1932, together with a copy of your press communiqué, dated the 11th April, last and beg to forward the following representation on behalf of the Model Mills, Nagpur, Limited, for the favourable consideration of the Tariff Board.

It is true that protective duties were imposed on cotton piecegoods for a period of three years in order to give the textile industry in India a chance of re-establishing her former position and enabling her to stand against foreign competition, but the period which has elapsed since the passing of the Act of 1930, and now has been a momentous one in the textile history of India. The local industry has not been able to obtain a substantial benefit by the Act of 1930, owing to the general world-wide trade depression and secondly on account of the activities of the congress party in this country disorganizing the trade generally and particularly the textile industry. Since the passing of the Act there has been neither sufficient time nor opportunities for careful examination of the effects of measure and of ascertaining to what extent the protection given under the Act has benefited this country. It is significant that since the passing of the Act of 1930, on two successive occasions the Finance Department of the Government of India has found it necessary for purposes of revenue to impose additional duties, but even with the substantial increase in import duties, the textile industry in India has not been benefited appreciably. It is a matter of common knowledge that during the last two years the competition from Japan particularly has been unexpectedly and tremendously heavy particularly in artificial silk and also in grey goods ordinarily imported in India. It is difficult to understand how Japan has been able to successfully compete with India in face of these additional heavy duties. It may be due to the frugal habits of the Japanese people, their skilled labour, their unlimited hours of work and their low wages, but the matter stands that if the present duties are lowered in any way, it will be impossible in India for the textile industry to exist at all. It is not possible to express any final opinion on the subject until we know exactly of the decision arrived at the forthcoming Imperial Conference

at Ottawa when the question of formulating commercial treaties between England and India will be fully considered.

We append below our answers to the queries put in your press communiqué:—

1. In our opinion the claim of the Indian Cotton Textile Industry to protection has been established and we are of opinion that this protection must continue indefinitely till all foreign and alien adverse competition is removed or at least till such time as the labour in Japan is put on a footing of equality with India.

2. In future protection should take the form of import duties; no other form of protection will avail India. It is impossible to give any form of subsidy to the local industry.

3. We are of opinion that the standard of existing duties should continue which slightly differentiate between goods imported from the United Kingdom and from foreign countries. The present difference in import duties between the United Kingdom and elsewhere should continue.

4. We are not in a position to express any opinion on clause 3 (b) as we do not manufacture artificial silk in our mills.

5. The imposition of additional duties have not in any serious way interfered with the handloom industry in this country. The handloom industry has not been in any way affected and has been prospering to the same extent as hitherto. There are no indications to show that the handloom industry has disappeared in certain villages to any extent.

### **The Buckingham and Carnatic Co., Ltd., Madras.**

*Letter dated the 29th July, 1932.*

We beg to apologise for the delay in responding to the questionnaire relating to the Tariff Board enquiry in the Indian Textile Industry but we regret that we have found ourselves unable to reply in detail owing to the difficulty of obtaining comparative figures in this centre, but we give below our general views on various points raised:—

1. (xii) We consider that the statement that competition in dyed goods has not shown any increase since 1927 should be modified, as Japanese competition in dyed goods has undoubtedly increased since 1927.

(xiii) Competition is not now confined to Japanese striped shirtings, twills and coarse drills, but includes all classes of goods.

(xiv) Competition is equally severe in all classes of goods.

(xv) The conclusions set forth in this sub-section are mainly correct.

(xix) It is our experience in practically all cases that a general movement of prices in any particular range of cloth is apt to react on the price of other cloths of an entirely different nature.

(xx) We consider that artificial silk used in the weaving of striped or figured cotton goods is definitely an ally rather than a competitor of cotton and that while its use in this connection may be expected to increase the consumption of Indian manufactured cotton goods, the import of cheap goods manufactured from artificial silk does seriously compete with Indian goods.

3. It is our experience that in the case of Indian mill cloth woven from inferior counts of yarn, of which the bulk of the Indian consumption is supplied by the indigenous industry, the existence of internal competition prevents an excessive rise in prices relatively to imported cloth when additional import duties are levied.

5. If prices are reduced or increased in any important centres of production it is inevitable that a similar reduction or increase in price will occur at other centres of production as all the markets in India are very closely inter-connected.



6. We consider that the effect of a withdrawal of protective duties would be an increase in imports at all centres with a consequent decline in Indian mill production. The increase in imports might be expected to be permanent as long as the present low prices of imported cloth were maintained.

11. We consider that a decline in the output of Indian mills generally will adversely affect the Indian cultivator of cotton by reducing the nett demand for Indian cotton. A decline in the output of fine counts from Indian mills will discourage the growth of long staple cotton.

23. We estimate that the present costs of manufacture are approximately 4 per cent. higher than in 1931 on account of new and increased import duties and increased rail freight, etc.

39. We consider that protection should be continued by tariffs on all imports, with special tariffs against Japan.

44. We consider that the present duties on imports from the United Kingdom should continue, but we are of opinion that a substantial increase in the duties on foreign imports is urgently needed in the interest of the Indian Textile Industry and those dependent on it.

45. We do not propose that any assistance should be granted to the industry by other means than by tariffs.

### The Delhi Cloth and General Mills Co., Ltd., Delhi.

*Letter No. G. 661, dated the 5th September, 1932.*

As desired by you, we are sending to you herewith our replies to your questionnaire which please acknowledge, and oblige. We are very sorry for the unavoidable delay in attending the same.

1. (i) The production of the grey cloth and the bleached cloth in our mills for the year ending 30th June 1932 is 1,30,56,398 lbs. and 12,44,784 lbs., respectively.

(ii) The total grey cloth sold by us during the last year at the different stations is as follows:—

	Rs.	A.	P.
(1) Delhi and Peshawar . . . . .	36,90,331	6	9
(2) Amritsar . . . . .	11,46,502	11	9
(3) Cawnpore . . . . .	13,69,754	10	0
(4) Farrukhabad . . . . .	50,174	15	0
(5) Calcutta . . . . .	1,50,361	7	9
(6) Jaipore . . . . .	1,83,797	3	3
(7) Jammu tawi . . . . .	1,41,293	3	6
(8) Sukkur . . . . .	3,59,670	6	0

(iii) The sale of our bleached and coloured cloth during the last year is as follows:—

	Rs.	A.	P.
(1) Delhi and Peshawar . . . . .	12,10,452	4	0
(2) Amritsar . . . . .	2,56,254	11	9
(3) Cawnpore . . . . .	38,685	2	3
(4) Farrukhabad . . . . .	19,977	2	6
(5) Calcutta . . . . .	27,217	4	9
(6) Jaipore . . . . .	5,130	7	6
(7) Jammu . . . . .	37,779	12	0
(8) Sukkur . . . . .	21,162	9	3

(iv) The production of yarn for weaving during the last year is as follows:—

	lbs.
Of counts below 28s . . . . .	14,432,209
Of counts over 28s . . . . .	829,448
Total . . . . .	<u>15,261,657</u>

(v) The competition is daily increasing and the very fact that the purchaser has got the option to purchase an alternative thing though of a different quality is by itself a competition.

(vi-viii) Yes.

(ix) This depends upon the demands of the market. A little of the finer goods are sold in grey state.

(x) (a) It was quite correct in years gone by but at present Japan is making incidious advances.

(b) There is both direct and indirect competition between Lancashire and Indian goods.

(xi) (a) Yes.

(b) Cannot say.

(xii) Cannot say.

(xiii) Yes.

(xiv) Cannot say.

(xv) This is true under the present circumstances.

(xvi) This may have been so before but not now.

(xvii-xix) Yes.

(xx) We do not use any artificial silk.

(xxi) We do not agree. When goods manufactured wholly or partly from artificial silk can be available at very competitive prices as compared with cotton goods, nobody cares to buy the latter.

2. We cannot say.

3. There is very keen competition amongst Indian mills, which keeps down the prices of cloth for the consumer in spite of the import duty on piecegoods. A statement showing the price of cloth for the last few years is appended below:—

	1927.	1928.	1929.	1930.	1931.	1932.
	Rs. A.	Rs. A.	Rs. A. P.	Rs. A.	Rs. A. P.	Rs. A.
5210 . . . . .	3 1	2 2	2 12 0	2 13	1 14 6	2 0
3600 . . . . .	2 14	2 11	2 11 6	2 13	1 13 0	1 15
3624 . . . . .	7 12	6 12	6 10 0	5 5	4 2 0	4 4
744 . . . . .	2 2	2 2	2 0 0	1 11	1 12 0	1 8

4. Cannot say.

5. Yes.

6. The financially strong Indian mills are working to the full capacity and it is not possible for them to increase their production in the immediate future at any rate and in case the import duty is withdrawn the weaker mills will go to the wall and the gap in production will be filled by imported cloth. It may not be out of place to say that the present schedule of railway freight is also very very detrimental to the expansion of industry.

7. (a) The railway freight on cotton from the principal centres of cotton cultivation to Delhi is as follows:—

	Rs. A. P.		Rs. A. P.
Lyallpore . . . . .	1 5 6	Ujjain . . . . .	1 9 0
Nagpur . . . . .	2 9 6	Hathras . . . . .	0 5 0
Broach . . . . .	2 4 0	Abohar . . . . .	0 12 6
Bombay . . . . .	2 8 3		

(b-e) Do not concern us directly.

8-10. Cannot say.

11. (a) Yes, because of the disparity between American and Indian cotton.

(b) It will mean less profit to the cultivator firstly because of less realisation on low staple cotton, secondly by increasing competition in that class.

12. (a) Cannot say.

(b) To some extent.

13-14. The principal classes of imported cloth which generally enter into competition with our manufacture directly or indirectly are dhoties, bleached and grey shirtings and longcloth, striped coloured goods, susis and saries, cambrics, sheetings, drills.

15.

—	1927-28.	1928-29.	1929-30.	1930-31.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
I.—Labour inclusive of bonus and allowance with No. VI.	11,33,045 0 0	15,88,254 0 0	16,71,211 11 4	19,73,056 2 3
II.—Fuel & power . . . . .	2,00,000 0 0	2,06,401 6 0	2,11,465 1 6	2,81,975 9 3
III.—Water . . . . .	1,236 0 0	1,639 0 0	6,695 0 0	1,410 8 0
IV.—Stores consumed . . . . .	6,22,389 9 9	8,11,872 4 5	8,21,500 14 8	9,15,388 15 9
V.—Repairs & maintenance	90,000 0 0	5,21,142 3 10	1,10,928 2 3	2,22,638 8 9
VI.—Supervision and office allowance and establishment . . . . .	..	(See No. 1.)	..	..
VII.—Insurance . . . . .	33,698 14 2	26,783 8 3	28,911 15 9	29,802 9 0
VIII.—Rent, rates and taxes (excluding income and super-tax).	10,766 5 0	13,682 0 9	14,812 6 9	18,264 6 9
IX.—Packing . . . . .	..	..	..	..
X.—Selling expenses showing separately expenses of sales through (a) agents and (b) shops.	..	2,65,822 0 0	2,97,783 0 0	3,19,735 0 0
XI. Other expenses incurred	30,456 6 3	52,756 12 7	37,119 14 9	52,817 7 2
	Yds.	Yds.	Yds.	Yds.
XII.—Total output of cloth	7170,457	9,029,138	10,575,701	12,682,723
	lbs.	lbs.	lbs.	lbs.
XIII.—Total output of yarn including both yarn used at the mill and yarn sold outside.	8,408,854	10,525,714	11,418,283	13,354,776

16. No separate record is available.

17. A statement showing the cost and the selling price of some of our principal qualities in the current month is appended below:—

	Quality No.	Cost price.		Selling price.	
		Rs.	A. P.	Rs.	A. P.
Dhoti	2054	1	10 6	1	11 0
„	6046	2	13 6	2	14 0
„	962	2	11 6	2	13 0
Sheet	72½	1	7 0	1	8 6
Latha	1403	7	14 0	8	2 0 per 30 yds.
Malmal	2755	4	8 0	4	9 0 per 20 yds.

18. The average price per maund (delivered at mill) in each year during the past five years of raw cotton of the kind used in the manufacture of each kind of cloth—

	30th June, 1928.	30th June, 1929.	30th June, 1930.	30th June, 1931.	30th June, 1932.
	Rs. A.	Rs. A.	Rs. A.	Rs.	Rs. A.
Delhi cotton (Indian)	31 8	28 8	20 4	12	15 8
American cotton (Lyall- pore)	42 0	38 0	30 6	20	24 0

19. Profits for the last five years are as under:—

	Rs.	A. P.		Rs.	A. P.	
1927-28	8,71,866	10 6		11,22,429	9 1	
1928-29	9,44,029	8 4				1930-31
1929-30	7,20,762	13 10				1931-32

20-21. No separate figures available.

22. The variation in the cost since 1927 is due among other things to the following causes:—

- (a) Improvement in working conditions.
- (b) Increase in the efficiency of labour.
- (c) Increase in the efficiency of management by reinforcing the staff with technically equipped man.
- (d) Better machinery.
- (e) Use of better cotton.

23. The increase in the cost over the figures of 1931 is due to the following:—

- (1) imposition of duty on raw cotton,
- (2) on machinery,
- (3) on dyes and stores and
- (4) surcharge on railway freight and coal.

We estimate the total increase for the above in the cost will be about 1 anna per lb.

24-26. Cannot say.

27. We consider a mill with 30,000 spindles and 750 looms to be one of economical size. It will be capable to manufacture about 11,000 lbs. of yarn and about 11,500 to 12,000 lbs. of cloth per day of 10 hours working on the average 25s count.

28. In 1928 cost of machinery will be about Rs. 18,00,000 and building Rs. 7,00,000.

In 1932 cost would be machinery Rs. 20,00,000 and building Rs. 6,50,000.

29. On first class buildings 2½ per cent., machinery and plant 5 per cent., electrical machinery 7½ per cent. These rates are pretty satisfactory, but double depreciation should be allowed for mills working double shifts.

30. (i) The average value of the stocks of materials including raw cotton and of finished goods and

(ii) the average outstandings in respect of goods sold as on 30th June of the last five years are as under:—

	(i)		(ii)	
	Rs.	A. P.	Rs.	A. P.
30th June 1928 . . . . .	21,26,149	5 6	6,35,517	11 3
30th June 1929 . . . . .	21,72,472	4 0	8,27,507	6 4
30th June 1930 . . . . .	15,59,095	4 6	7,68,860	8 11
30th June 1931 . . . . .	17,94,680	0 8	1,13,966	12 0
30th June 1932 . . . . .	26,70,593	7 8	1,99,684	13 3

31. No. The Imperial Bank of India asks for about 1 per cent. over bank rate on borrowing which averages to about 7 per cent.

32.

	Rs.	A.		Rs.	
1927-28 . . . . .	1,10,543	0		1930-31 . . . . .	1,62,166
1928-29 . . . . .	1,55,444	4			
1929-30 . . . . .	79,543	6			

33. No.

34. (i) Copies of balance sheets are enclosed herewith.

(ii) We pay 10 per cent. on net profits after deducting depreciation to the secretary as his commission.

35. (i) Further reduction in the cost of manufacture can be effected by—

(a) introduction of the system of four looms to a weaver basis,

(b) special facilities for borrowing to sound concerns.

(ii) (a) The present system is quite satisfactory only if the spinners are a little more efficient, they can work better.

(b) the 4 looms system would be very advantageous.

(c) We are trying for the same but the labour is proverbially obstinate.

(d) The advantages of adoption of automatic looms are very problematical. The inefficiency of Indian labour and the high cost of cotton and machinery that should be put in are two great stumbling blocks.

(iii) The Government should open technical schools in the mill area and give liberal grants to those already in existence.

(iv) Specialisation of certain mills on certain class of goods is very good in principle except that it will involve more circulating capital, during the slack season and further it will be difficult for the mills to change to new class of goods in case of the ever-changing demands of the market.

(v) We do not think that the amalgamation of the present mills will be very beneficial.

(vi) The installation of new and up-to-date machinery will go a long way to improve the present degree of efficiency.

(vii) Yes.

(viii) There is no over capitalisation in the Delhi mills. It will be best to calculate the capital of a concern on the basis of the machinery installed in it. This will present both over capitalisation and under capitalisation.

(ix) No.

(x) Does not concern us.

(xi) Our relations with our labour are quite happy.

(xii) The Managing Agents of our mills are not interested in the sale of any mill stores or other articles. Stamping of double numbers on yarn is unknown here. Strict supervision is exercised in our folding department. We try to deal directly with the consumer and think that our present system of sale is quite satisfactory. The Managing Agents do not act as cloth and yarn selling agents and do not require any commission on that account.

36. No.

37. Cannot say.

38. In some countries the Banks allow credit on foreign bills of exchange relating to exports, the railways and the steam lines also give refund on certain exports.

39. We think that adequate duty should be imposed on foreign piece-goods for a reasonable period with anti-dumping legislation.

40. Does not arise.

41. Should be continued.

42. The definition of plain grey should be modified so that there may be no possibility of plain grey sheeting being passed as cotton tigris by dividing the piece by transverse woven headings and thus avoiding the payment of As. 3-6 per lb. of duty.

43. Yes, protection is required against goods made wholly or partly from artificial silk.

44. We have no objection to give preferential duties on goods from United Kingdom but this should not at the cost of the Indian producer.

45. We think that the following assistance should be given to the industry:—

- (1) Repeal of super-tax.
- (2) Abolition of duty on machinery.
- (3) Abolition of duty on cotton.
- (4) Abolition of duty on stores and colours.
- (5) Allowance of double depreciation on machinery working two shifts by the income-tax department.
- (6) Local bodies should be asked not to tax the articles of raw materials, and coal; and store and machinery required for the industry and to give preferential treatment to them.
- (7) Reduction of railway freight on finished goods from Delhi to Calcutta and other principal centres.
- (8) Reduction of railway freight on coal.

### The Maharaja Mills Co., Ltd., Baroda.

*Letter dated the 6th August, 1932.*

We thank you for sending us a copy of the questionnaire prepared by the Tariff Board in connection with their inquiry into the Indian Cotton Textile Industry and we confine our replies to all questions which are familiar to us as follows:—

1. (ii) Calcutta is not the principal market for grey cloth, etc., but United Provinces is also a very big market which consumes grey cloth, dhoties, etc.

(ix) Your remarks about little production of finer class of grey goods are not true, because since Mr. Hardy reported about 10 per cent. more mills have gone on finer counts as reflected in imports of foreign cotton.

(x) This is not true: now Indian mills have been producing goods which have broken the monopoly of Lancashire.

(xv) Lancashire is also a serious external competitor because import duty on cotton and increase in duties on colours, etc., are serving as a great handicap when added to the exchange already favourable to imports from England.

(xvi) These statements are not true now because the years have depreciated.

5. When Bombay mills cut prices, all other mills elsewhere are compelled to reduce prices also.

6. The circumstances are that all centres will be generally affected and at all places the weaker mills will have to stop working and imports will be facilitated.

11. The decline in the output of mills will only generally affect the cultivators adversely.

12. The cotton imported is of different quality and staple and so the import duty does not help the cultivators.

13. (a) Generally all classes of cloth are imported and they compete directly or indirectly with Indian mill-made cloths.

20. The percentage of wastage and raw cotton in the manufacture of yarn is 10 per cent. and that in the manufacture of cloth is 2½ per cent.

21. About 25 per cent. additional weight.

22. The variations are due to various causes.

23. The present costs of manufacture are higher by about 2 per cent.

27. We consider 20,000 spindles and 500 looms will be a reasonably economical size for a mill in India. The cloth produced will be about 20 lacs lbs. per year.

28. About 5 lacs were required before and now 12 lacs are required for erecting a mill. There is not much difference between the years 1928 and 1932.

29. 2½ per cent. depreciation is allowed on buildings and 5 per cent. on machinery. In single shift the depreciation is quite in order but in case of double shift it is much less.

31. Yes, working capital can be borrowed and the rate of interest is from 5 to 6 per cent. for this capital.

32. On our side the Managing Agents do not charge anything for office allowance and expenses. They get only 3½ per cent. commission on sales.

33. We do not get anything in addition to remuneration by commission on sales as per items in question 33.

34. (a) Our balance sheets are enclosed herewith for your perusal.

(b) We enclose the articles of association of our mills and have to request you to refer to Appendix A regarding the managing agency terms.

35. N. B. (i) From experience we can say extension of piece-work to all departments and all jobbers even will affect economics.

(iii) Night schools should be opened for technical education.

(iv) As to difficulties under which the mill industry labour be relieved, etc., we believe specialisation is taking place.

(v) Amalgamation and grouping of mills so as to constitute larger units in one general control are not possible.

(vi) As to measures to improve the existing system we have to say that due to depression costs have per force reduced to minimum.

(vii) Yes, we agree to the suggestion as regards depreciation being a first change.

(viii) As regards steps to be taken for writing down capital in case of those mills which have not already done so, they may not be possible.

(ix) It is desirable that the mills should bind themselves to limit dividends until certain conditions have been satisfied, but it is not practicable.

(x) (a-d) The suggestions about the co-operation, etc., are not possible.

(xi) More education will bring about better relations between the mill and management and the labour employed.

(xiii) The members of the managing agency firms are getting educated in technical knowledge.

36. The Indian Cotton Textile Industry is not hampered in the least by the existing Company Law in India.

39. We suggest 50 per cent. duties should be levied on all imports of cloth irrespective of the countries of origin because Japan is not the only country that has profited by a depreciated currency.

44. No preferential system is required in case of Lancashire because in view of Mr. Hardy's own opinion they hold their own place in India.

We have tried to give you our replies as above and the different statements are attached herewith in serial number together with copies of balance sheets, memorandum and articles of associations which kindly keep confidential and oblige.

#### STATEMENT OF RAILWAY FREIGHT.

##### *For Cotton.*

<i>From</i>	<i>To</i>	<i>Rate per</i>
		<i>Bengali Maund.</i>
		<i>Rs. A. P.</i>
Surat . . . .	Baroda . . . .	0 5 6
Broach . . . .	Ditto . . . .	0 3 10
Viramgam . . . .	Ditto . . . .	0 6 7
Wadhwan . . . .	Ditto . . . .	0 8 9
Lyallpur . . . .	Ditto . . . .	3 3 11
Dhrangadhra . . . .	Ditto . . . .	0 9 10
Ujjain . . . .	Ditto . . . .	0 12 5
Hubli . . . .	Ditto . . . .	2 4 9
Ratlam . . . .	Ditto . . . .	0 9 4
Navsari . . . .	Ditto . . . .	0 6 5
Okara . . . .	Ditto . . . .	2 13 5

##### *For Cloth.*

<i>From</i>	<i>To</i>	<i>Rate per</i>
		<i>Bengali Maund.</i>
		<i>Rs. A. P.</i>
Baroda . . . .	Ahmedabad . . . .	0 4 10
Ditto . . . .	Carnac Bridge . . . .	0 14 3
Ditto . . . .	Calcutta . . . .	3 3 6
Ditto . . . .	Agra . . . .	1 12 11
Ditto . . . .	Hathras . . . .	1 13 11
Ditto . . . .	Cawnpore . . . .	1 14 0
Ditto . . . .	Jayanagar . . . .	3 7 10
Ditto . . . .	Biavar . . . .	1 2 11
Ditto . . . .	Delhi . . . .	2 0 5
Ditto . . . .	Bharatpur . . . .	1 12 5



(1) *Representation on behalf of the Hosiery Manufacturers Association of Bengal for Protection to the Hosiery Industry.*

*Early History.*—The history of the Hosiery Industry in Bengal begins with the opening of the Oriental Hosiery Limited in the year 1896 at Kidderpore, a place within the municipal area of Calcutta. The plants and machinery consisting of a full set of Cotton's patent flat bed including boiler engine, steam presses, etc., were imported from England, the maker's name being Messrs. Moses Mellor and Sons. Three English experts came with the machinery for erecting them and training the operatives.

The next important period commenced in the year 1905, when many a small factories started in Calcutta and began to spread all over Bengal.

1914-30.—With the commencement of the Great European war in the year 1914 the industry got a fresh impetus and began to grow in size and number.

The underwear manufactured by the local industry was heavy and durable and there was a constantly growing demand for it. In the year 1924-25 the annual value of Hosiery goods manufactured by the power driven factories only, rose to about Rs. 30 lakhs. There were innumerable small factories with hand machines whose output was not ascertainable. The value of all sorts of hosiery imported to Calcutta from Japan was about Rs. 54 lakhs in the same year. For some years past, the Japanese competition was getting more and more keen. She was competing with the local hosiery by adopting various unfair means. She was not only imitating the local hosiery in their designs and got up in order to mislead the consumers but also exported articles bearing trade marks in imitation of popular brands of local industry.

Some articles were without any trade description whatsoever which were stamped by the unscrupulous dealers according to their desire, others, bearing imitative trade descriptions with country of origin so artfully contrived that it was not easily discernible. While on the one hand the Japanese hosiery continued to compete with the superior Bengal Hosiery by their heavier qualities bearing trade descriptions in imitation of local manufacture, on the other hand, they were flooding the market with varieties of cheap inferior quality goods. This state of things continued until the year 1929-30 when due to this all-round Japanese competition aggravated by the depression in trade, the Bengal Hosiery Industry experienced a great crisis. Most of the factories began to work at a loss. Many factories have closed down, or changed hands since then. Over and above this the local manufacturers have received a fresh shock in the shape of fall in the value of Yen in terms of Rupee, which, as apprehended by many may prove a death blow to the industry, if no timely action is taken by the Government to save it. The value of Yen which rose to Rs. 204 for 100 Yen sometimes back fell to Rs. 130 for 100 Yen some three months hence, until at the time of writing it is Rs. 98 for 100 Yen. Some of the factories have curtailed their production, others are selling below costs, while the rest are holding stocks with a very uncertain future.

A fresh cause of anxiety has appeared in the shape of the rising tendency of the value of Indian Cotton in sympathy with the prospect of American crop. The disastrous effect on the local industry of the rising cotton value connected with the falling Yen may easily be understood.

*The Hosiery Industry forms a class by itself.*—The hand machine section of the Hosiery Industry may be classed as Cottage Industry. It requires like other cottage industries small capital and simple machinery, and its field of action and development are confined more or less in the local market.

The power-driven section of the Industry is neither a cottage nor a big scale industry. As against cottage industry it consists of complicated machinery requiring highly technical knowledge to operate and maintain them, requires comparatively big capital and also a more through selling organisation which covers a much wider market.

On the other hand, it is not a Big Scale Industry. In the power driven section the process of Hosiery Manufacture may be divided into two stages:—

*Dept.—*

- (1) The knitting department with the bleaching and dying.
- (2) The tailoring and finishing department.

The first stage of Hosiery Manufacture may be compared with the Cotton Mill Industry and it may appear that the advantages of a big scale production may be secured in this department by specialisation. But this is limited by the nature of Hosiery Market the life of which is variety and changefulness—

- (1) The Hosiery Market is seasonal, i.e., qualities changing with seasons; heavier qualities during Winter and lighter qualities in Summer.
- (2) Peculiar demand for designs and fashions in particular local markets—some requiring bleached qualities, others gray; some preferring round necks, others button fronts; some requiring short lengths with short sleeves others with longer lengths for the same sizes; some preferring heavy weight others light weight in the same season.
- (3) Another peculiarity is its changefulness. The fashions and designs are always changing. In fact an ingenious manufacturer is always devising on producing a novelty that will catch the fancy of the consumer and which will keep him out of competition with the other qualities.

It is obvious from this, that if a hosiery department is started in a cotton mill it cannot work with any special advantage as the department would require different counts and qualities of yarns in small quantities, unless it chooses to manufacture only one quality with the effect of over production in a market.

The second stage of the power driven section of the hosiery industry consists mainly as has been shown before, of manual labour and sewing operations, where skilled labour predominates. Obviously the advantages of a big scale production cannot be carried far enough in this department by division of labour and by classification or specialisation of work. This department consumes the major portion of the cost of production, viz., out of a total of Rs. 2-4-9½ the sum of Rs. 1-10-10½ goes to this department where greater economy under big scale production cannot be effected. So, hosiery industry though not a cottage industry is by its nature a small scale industry.

*Labour.*—Labour employed in hosiery industry is recruited from intelligent middle class men, most of them can read and write. Besides a special training required for attending to various kinds of knitting machines, skilled labour is necessary in most of the operations.

*Hand Machine Section.*—The standard of efficiency attained by the workers of this section was a matter of marvel. In almost every factory workers could be found who could produce 50 per cent. to 100 per cent. more than the specified production of the makers of the machine. But with the foreign competition behind it no amount of dexterity or special aptitude on the part of the operatives is standing in their stead. It is dying.

In the power driven section labour with special training required. In almost all the factories the system of giving practical training through apprenticeship is in practice. An institution for giving technical education in these lines is badly needed. It may be noted here that a few years back the manufacturers in Calcutta met the Director of Industries, Bengal, in a conference in which it was unanimously resolved that the Government of Bengal should be asked to open an institute for the purpose, but up till now we see no signs of its coming into being. As it is the operatives are on a quite satisfactory footing as regards their working efficiency is concerned. In the tailoring and finishing department of the power driven section where manual labour is largely resorted to, it seems incredible that their efficiency would be excelled by any other type of workers.

*Unfair Japanese Competition.*—It is a matter of common knowledge that unlike India, state aid in various forms exists in Japan to help the local industry. Both financial and legislative help is extended through shipping, bounties and rebates, guilds of export and manufacturers, high and sometimes prohibitive tariff wall and labour legislations allowing longer hours of work and more facilities for women and children employment than in India. We have to add to this the very important factor, *viz.*, the exchange which is artificially manipulated to stimulate export trade. The combined effect of these factors is exerting a ruinous influence on the local industry. The effect may easily be understood by taking into account the cost of manufacture of the sample of local hosiery submitted with the statement—

	Rs. A. P.
Cost of yarn per lb. . . . .	0 9 0
Cost of knitting the yarn into fabric and bleaching and dyeing, per lb. . . . .	0 2 9
Total . . . . .	0 11 9
Taking grey weight of yarn per doz. 3½ lbs. the cost comes to . . . . .	2 9 1½
We have yet to add Rs. 1-10-9 per doz. as cost of tailoring and finishing operations including cost of other materials, etc., and share of overhead charges (Rs. 2-9-1½+1-10-9=4-3-10½). . . . .	.....
But the c.i.f. price of Japan quality No. 1110 calculating on an exchange at Rs. 115 for 100 yen is only . . . . .	2 4 9½
Again calculating the exchange at Rs. 93 for 100 yen the c.i.f. price would be considerably lower (this exchange rate is prevailing at the time of writing) . . . . .	.....

It may be noted here that the absence of any permanent board with summary powers similar to that existing in Japan to meet these emergencies is being strongly felt by the local industries.

To enter into a discourse as to the motive with which the Japanese Government is doing this would be of a speculative nature. The Tariff Board with all the resources of the Government of India at their disposal, are more competent to find it out. We might only mention one thing for their consideration. Almost all the Governments are faced with the problem of unemployment. Some of them have to support the unemployed labour out of Government Revenue. If the Japanese Government choose to keep labour fully employed in their respective industries and help the sale of the products through depreciated exchange they would be serving a double purpose. On the one hand they would save the uneconomic expenditure of supporting the idle labour and on the other hand they would be securing a permanent market by dumping.

We have to add to this the many other economic causes which compel a manufacturing trade to undersale, *viz.*, (1) over production; (2) unexpected depression, (3) purchasing excess of raw materials at a speculative price, (4) unexpected closing one or more markets with the result of concentrating on the rest, etc.

Another aspect of the unfairness of the competition is the export of Japanese hosiery into India bearing trade descriptions in imitation of popular brands of local manufacture as has been stated before. It may be noted here, that Mr. K. C. Neogy, M.L.A., moved a bill in the Assembly under the title of The Indian Merchandise Marks (Amendment) Act, 1926. It passed through

several stages and was at last referred to a select committee sometime in the year 1929 and it was evident that the principle was accepted by the Government of India. But we have no information as to the fate of the bill.

*Calcutta as the Chief Dumping Centre.*—From a study of the Import figure it will be found that the major portion of Hosiery imported into India comes through Calcutta Port. In the year 1930-31 the total value of hosiery imported into India was Rs. 27,80,251, the share of Bengal being Rs. 53,91,767, i.e., about 62 per cent. of the total import in value. Again the total value of Japanese imported hosiery into India in the year 1931-32 was Rs. 41,58,674. The share of Bengal for Japanese imports calculating as above at 62 per cent. was Rs. 25,78,377 so the burnt of Japanese competition in Hosiery is borne by the Bengal Hosiery Industry.

We may mention here the annual value of Bengal Hosiery for comparison. The quantity of Hosiery goods manufactured by the power driven factories in Bengal is 4,71,744 dozens. Calculating the average cost price at Rs. 4-4 per dozen the value comes to about Rs. 20,04,912. When comparing with the Japanese value it should be remembered that while the Japanese figure includes the value of socks and stockings and other sorts the Bengal figure does not include the value of the production of the hand machine sections.

*Unhealthy Competition.*—One of the worst features of the competition is that it has brought in a tendency of reducing the prices at the cost of quality. Application of sizing and weighting materials in the manufacture of local hosiery and the introduction of bad practices in the selling method is being resorted to by some of the local manufacturers. These along with other questions are under consideration of the Association.

*Consumers' Interest.*—In considering the question of protection to the local industries an entirely erroneous view of what is commonly described as the consumers' interest is put forth. Local manufactures of higher prices are sometimes cheaper to the consumers than the cheapest of the imported goods.

The cheapness of Japanese hosiery, as in all other commodities is mostly taken advantage of by the dealers and not by the consumers. We have to remember the most important factor in the selling organisation, viz., the middle men consisting of the importer, the wholesale dealer, the distributor and the retailer through whom both the imported goods as well as products of local manufacture have to pass before they reach the consumers. In considering the question of competition in prices we have really to take into consideration the middle men and not the consumers. In case of cheaper quality goods the bulk of the difference in price between it and that of the higher quality goods is absorbed by the middle men so that the actual difference in price which the consumer enjoys does not represent the intrinsic value of the cheaper quality goods. It should be noted here that the local hosiery is sold by their trade mark and consequently they are less liable to fluctuations in price, so the dealers do not find it as profitable as the Japanese hosiery so long as such great difference in price exists.

Then again if the local hosiery industry is allowed to perish unprotected as a result of this unfair competition the consumers will be left to the mercy of the foreign manufacturers which certainly is not an enviable position. On the other hand if the local industry is allowed to grow and develop under proper protection the healthy internal competition will always act as a check against the profiteering tendency of the manufactures and will induce them to improve their qualities more and more to the benefit of the consumers. Further with the growth and development of the local industries in a country every citizen in it will have his share in the prosperity of the country. The interest of the consumer should not be isolated from the interest of the citizen in order to support an unhealthy competition like this.

*Highly Taxed Industry.*—Nascent as it is this industry is saddled with the following among other taxes, excluding licenses and other dues:—

- (a) Duty on machinery.
- (b) Duty on needles.

- (c) Duty on spare parts.
- (d) Duty on lubricants and other auxiliaries.
- (e) Duty on chemicals and dyes.
- (f) Duty on raw materials (in some cases).
- (g) Income-tax.

Consistently with the principle followed in other countries the Indian Fiscal Commission recommended that the raw materials used in Indian Industries should be admitted free of duty. This applies with greater force to the present case where the industry is an infant one.

As a result of several deputations and representations the Government of India proposed certain concessions—in the shape of relief towards the duties of needles and certain other parts in the Budget presented to the Indian Legislative Assembly a few years back, but unfortunately the whole Finance Bill was thrown out and this industry never got the relief so offered.

Now that the matter has come up before the Tariff Board the following may be recommended duty-free in aid of this industry:—

- (1) Hosiery machine needles.
- (2) Hosiery machine.
- (3) Hosiery machine parts.

On behalf of this industry it is further prayed that the Tariff Board may recommend to the Government of India to take early steps to amend the Indian Merchandise Marks Act, 1889, in some suitable way so as to stop unmarked goods from Japan or those marked with colourable imitations of Indian marks may be effectively stopped. A Trade Mark Registration Act for India will also be very much to the advantage of all Indian manufacturers.

*The nature and extent of protection required.*—It has been shown by comparison of two samples of Japanese and local hosiery that the c.i.f. price is lower than the bare cost price of a similar local hosiery by 62 per cent. In fixing a rate of Import duty the question of proper amount of profit and that of an adequate protective effect should be taken into consideration. But considering the dumping effect produced by the unsteady yen exchange, as a result of which the industry is passing through a grave crisis, it would be to the great advantage of the industry if a system of adjustable tariff is adopted which will at once counteract the effects of the changing exchange rate. The urgency of an automatic countervailing effect on falling exchange may well be understood when the necessarily limited sustaining power of the factories composing the industry, is taken into account.

It may be noted here that the narrow classification, under which the imports of hosiery are returned in the annual statement of sea-borne trade does not allow a closer study of the effects of Japanese competition through their numerous varieties.

*Nature of the Enquiry (Confidential).*—It will be obvious to the Board that the figures for the indigenous industries are exposed to the foreign manufacturers who are on their part completely safe from such exposures, and which gives them opportunities of starting unfair competition much to the detriment of the Indian manufacturers.

The guiding principle of the Tariff Board, being to examine the possibility of keeping Indian industries alive by affording protection to the indigenous industries wherever necessary, it is earnestly requested in the interest of the very industries which the Board wants to protect, that all figures submitted to the Board may be treated strictly confidential.

Appended herewith is a list of power driven factories in Bengal showing capacity per day.

## APPENDIX.

No.	Names of factories (Calcutta and Suburbs).	Number of knitting machines.		Capacity in dozens per day.	
				Single shift.	Double shift.
1.	Kalighat Hosiery Factory . . . . .	2	8	42	80
2.	Kidderpore Hosiery Mill . . . . .	5	5	54	100
3.	N. Bose's Belegkata Hosiery Factory, Ltd. . . . .	7	24	166	300
4.	Bharat Lukshmi Hosiery Mills . . . . .	5	6	56	100
5.	Jhamapukur Hosiery Factory . . . . .	5	—	46	80
6.	Desbandhu Hosiery Factory . . . . .	2	3	25	40
7.	Standard Hosiery Factory . . . . .	—	2	6	10
8.	Ghosal Brothers . . . . .	—	5	14	25
9.	Annapurna Hosiery . . . . .	4	—	40	75
10.	L. Banerjee . . . . .	—	3	6	10
11.	P. Bhattacharjee . . . . .	—	2	4	8
12.	Labour Hosiery . . . . .	—	3	6	10
13.	Kuthari Hosiery Mills . . . . .	5	7	60	110
14.	Sealdah Hosiery Mills . . . . .	3	—	30	55
15.	Calcutta Hosiery Mills . . . . .	3 (2)	—	25 (8)	45 (15)
16.	Mohalaxmi Hosiery . . . . .	—	2	8	15
17.	D. N. Bose's Hosiery Factory . . . . .	—	12	48	90
18.	Simla Hosiery Factory . . . . .	3 (5)	9	42 (30)	75 (55)
19.	Banga Laxmi Hosiery Mill . . . . .	6	6	60	110
20.	Imperial Hosiery . . . . .	1 (5)	2	12 (30)	20 (55)
21.	Kappur Hosiery Factory . . . . .	4	1	22	40
22.	Crown Hosiery . . . . .	—	4	10	18
23.	Shaha Brothers Hosiery Fac- tory, Calcutta . . . . .	6	12	130	180
24.	Parjoar Hosiery Factory, Ltd. . . . .	12	3	100	180
25.	Kesoram Cotton Mills' Hosiery Factory, Ltd. . . . .	12	—	100	180*
26.	Tollygunj Hosiery Factory . . . . .	20	3	170	300
27.	Sriram Hosiery Factory, Pabna, Bengal . . . . .	—	3	16	30
28.	Pabna Silpa Sanjibani Co., Ltd. . . . .	13	6	135	260
29.	Radha Krishna Hosiery Mills . . . . .	5	2	40	75
30.	Bonomally Hosiery Factory . . . . .	4	5	50	90
31.	Pabna Laxmi Hosiery, Ltd. . . . .	3	2	32	55
32.	Harinath Hosiery Factory . . . . .	4	—	32	60
33.	Shaha Brothers Hosiery Fac- tory, Pabna . . . . .	—	6	24	45
34.	Pabna Textiles, Ltd. . . . .	4	2	36	60
35.	Bharat Mangal Hosiery Fac- tory, Ltd. . . . .	2	—	16	30
36.	Pabna Silpa Samabaya, Ltd. . . . .	4	—	32	55
37 & 38.	Two factories at Himayet- pur.				

\* Actual present production 275.

No.	Names of factories (Calcutta and Suburbs).	Number of knitting machines.		Capacity in dozens per day.	
				Single shift.	Double shift.
<i>Dacca and other districts.</i>					
39.	Harimohan Knitting Mills, Dacca . . . . .	3	3	36	65
40.	Brindabon Knitting Mills, Narangunj . . . . .	2	4	32	55
41.	Charu Chandra Ghosh, Dacca . . . . .	2	—	16	28
42.	D. K. Chaudhuri, Dacca . . . . .	3	2	28	50
43.	Guha Brothers . . . . .	4	—	32	55
44.	Nabin Ch. Shaha, Comilla . . . . .	2	—	16	25
45.	Bharat Hosiery, Nilphamari . . . . .	3	—	24	42
46.	One factory at Bhola.				
		163 (12) 157		1,849 (68) 3,336 (125)	

The figures within brackets indicate the number of stocking machines and their output in dozens.

Annual output in dozens  $(1,849 \times 25 \times 12) = 554,700 + (3,336 \times 25 \times 12) = 1,000,800$  dozens.

Weight in lbs.  $(554,700 \times 3\frac{1}{2}) = 2,080,125 + (1,000,800 \times 3\frac{1}{2}) = 3,753,000$  lbs.

(2) *Answers to the questionnaire received from the Hosiery Manufacturers' Association of Bengal.*

1. (i) *Total number of factories in India.*—It is difficult to ascertain the correct number of hosiery factories in India. Only those driven by power fall within the province of the Director General of Statistics under the Cotton Industries (Statistics) Act, 1926. Even there it seems the department cannot get into touch with all the factories. Those driven by manual labour are numerous and they do not find any place in the official record. The total number of hosiery factories in India as given in the Large Industrial Establishment in British India (a Government of India Publication) is 39; the official figure for Bengal being only 15.

According to our estimate the number of factories in Bengal alone are about 150.

(ii) *The number of labourers.*—Official figure for India is 2,946. Official figure for Bengal is 1,022. According to our estimate the number of labourers employed in all the factories in Bengal are about 35,000.

2. (a) *The number of power-driven factories.*—According to our estimate the number of power-driven factories in Bengal are 44.

(b) *The number of factories worked by hand.*—According to our estimate the number of hand-driven factories in Bengal are 100. We have information that many hand-driven factories have started at Dhariwal, Lahore, and also at some places in United Provinces, but we have no correct information as to their number and size.

3. (a) *Plants and equipment.*—(1) Winding machines, for winding yarns on wooden bobbins.

(2) Rib top machines for making cuffs.

(3) Knitting machines of various types and sizes are required to manufacture different quantities, patterns, and sizes of fabrics. For each type of circular machines 4 to 8 machines of different diameters are required for making the necessary sizes of fabrics.

(4) Washing and bleaching machines.

(5) Hydro-extractors.

(6) Drying machines.

- (7) Web-rolling machines.
- (8) Steam calenders.
- (9) Over-edging machines.
- (10) Hemming machines.
- (11) Neck joining machines.
- (12) Flat lock machines.
- (13) Plain sewing machines, chain, double chain or locked stitch.
- (14) Chain stitch machines with four needles for plate joining.
- (15) Button hole machines.
- (16) Screw presses, steam or cold.

(b) *Methods of manufacture.*—(1) In the winding department yarn is wound into bottle bobbins from cops or hanks or cones.

(2) These bobbins are used on the knitting machines for their yarn supply. Fabrics of different widths and texture are manufactured in the knitting department.

(3) Fabrics are then bleached or dyed according to requirement.

(4) Fabrics are then hydro-extracted, dried and calendered.

(5) *Tailoring and finishing department.*—Manual labour is used in cutting the fabrics into bodies and sleeves, in cutting and shaping the arm holes and necks, in cutting the plates and cuffs, in button-stitching, cutting selvedge yarns, mending, checking, ironing, pressing, stamping and packing into cardboard boxes. Sewing machines of different types are all worked by power and some of them work at a very high speed. This tailoring department is the most important part of the hosiery factory. This department is responsible for the major portion of the cost of labour, cost of other materials and supervision: and requires skilled labour; and it is on this department that the success and goodwill of the factory depends.

4. *Principal classes of hosiery goods.*—As we are not representing any particular hosiery factory we will only try to enumerate the principal classes of hosiery goods manufactured by the factories in Bengal—

- (1) Superior cotton yellow (American).
- (2) Superior cotton bleached (American).
- (3) Superior cotton natural (Egyptian).
- (4) Superior cotton bleached fancy tucked stitch or openmesh (American or Egyptian).
- (5) Merciriced bleached (Egyptian).
- (6) Merciriced natural (Egyptian).
- (7) Merciriced coloured (Egyptian).
- (8) Ordinary cotton yellow (Indian).
- (9) Ordinary cotton bleached medium weight (Indian).
- (10) Ordinary cotton light weight (Indian).
- (11) Ordinary cotton fancy tucked stitch, openmesh.
- (12) Cotton sporting jercies.
- (13) Woollen heavy jacquard patterns.
- (14) Coloured artificial silk.
- (15) Socket stocking of finer qualities in power machines.
- (16) Socks and stockings of coarse qualities in hand machines.

5. *Works expenditure per dozen of a typical class of goods.*—We are giving here an estimate which fairly represents the cost of manufacture actually incurred by the factories in Calcutta—

Unit—1 doz., Size—30", Count of yarn—20s (Madura).

(1) *Cost of yarn.*—Weight of finished goods 3 lbs. 2 oz. Weight of grey yarn of same 3½ lbs. (3 lbs. 8 oz.) at As. 2=Rs. 1-15-6.

(2) *Other materials.*—Sewing thread buttons—As. 5.



- (3) *Labour*.—Knitting, bleaching and dyeing, cutting, sewing, button stitching, mending, checking, ironing, stamping, pressing, packing, etc.—As. 12.
- (4) *Power and fuel*.—Power, light, goods, fuel wood and coal—As. 2.
- (5) *Repairs and maintenance*.—Building, machinery, needles—As. 1-3½.
- (6) *Supervision and Office establishment*.—Rents and taxes, clerks, supervisors, menial staff, etc., management charges—As. 6-2.
- (7) *Packing and selling expenses (local market)*.—Cardboard boxes with labels, etc., delivery charges, selling commission 2 per cent.—As. 3-6.
- (8) *Miscellaneous*.—Bleaching chemicals, dyes, lubricating oils, belt-ings, insurances, advertisements, stamps, stationery and printing—As. 1-3½.
- (9) *Depreciation*—As. 3-1.
- (10) *Interest*—As. 2-5½.

Total annual output of all classes of hosiery goods (excepting woollen and artificial silk) of all the power-driven factories in Bengal is—4,71,744 dozs.

Total weight in lbs. of the above is—1,793,064 lbs.

6. *Maximum capacity*.—It has been estimated very carefully that the maximum output of all the power-driven factories in Bengal may easily reach double the above quantity.

7. *An estimate of capital expenditure for a model factory—*

	Rs.
(1) Winding machine (100 spindles) . . . . .	4,000
(2) Circular latch plain web, 11", 12", 13", 14", 15", 16" and 17" . . . . .	17,500 50 dozs.
(3) Beard or spring needles circular, 10", 11", 12", 13", 14", 15" and 16" . . . . .	21,000 28 dozs.
(4) Sweater circular double cylinder, 10", 12", 14" and 16" . . . . .	18,000 16 dozs.
(5) Socks, plain and jacquard, 2½", 3", 3½", 4" and 4½" . . . . .	6,000 20 dozs.
(6) Linking machine . . . . .	500
(7) Rib top machine, 2 (2½"), 2 (3"), 4 (3½"), 1 (4"), 1(4½") . . . . .	7,500
(8) Brushing machine . . . . .	2,000
(9) Hydro-extractor . . . . .	1,500
(10) Washing and bleaching machine . . . . .	3,000
(11) Steam calender, 5 bowl . . . . .	5,000
(12) Over-edging machines of different types (10) . . . . .	6,000
(13) Four needles chain machines (1) . . . . .	800
(14) Chain machines with hemming (1) . . . . .	200
(15) Double chain stitch (2) . . . . .	500
(16) Neck joining machines (1) . . . . .	500
(17) Flat lock (1) . . . . .	600
(18) Buttonhole (1) . . . . .	500
(19) Hydraulic press . . . . .	4,000
(20) Power benches, pulleys, blocks, shafting, motors, dynamoes, boiler, etc. . . . .	10,000
(21) Buildings . . . . .	16,000
	1,25,100
Working Capital . . . . .	1,20,000

8. *Depreciation.*—The income-tax authorities allow 5 per cent. depreciation generally. But this is insufficient; for the knitting machines cannot work satisfactorily after 10 years. The grooves and other indispensable parts get irreparably damaged and sometimes the types of machines get out of date. So at least 10 per cent. depreciation is necessary on these machines on their original value annually.

The sewing machines again are very high speed and light machines and go beyond repair after 5 years. They cannot be used economically after that period. At least 20 per cent. depreciation is necessary on these machines on their original value annually.

9. *Current prices of imported Japanese hosiery.*—Japanese underwear, Quality No. 1110, Maker No. 4730, Importer B. M. Kharwar. Yellow dyed, button front size 30", finished weight 3 lbs. 2 oz., c.i.f. price 240 yen (including 5 per cent. commission for the importer)—

	Rs. A. P.
Exchange at Rs. 115 for 100 yen . . . . .	2 12 2
Wholesale price (25 per cent. import duty plus 5 per cent. charges) . . . . .	3 9 3½

*Cost price of a quality of local manufacture which may be compared with above on the basis of weight.*—N. Bose's Belegkata Hosiery, Ltd., Quality No. 4, size 30", weight of finished goods 3 lbs. 2 oz. (grey weight 3 lbs. 8 oz.)—

	Rs. A. P.
Cost of yarn 3 lbs. 8 oz. at As. 9 per lb. . . . .	1 15 6
Manufacturing cost per doz. . . . .	2 4 9½
Total . . . . .	4 4 3½

Taking into account the superior finish and the cost of higher count yarn of the Japanese quality we have to add at least 3 annas to the cost of local manufactured articles in question. The total comes to Rs. 4-7-3½.

So the difference between the c.i.f. price of the Japanese hosiery and the cost price of the local hosiery is Rs. 1-11-1½.

10. *Quantities of Indian spun and imported yarns.*—As before we are giving the total quantities of yarn consumed by all the power-driven factories in Bengal—

- (i) Indian spun yarn about 1,633,688 lbs.
- (ii) Imported hosiery yarn about 161,376 lbs.

11. *Supply of Indian yarns.*—According to the above figure about 91 of the total consumption of the yarn by power-driven factories in Bengal are Indian. The supply of this quantity of yarn is more than the present demand for it. The quality of the yarn is good enough for manufacturing cheap grade underwear in competition with the Japanese imports. The imported yarn is used for manufacturing superior classes of goods. They are of various counts and qualities. Consequently, very small quantities of each kind is imported. They may be enumerated as Grey American, Yellow Tie American, Bleached American, Grey Egyptian (Maco), Bleached Egyptian Mercirised (Grey, bleached and coloured).

The hosiery yarn would be softer than the weaving yarn and must be uniform in its diameter. Softness of the yarn can be achieved by reducing the twist. The twist of an ideal hosiery yarn would be roughly 3x

(/ number of counts) turns per inch. 16s counts for example will have only  $3 \times 4 = 12$  turns per inch and only about 45 lbs. test. In order to get proper tensile strength cotton of longer staple is used. Good quality imported yarns agree with the above specifications. But for cheaper quality goods that are in competition with Japanese hosiery.

12. *Possibility of getting machinery and accessories in India.*—Knitting machines or their parts are not available in India. They have all been imported by the individual manufacturers. The types and sizes and gauges are so multifarious that no store supplier is encouraged to stock them. Each individual manufacturer imports and keeps in stock his own requirements of needles and sinkers.

Sewing machine makers or their representatives always keep in stock in their Calcutta offices special machines for hosiery and their parts.

It must be noted here that the fact of the knitting machine not being available locally is no disadvantage to the industry. For they are not of daily necessity and further, it has the advantage of preventing the multiplicity of the same type of machines.

The stock of needles and sinkers by the individual factory do not represent a prohibitive sum.

Regarding parts of machinery it is not necessary to stock them. Almost all the important parts are being repaired and replaced locally. Cylinder grooves, wails, cams, pinions, and even the delicate parts of automatic stop machines are repaired satisfactorily. In fact, small workshops with smithy, lathe and drills have sprung up in each centre of the industry, where the artisans are getting used to the repairing of these machines having proper regard to the functions and technicalities of these machines. Moreover, many subsidiary machines with all their component parts have been manufactured, drying machines manufactured locally may be seen working in some of the factories.

(3) *Letter dated the 24th September, 1932, from the Hosiery Manufacturers' Association of Bengal, Calcutta.*

I am directed by my association to refer to the statement made by the Marwari Chamber of Commerce, as mentioned by the Board during the oral evidence of the representatives of the association at Calcutta on the 14th September last, to the effect that the price of Japanese imports of cotton textiles has risen considerably since the rise of prices of cotton some weeks back. It was desired by the President, that the association should enquire and report if Japanese hosiery had its share in the general rise of prices of cotton textiles if any. In obedience to his request enquiries were being made since then. It has been found that the slight rise of prices of piece-goods only which occurred some time back, was the direct effect of the new additional import duty of 18½ per cent. and not due to rise of cotton prices. It has further been found out that the prices have fallen again to their original level.

As regards hosiery no tendency of rise of prices of Japanese cotton hosiery was noticed for some months past.

In finding out the present prices of Japanese cotton hosiery the actual a.f. price of the quality No. 1110 (as mentioned in my representation, in previous page, in answer to the questionnaire No. 9) or similar qualities could not be ascertained from any reliable source.

But the wholesale price at which similar qualities are being sold at the market has been ascertained. I am sending a box of quality No. 1111 for inspection by the Board. It is by the same maker as before, viz., Maker No. 4730 (marked at the bottom of the box) and sold to a dealer by the same importer at Rs. 3-14 per dozen ex-godown for size 30" or 28", 30".

32' in equal quantities (weight 1 lb. 9 oz. for  $\frac{1}{4}$  doz., i.e., 3 lbs. 2 oz. per doz.).

	Rs a. p.
Deducting dealers' commission at 2 per cent. the net value is . . . . .	3 12 9
Taking as before the c.i.f. price . . . . .	2 12 0
Import duty 25 per cent. . . . .	0 11 0
	<hr/>
Charges 5 per cent. . . . .	3 7 0
	0 2 9
	<hr/>
	3 9 9
	<hr/>
Profit 6 $\frac{1}{2}$ per cent. . . . .	0 3 6
	<hr/>
	3 13 3

It should be noted here that the charges were actually found to differ with different importers and that in no case it was so low as 5 per cent. But for want of a more correct and reliable information it has been calculated at 5 per cent. as before. Even at this calculation it exceeds the actual selling price. My association believe that the present c.i.f. price is lower than Rs. 2-12.

It has been further discovered during the enquiry that forward business on similar qualities is being booked at Rs. 3-12 per doz. for November and December deliveries at rupee prices, which as apprehended by my association will further stimulate Japanese imports with alarming results. Owing to the falling exchange for some months past, the increase in the Japanese imports of hosiery was phenomenal as will be found from the comparative import figures given below.

*Value in Rs. of cotton hosiery imported from Japan.*

[Compiled from (monthly) accounts relating to Sea Borne Trade of British India.]

	1931.	1932.	Average monthly rate of 100 yen. exchange.
	Rs.	Rs.	Rs.
January . . . . .	3,16,378	2,17,672	145
February . . . . .	3,45,969	1,73,415	136
March . . . . .	3,93,505	2,98,537	122
April . . . . .	2,93,241	3,84,093	121
May . . . . .	2,42,991	4,32,940	120
June . . . . .	2,71,474	5,63,616	115
July . . . . .	2,73,770	6,53,058	107

Considering the fall in prices the increase in quantity would be considerably higher than the increase in value as is indicated by the difference in the corresponding months. The result has been a dead-lock in the market and the consequent loss of the much hoped for Puja Season to the local industry. The worst apprehensions of my association as expressed in the concluding portions of the history (in page 2 of the 2nd part of the Representation) are coming to pass.

I am further directed to point out that the name of the importer as mentioned in the Representation (page 7, answer 9, 1st part) was not meant for publication in the Report.

2. I have to refer next to the estimate of wastage in the process of manufacture of cotton hosiery [as mentioned on page 4, answer 5, sub-head (1) cost of yarn] and have to point out with extreme regret the mistake, in the calculation that was discovered during the said oral evidence. In

compliance with the request so kindly made by the Board to the representatives of my association, to submit a revised estimate, I am giving below the items of wastage and shortage:—

	Per cent. of the original grey weight.
Shortage in knitting . . . . .	1
Shortage in bleaching . . . . .	7½
Wastage in cutting . . . . .	2½
Wastage in sewing (cutting the edges in the over edging M./cns.) . . . . .	4
Total . . . . .	15

Chemical composition of cotton fibre is:—

	Per cent.
Cellulose . . . . .	90.35
Ash, fats, nitrogenous compounds, water lignite and woody matter . . . . .	9.65

The result aimed at in bleaching of cotton is the isolation of the pure cellulose and the destruction of the rest. The Indian cottons, it is understood, possess a much higher proportion of impurities so that the proportion of pure cellulose is smaller than the above figure.

From 100 lbs. of grey weight of yarn, for example, 85 lbs. of finished weight of undershirts is available. So in order to arrive at the original grey weight of 100 lbs. from the finished weight of 85 lbs. we have to add to the finished weight about 18 per cent. of its weight (85:100::15:X ∴ X=17½). Similarly in case of sample in question by adding 18 per cent. of the finished weight of 3 lbs. 2 oz. to it we get 3 lbs. 11 oz. Calculating the price at As. 9 per lb., then available, the cost of yarn per dozen comes to Rs. 2-1-2½. Out of the total wastage and shortage of 15 per cent., 8½ per cent. is invisible and from the balance 6½ per cent. a small portion is utilised in the factory for cleaning purposes and the rest is sold at Rs. 4 per maund. So the incidence per dozen of the advantage gained from the use and the sale of the wastage is 6½ per cent. of 3 lbs. 11 oz., i.e., 3½ oz. Calculating at Rs. 4 per maund (82 lbs.) the cost of 3½ oz. comes to 2½ pies. So the nett cost of yarn per doz. is Rs. 2-1.

3. I am directed to refer to some items of cost, viz., yarn and labour and to state how far they may be economised by adopting double shift work or otherwise.

**Yarns.**—It has been found from experience that the use of lower grades of yarn than the qualities generally adopted by Bengal industry is not conducive to economy on the following among other grounds:—

- (a) While for good quality yarn cost of needles is about 6 pies per doz., inferior qualities of yarn may account for As. 3 to 4 of needles per doz.
- (b) With inferior yarns wastage often exceeds 25 per cent.
- (c) Output in knitting machines is curtailed considerably.
- (d) Articles made from inferior yarns, that produce faulty and poor fabric at a greater cost, fetch less value than goods made from proper yarn.

In comparing the cost price of yarn used by the Bengal Hosiery Factories with that of yarns used by factories in other parts of India, not only the difference in quality should be considered in the above light but also proper allowance should be given for the difference in counts.

So the real economy in the cost of yarn would not be achieved by using inferior yarns but by using higher quality yarns. It is expected that the price of the higher quality yarns which are being used by the Bengal

Hosiery Factories will come down with its growing use and the expected competition between the cotton mills who have seriously turned their attention to manufacturing hosiery yarns. The following are some of the cotton mills who are manufacturing hosiery yarn on cones:—

- (1) Madura Cotton Mills, Ltd., (2) Sree Meenakshi Mills, Madura,
- (3) New City Mills, Bombay, (4) Kolaba Cotton Mills, Bombay,
- (5) Dawn Mills, Bombay, (6) Dhakeswari Cotton Mills, Bengal.

*Labour.*—In deliberating on the probability of reducing the cost of labour under double shift while some members of the association did not see how it could be further reduced, others thought that under sufficient protection they being assured of a more regular market, would be able to reduce the labour cost by 1 anna or As. 1-6 per doz.

They were however unanimous that the imposition of a prohibitive duty was of dire necessity and directed me to point out the following for the consideration of the Board:—

- (1) The capacity of the indigenous industry under sufficient protection to supply the entire needs of the country.
- (2) Adequate protection would ensure employment of more Indian labour.
- (3) Increased production of hosiery means increased consumption of Indian yarn.
- (4) Continued practice of using local trade marks on imported Japanese hosiery proves that the consumers demand local products for their intrinsic value.
- (5) It is to the interest of the importers and dealers and of the consumers that Japanese hosiery may be allowed to do mischief to the local industries by various ways as shown in the representation.
- (6) In view of further fall in price in forward deliveries of Japanese hosiery by about As. 3 per doz. and the rise in price of local yarn by 9 pies per lb., i.e., about As. 2-9 per doz. the difference between the c.i.f. price and the cost price of local hosiery stands at the following figure:—

	Rs. A. P.
Difference originally shown . . . . .	1 11 0
Difference due to fall in forward prices . . . . .	0 3 0
Difference due to rise in price of local yarns . . . . .	0 2 9
Addition due to mistake in the calculation of wastage . . . . .	0 1 6
Total . . . . .	2 2 3

So the sum of Rs. 2-2-3 added to the c.i.f. price of the Japanese hosiery would bring the wholesale price of same to the level of the cost price of the local hosiery. It remains to be added to this sum the proper amount of profit and the adequate measure of protection as the Board may deem fit.

(7) The measure of protection that may be granted to local industry should continue for at least 15 years, after which period the local industry may not require any further protection.

### The Gujarat Hosiery Factory, Ahmedabad.

(1) *Letter dated the 10th May, 1932.*

I, the undersigned O. C. Dalal, Proprietor, The Gujarat Hosiery Factory, Ahmedabad, have to place before you the following facts with reference to the enquiry.

Ever since statistics for cotton goods were collected and published cotton hosiery, and knitted goods have been included along with woven

goods, when excise duty was levied on cotton goods woven in mills in India, the same was levied on cotton hosiery goods manufactured in India. Whenever there was a change in the import duties on cotton goods, the same rates were charged on cotton hosiery goods also. Last time when the import duty on cotton goods was enhanced, and a differentiation was made between cotton goods manufactured in United Kingdom and other foreign countries, the duty on cotton hosiery goods was levied at a flat rate for all the countries. The Cotton Textile Enquiry was taken up in 1927, because the cotton mills in India found it difficult to compete with Japan. The mills in India have to compete not only with Japan but other foreign countries also, such as Britain, Italy, Belgium and other countries whereas the principal competitor with Indian Hosiery Factories is Japan. If you were to look into the import figures, you will find that Japan supplies more than 75 per cent. of the imports. You can very well understand, Sir, when Indian mills which are equipped with the latest types of machines "find it difficult to compete with Japan, how can small hosiery factories stand against factories in Japan which have a long standing".

Further Japan manufactures all the requirements of hosiery factories, such as needles and component parts of machines, straw boards, buttons, etc., all of which have to be imported here from foreign countries and all these in turn are subject to an import duty.

My contention is when the import duty on imported cotton goods, manufactured in countries other than Britain, was raised to 25 per cent. the same rate of duty should have been levied on imported cotton hosiery goods imported from countries other than Britain. Surcharge of 25 per cent. was levied in September, 1931. So the difference between the duty charged on goods manufactured in Britain and goods manufactured in other countries is 6½ per cent. Japan has overcome this surcharge by manipulating the exchange. Before September, 1931, the exchange was Rs. 135 per 100 yen and now it has stabilised at Rs. 120, i.e., a difference of 11 per cent. I have to request you to recommend that whatever duty applies to cotton woven goods should apply to cotton knitted hosiery goods.

I drew the attention of the Revenue Member to the Government of India to the above facts. He replied that it was receiving his attention, but nothing has been done.

Further I have to bring to your notice that the Income-tax authorities allow writing off only 5 per cent. depreciation on sewing and knitting machines. The British Government allows 10 per cent. and the Government of the United States of America allows 20 per cent. I herewith enclose copies of letters regarding the same. The original would be produced when required. I have to request you to recommend to the Government to allow writing off 10 per cent. depreciation on sewing, knitting and bleaching machinery in assessing business income.

I hope my representation will receive your kind consideration. I shall appear before you when called.

Enclosures.

T. 1158/17.

#### INLAND REVENUE.

Somerset House, London, W.C. 2.

1st July, 1927.

Sir,

In reply to your letter of the 11th May regarding the rates of depreciation allowed, for income-tax purposes, on certain machinery used in the manufacture of knitted goods, I am directed by the Board of Inland Revenue to acquaint you that the usual rates given are as follows:—

- (a) Engines, boilers and shafting—5 per cent.
- (b) Process Plant (knitting and sewing machines)—10 per cent.

These rates are however subject to the concurrence of the General Commissioners of Income-tax for the District in which the business is situate, who are the authorities in whom the law has vested the power of determining the amount of a person's liability to assessment to income-tax and to whom any claim for allowance or deduction falls to be made.

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**METROPOLITAN SEWING MACHINE CORPORATION.**

**SPECIAL SEWING MACHINES FOR ALL MANUFACTURING REQUIREMENTS.**

Factory—Nyack, New York.

Main Offices—303, Fourth Avenue, New York City.

*29th December, 1926.*

Mr. C. C. Dalal,

The Gujarat Hosiery Factory,  
1837, Khadia.

Ahmedabad (India).

Dear Sir,

Much as we would like to be of assistance to you and answer your letter of the 3rd in a definite way, we regret to advise that conditions vary so much that it is really not safe to lay down any absolute uniform rule governing depreciation of special sewing machines used for manufacturing purposes.

Personally we would see in most cases a 10 per cent. depreciation would be desirable from a conservative management viewpoint.

There may be isolated cases however where a 5 per cent. depreciation still is sufficient.

On the other hand, if the machine is very special, if it is used on work of novelty and rapidly changing character, the depreciation of 20 or 25 per cent. may be necessary.

In other words, you have to take into consideration, not only the actual anticipated life of the machine but also try and figure on the length or duration of usefulness from the viewpoint of change and finish.

Without knowing your conditions any better, I repeat 10 per cent. seems fair and equitable.

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Telegrams:—Wilgib, London.

Telephone No. 3424, London Wall.

**WILCOC & GIBBS SEWING MACHINE CO., LTD.**

Chief Office for Europe—20, Fore Street, London, E.C. 2.

*29th December, 1926.*

Messrs. Gujarat Hosiery Factory,

1837, Khadia,

Ahmedabad (India).

Gentlemen,

We are in receipt of your esteemed letter of December 3rd, and note that you would like to have our opinion as to what percentage depreciation should be allowed per annum off High Speed Sewing, Seaming and other Machines of our make used in making up hosiery underwear from the knitted fabric.

We believe the usual amount allowed for this purpose by the Income-tax Authorities in this country is 10 per cent. and this we consider is a fair allowance, bearing in mind that our machines run at very high speed,



*viz.*, High Speed Lockstitch at 4,000 stitches per minute, at 2,600 stitches per minute.

We trust this information will be of service to you.

UNION SPECIAL MACHINE COMPANY.

MANUFACTURERS OF SPECIAL SEWING MACHINES FOR MANUFACTURING PURPOSES.

Chicago, 4th January, 1927.

The Gujarat Hosiery Factory,  
1837, Khadia,  
Ahmedabad (India).

Gentlemen,

Attention Mr. C. C. Dalal.

In connection with your letter of December 3rd, we find it hard to intelligently advise you with reference to the percentage of depreciation which you would be within your rights, according to the stand taken by your Government, to have written off your books annually.

Here in the United States in the case of small machinery our Government has made a ruling which permits for writing off a depreciation of 20 per cent. each year.

Among factors which enter into a figure which might be set in all fairness to your Government, as in the case of sewing machines, certain makes of equipment would be found to have far less life than those of other makes. In the case of Union Special Machines, the actual life of a machine, if well cared for and operated at its recommended average speed per day, should be very close on to twenty years but believe if your Government was to take the same viewpoint as that taken by the United States' Government, you would be permitted to write off a depreciation on these machines of at least 20 per cent. per annum, or at the very extreme, your Government should permit of a writing off within the period of anything from seven to ten years.

Hoping our statement above will be of assistance to you in helping your Government set a rate of depreciation for assessment purposes which will be mutually advantageous.

(2) Letter dated the 12th July, 1932, from the Gujarat Hosiery Factory, Ahmedabad.

I herewith enclose six copies of the reply I have given to the questionnaire relating to the hosiery industry.

REPLY TO THE QUESTIONNAIRE RELATING TO HOSEIERY INDUSTRY.

1-2. I herebelow give the number of hosiery factories in the different presidencies and provinces. All these are working under the Factory Act, and as such are worked by power.

	No.	No. of hands employed.
Bombay Presidency . . . . .	7	847
Bengal " . . . . .	17	Not known.
United Provinces . . . . .	4	mills have No. separate hosiery figure department. available.
Punjab . . . . .	6	297
Madras . . . . .	Not known.	
Central Provinces . . . . .	6	Not known.

No statistics are available as regards hosiery factories worked by hand. It is a home industry in Ludhiana (Punjab) and Salem District (Madras Presidency). Hosiery factories worked by hand in Ludhiana specialize in making socks and stockings.

3. Six winders to wind yarn from cops and hanks. Ninety knitting machines. All for undershirts. Boiling kiers, washing machines and hydro extractors. Forty sewing machines. Two calendars. Two steam presses.

I buy my yarn from the local mills. Grey yarn when it is to be worked direct on the machines, is bought on cops and when dyed is to be worked, yarn is bought in hanks.

The grey or dyed yarn is wound on the winders and then knitted on the knitting machines. The grey fabric which is to be bleached or dyed is sent to the bleachery and dye-house. Designed fabric wherein dyed yarn is used is sent for being calendered. The grey fabric which is sent to the bleach house is boiled in the kier, washed in the washing machines and bleached and dyed. After being dried the fabric is sent to be calendered. These fabrics are calendered according to the sizes required. Then these rolls of fabrics are cut by hand into bodies sleeves, neck pieces and are sent to the sewing department. All the sewing machines are driven by power. The undervests go through different processes of sewing and are sent over to be pressed in the steam press, some vests are ironed by hand. Then these vests are folded and packed according to the requirements of the market. I manufacture only undervests.

4. Output of cotton undervests in 1931—26,403 dozens.

		Rs. A. P.
5.	(1) 3 lbs. 2 ozs. yarns at As. 6-6 . . . . .	1 4 3
	(2) Other materials . . . . .	0 2 1
	(3) Labour . . . . .	0 9 0
	(4) Power fuel . . . . .	0 1 0
	(5) Repairs maintenance . . . . .	0 1 9
	(6) Supervision and office establishment and selling expenses . . . . .	0 4 0
	(7) Packing . . . . .	0 3 0
	(8) Depreciation and interest . . . . .	0 5 0
	(9) Insurance and land rent . . . . .	0 0 9
	(10) Miscellaneous . . . . .	0 1 0
	(11) Bleaching at As. 1-3 per lb. . . . .	0 4 0
Total . . . . .		3 3 10

6. About 350 to 400 dozen undervests a day.

7. India imports for foreign countries and specially Japan, cheap class of undervests and socks and stockings. As I am not conversant with socks and stockings, I give below estimate of a plant for manufacturing undervests only.

I am given to understand that in Japan almost all the factories manufacturing undervests buy their yarn on cones and as such they are not equipped with winders. In Japan knitting is done in factories with forty or fifty knitting machines. This fabric is sent over to big bleacheries. The fabrics are then sent over to sewing factories. There they cut the fabric, sew them, finish and pack. Thus in Japan the manufacturing is divided between four different manufacturers, whereas in India all the processes have to be done in one place. The minimum quantity that a

factory should manufacture to be economical is between 150 to 200 dozen undervests a day.

	Rs.
Two-winders 120 spindles at Rs. 35 per spindle . . . . .	4,200
Twenty knitting machines at Rs. 2,500 each . . . . .	62,500
Auxiliary knitting machines for sleeve ribs and necks . . . . .	6,000
Bleaching machinery kiers hydro extractor . . . . .	5,000
One calender . . . . .	2,500
Twenty sewing machines . . . . .	12,500
Power plant oil engine and small boiler . . . . .	5,000
Total . . . . .	97,700

Building suitable has to be provided and working capital.

8. The income-tax authorities allow five per cent. per annum. This allowance is quite insufficient. I have stated in my first written statement as to what other countries allow. It is quite necessary to allow higher percentage to keep the factories financially sound.

9. Goods weighing at 2 lbs. 8 ozs. to the dozen are sold at c.i.f. Rs. 2-4 to Rs. 2-6.

(ii) The same goods cost the wholesale merchant at Rs. 2-13-6 to Rs. 3. He sells the same at a profit of 4 to 6 As.

10. Indian yarn bought by me last year 1,53,569 lbs.

(ii) Last year I imported about 3,500 lbs. of foreign yarn.

11. I buy mostly Indian yarn. The foreign yarn that I buy is deep coloured brownish Egyptian yarn. No Indian mill imports such cotton. The quantity is so small that it would not pay the Indian mills to manufacture same.

12. In the manufacture of hosiery the greatest breakage is of needles. There is no concern in India which manufactures needles. It is a highly specialized industry. Even England which has built up this industry during the war has been again ousted by Germany. As regards other spare parts of machinery the parts being very delicate and accurate I have had to import these.

### (3) Letter from the Gujarat Hosiery Factory.

During my evidence given here, you asked me to suggest on what lines protection should be given.

I herebelow give my suggestions.

Hosiery fabric should be classified separately and duty should be levied at the rate of 5½ As. per lb. or *ad valorem* duty, the percentage to be the same as in grey piecegoods, whichever is higher.

*Underwear and other sorts.*—A specific duty of Rs. 1-8 per dozen or *ad valorem* duty, the percentage to be the same as charged on piecegoods, whichever is higher.

You suggested that a duty per lb. should be charged on underwear. It would be unfair because the manufacturing cost of 1 lb. 8 ozs. per dozen underwear is the same as that of manufacturing a 4 lb. underwear.

Except bleaching charges, all other labour charges are the same whether you manufacture a light or a heavy underwear.

### (4) Letter dated nil, from the Gujarat Hosiery Factory, Ahmedabad.

I have to bring to your notice the following fact which was overlooked by the during my oral evidence.

The gross weight of the underwear standard quality for which cost of production was given is lbs. 3-2. The weight of the Japanese sample submitted to you is lbs. 3-4 nett. I forgot to bring to your notice that the gross weight would be lbs. 4. So the cost of 14 ozs. of yarn has to be added to my cost to bring it in level with the Japanese sample. The cost of 14 ozs. of yarn would be As. 6-3. So the price of Indian manufactured underwear would be Rs. 3-10 and As. 2 for profit, *i.e.*, Rs. 3-12, whereas the price of Japanese underwear is Rs. 2 per dozen *c.i.f.* Bombay. So I claim that a protection of Rs. 1-12 per dozen be given.

### The Lakshmi Hosiery Works Ltd., Lahore.

*Note without date.*

Herewith copies please to reach in time.

#### REPLIES TO THE QUESTIONNAIRE OF THE TARIFF BOARD.

1. I regret I do not know the total number of factories engaged in the manufacture of hosiery goods in India, and as the questionnaire was received by me so late there was not time enough to make necessary enquiry.

In the Punjab there were 147 Hosiery Factories in 1931, and the number has increased to about 160 in 1932. The total number of machines employed in 1931 was 1,845 and it must have risen to about 2,100 this year. Further socks making and gents' outerwear making machines are still coming in.

The number of workmen employed last year was about 745 and this year the number has considerably increased.

The industry is showing very good progress and it is safe to say that at the present rate the Punjab will practically monopolise outerwear and fancy socks production industry.

It is also safe to assert that in these two lines the output of the Punjab confirms the best standards of the imported ones much more nearly than of any other province.

2. In the Punjab the industry in the major part is cottage. About 20 factories last year and about 30 this year are working with power. But the power-run industry which was started mainly in 1930 and 1931 is by far the most important both in respect of the quantity it turns out and the quality and its value.

The average strength of a factory in regard to its labour employed comes to about 25 hands, excluding the Egerton Mills, Dhariwal, about whom facts are not known. There are about 6 factories that employ more than 50 hands.

There are between 90 to 100 factories in Ludhiana, 25 in Lahore, 10 in Jullundher and 15 in Amritsar.

3. The yarn is purchased in hank forms.

(1) It is then sized and wound on bobbins.

(2) The rib tops are made on the special power-driven machine for the purpose.

(3) The rib so made are transferred on sock knitting machine. The sock is knitted on this machine.

(4) The toes are then linked on the separate toe linker.

(5) The linked socks are washed, cleaned, shrunk and dyed on power-driven machinery.

(6) On drying these are pressed, ironed, labeled and packed when these are ready for the market.

COTTON TEXTILES

F

. *Plant and equipment.*

1. Power-winder.
2. Power-driven rib knitter.
3. Four sox and stocking knitting up-to-date, two jacquard and two plain machines.
4. One power-linking machine.
5. One power-washing and dyeing machine.
6. Five hand-knitting machines.
7. One hand-knitting flat machine.

One further power-knitting jacquard machine is due to reach shortly.

4. I manufacture socks and stockings only. In socks I manufacture plain gents, ladies and children's socks, fancy and jacquard socks, plain gent's stockings and ladies' stockings.

I generally manufacture fine gauge material good for high class consumption.

My annual production last year has been about 4,800 doz. This year I expect to produce about 8,000 doz. pairs.

Out of these about 75 per cent. are plain and 25 per cent. fancy.

5. *Cost of production of plain socks, gent size.*—One dozen socks weigh about 14 ozs.—

	Rs.	A.	P.
Yarn (including wastage) . . . . .	1	2	0
Cost of average needle breakage . . . . .	0	1	0
Labour—			
Direct . . . . .	0	5	0
Linking . . . . .	0	1	9
Dyeing . . . . .	0	3	0
Ironing . . . . .	0	1	9
Power and electric lighting . . . . .	0	3	0
Repairs and depreciation . . . . .	0	3	0
Supervision and office establishment . . . . .	0	13	0
Packing and miscellaneous and selling . . . . .	0	5	6
	3	7	0

*Cost of production of fancy socks.*—A dozen socks weigh 1 lb.—

	Rs.	A.	P.
Yarn (including wastage) . . . . .	1	5	0
Needles . . . . .	0	1	0
Labour . . . . .	0	14	6
Power . . . . .	0	3	0
Repairs and depreciation . . . . .	0	4	0
Supervision and office establishment . . . . .	0	15	0
Packing and selling . . . . .	0	9	6
Miscellaneous . . . . .	0	1	0
	4	5	0

6. The maximum capacity of my factory now is about 600 doz. pairs per month, but with the new incoming machinery it will be 700 doz. pairs per month.

The cost based in answer to question No. 5 is on an average production of 450 doz. pairs per month. But with the increase in business immediately contemplated the supervision and other overhead charge will come down by about As. 4 per dozen.

7. As I am contriving at present I wish to start with the following:—

	Rs.
5 machines for plain gent's sox . . . . .	6,000
2 machines for plain ladies and boys' size . . . . .	2,400
1 machine for plain children . . . . .	1,200
4 gent's fancy including children . . . . .	7,200
2 ladies' stocking knitting machine . . . . .	3,500
2 plain coarse gauge . . . . .	2,000
2 fancy coarse gauge . . . . .	3,500
1 military gauge and one golf hose machine . . . . .	3,000
Miscellaneous machines for gent's stockings . . . . .	3,000
<i>Accessories—</i>	
4 winders of 24 bobbins each . . . . .	4,000
5 linking power machines . . . . .	2,500
6 ribbing machines . . . . .	5,000
2 dyeing machines, small steam boiler and other dye house accessories . . . . .	4,200
1 steam press and other ironing accessories . . . . .	3,000
Bobbins and motor, etc. . . . .	1,100
Miscellaneous shaftings, pulleys, fixing and fixtures . . . . .	5,400
	<hr/>
	57,000
	<hr/>
Erection charges and building . . . . .	10,000
Working capital . . . . .	83,000
	<hr/>
	1,50,000

8. I have not been able to ascertain the reply in the short time available to me.

9. Current prices c.i.f. of imported goods comparable to the two the reply to which I have given are difficult to ascertain conducting my business in the interior as I do. Further it is difficult to follow day to day changes. Another complication arises from the fact that the competition being mainly with the Japanese imports, it is difficult to ascertain prices as the trade is in few hands in Calcutta mostly who enter into huge contracts through their houses in Kobe and then distribute their staff throughout India. Messrs. Jeewanbux Ferozuddin is one such house in Calcutta.

Before the yen began depreciating the import price of the plain Brince quality, against whom I have calculated my cost at Rs. 3-7 was ascertained by me at Bombay to be Rs. 2-12. The wholesale price of this quality in my markets was at that time Rs. 3 less 3-2 per cent. This wholesale price has now declined to Rs. 2-12 less the discount mentioned, thus indicating the fall in prices of import.

If I succeed in enlarging my concern to about the equipment detailed in answer to question No. 7 my cost of production will still be about Rs. 2-14 per dozen which indicates that Japan will be able to dump cheap by about As. 8 a dozen still.

10. I buy now about 12 cases, each of 300 lbs. of 2/64 grey mercerised Japanese yarn; 4 cases of 300 lbs. of Japanese bleached 2/42.

From Sholapur mills buy 2/80 about 2 cases every year. From Madura mills I buy single counts like 20s and 32s. I prefer Indian yarn to Japanese both for sentimental and economic reasons. I can sell better if I can guarantee to my customers that the yarn is of Indian origin. Besides I have found Indian spun yarn better for knitting purposes in as much as it is more regular spun and is even. I have to buy Japanese simply because of its extreme cheapness.

Further I have to buy Japanese yarn because it is regularly available in the market. Superior count Indian mill made yarn has to be purchased from the mill direct who cannot cater for our small requirements and are generally not responding to our enquiries even.

11. The Indian mills are spinning practically all the counts required by us. The yarns they spin are far better for knitting than the imported Japanese ones. The only difficulty is that it is not regularly available which again is due to its being dearer than Japanese.

We use the following counts:—

2/64, 2/80, 2/42 Mercerised.

2/42, 32s, 21s, 60s Grey.

12. Small hand-knitting machines are being widely built here and are mostly being used. Some power-run machinery is also being built but its quality is not comparable with the imported stuff. Generally we have to depend for machinery on abroad, and the present linking of the rupee to sterling has hit the import of machinery very much.

The above remarks apply to spare parts also though at times it pays to get these made here.

*Conclusions.*—Our claim to protection lies in the following:—

- (1) Indian mill spun yarn is better in quality than the Japanese and it deserves protection. If this proposition is accepted then our raw material will be available to us dearer than now and if we do not receive corresponding protection we will be in hot waters. The industry being new and in embryonic state will be killed.
- (2) That we have successfully been able to put qualities as good, fine, durable and attractive as the imported ones and that we are selling our products in all big cities like Calcutta, Bombay, Karachi, Delhi, Simla and Lahore, etc., where these goods are in persistent demand.
- (3) That as there is a very keen demand for Swadeshi goods ourselves, middlemen and consumers are already making willing sacrifices to push Indian made products.
- (4) The consumers are willingly subjecting themselves to an extra tax on their resources by patronising Swadeshi. The producers and middlemen are content with small profit.
- (5) That in case the protection is granted the price of the indigenous products will not rise as the protection demanded by me is to the limit as would put us in par with the foreign dumped goods price level which should be made to conform with our minimum cost of production. It will in that case enable us to have a better market which will induce us to increase our business and also incidentally reduce our cost of production also.

We will get consumers to buy our products who hitherto wish to patronise Swadeshi but without any economic sacrifice.

- (6) At present we are working on uneconomic basis. The industry was new and small starts had to be made. To decrease our costs we must start mass production. This needs large investment. The large investments only are possible when the investors are sure about the soundness of the industry and of good prospects of profits. They cannot be expected to support

us when we live on spirit of Swadeshi alone. This creates a vicious circle and due protection will help the industry out of it. The protection will create better competitive ability, better markets, and more confidence among investors.

**Messrs. Ahmed Ebrahim Brothers, Rangoon.**

(1) *Letter dated the 9th May, 1932.*

We understand that the Tariff Board are now making enquiries to ascertain the effect of protective duties on cotton piecegoods and yarns, and also whether the claim of these industries for protection is established. While the Board are collecting information in this respect, it would not be out of place if their attention is also invited to the claim of the Indian hosiery industry for protection.

In our capacity of importers and manufacturers of hosiery goods, we addressed two letters on the 8th February last to the Secretary to the Government of India in Department of Commerce and Industries. We do not know if the Board are aware of those letters and hence beg to append herewith copies of the said letters. Since our point of view has already been stated at great length in those letters we wish to invite attention of the Board to one or two points that have since come to our notice as a result of further thinking on the matter. They are as follows:—

Even though the Indian spinning industry is at present protected by a duty on foreign yarns, the incidence of which according to the current prices of yarns is something like 18 per cent. to 22 per cent., the prices of Indian and foreign yarns are about the same, while in case of finer counts that is 30s and above in many cases the foreign yarns are cheaper even after paying the duty.

It is therefore obvious that if duty on foreign yarns is removed it can be sold in India at from 20 per cent. to 25 per cent. cheaper and the Indian spinning mills would be in a hopeless condition.

Thus when Japanese yarn is about 20 per cent. to 25 per cent. cheaper it is easy to see that this advantage is in favour of the Japan hosiery manufacturers. They convert this yarn into hosiery goods, which can be imported in India with 25 per cent. duty which duty would be payable on the yarn itself. It would thus only be fair if the duty on hosiery goods is raised by the extent to which Japanese yarns are cheaper or in other words by something like 18 per cent. to 22 per cent.

In addition to the points mentioned in our letter of the 8th last above referred to, we also wish to say that in Japan there are large bleaching and dyeing works, where the hosiery maker can have his materials dyed at a very little cost, whereas there is no facility of having this done in India, and the charge for the same kind of dyeing would be considerably higher.

Most of chemicals for bleaching and dyeing purposes are now produced in Japan, which is an advantage to Japanese makers, whereas in India they have to be imported, which increases the cost of the Indian maker.

Owing to all these reasons the Indian hosiery industry can only receive a stimulus if it is helped by a protective duty.

Enclosures.

*Copy of letter dated the 8th February, 1932, from Messrs. Ahmed Ebrahim Brothers, to the Secretary to the Government of India, Department of Commerce, New Delhi.*

In continuation of our letter of even date to explain details of charges and costs we beg to send you 4 samples as below:—

Sample No. 1, undervest,  $\frac{1}{2}$  open front, size 32" (made in Japan).

Sample No. 1-A, undervest,  $\frac{1}{2}$  open front, size 32" (made in Burma).



Sample No. 2, undervest, jersey neck, size 32" (made in Japan).

Sample No. 2-A, undervest, jersey neck, size 32" (made in Burma).

The following statements show the particulars of the respective prices of each:—

	Rs. A. P.
<i>Sample No. 1.</i> —For assorted sizes 30-32-34 present price of Japan is yen 2.24 per dozen c.i.f. Rangoon. Yen 2.24 at exchange Rs. 140 is Rs. 3-2 plus 25 per cent. duty .	3 14 0
<i>Sample No. 1-A.</i> —For assorted sizes 30-32-34 our cost is:—	
Grey yarn 3½ lbs. at As. 12 per lb. . . . .	2 10 0
Charges for knitting, bleaching, cutting, sewing, waste, front plate, tape, buttons, cloth labels and cardboard boxes for packing per dozen . . . . .	2 1 0
	4 11 0
<i>Sample No. 2.</i> —For assorted sizes 30-32-34 present price of Japan is yen 2.00 per dozen c.i.f. Rangoon. Yen 2.00 at exchange Rs. 140 is Rs. 2-13 plus duty 25 per cent. .	3 8 6
<i>Sample No. 2-A.</i> —For assorted sizes 30-32-34 our cost is:—	
Grey yarn 3½ lbs., which in this case is imported from Japan and which after paying duty at As. 1-6 per lb. plus 25 per cent. costs us As. 12 per lb. . . . .	2 10 0
Charges as detailed above, but excluding in this case charges for plate buttons also less charge for simple cutting . . . . .	1 7 0
	4 1 0

From the above it will be seen that our prices are about 15 per cent. higher notwithstanding the fact that we have organised our factory on very much the same lines as the Japanese factories.

A further important point that has to be considered is that owing to the efficiency of Japanese workmen and also due to climatic conditions the breakage of needles and needle plates used in knitting is about As. 12 worth on a production of goods worth about Rs. 100 whereas owing to the inexperience of our workmen and the climate of this place the damage is about Rs. 5 on goods worth Rs. 100.

We therefore trust that in the interest of Indian workmen as well as the Indian industry, Government will be pleased to consider this question favourably and levy a protective duty of at least 40 per cent. on hosiery goods, particularly as there is no likelihood of Government revenue suffering any loss thereby.

*Copy of letter dated the 8th February, 1932, from Messrs. Ahmed Ebrahim Brothers, Rangoon, to the Secretary to the Government of India, Department of Commerce and Industry, New Delhi.*

We beg to state that representations for the protection of Indian hosiery industry were made to Government by the Indian Chamber of Commerce, Calcutta, under their letter No. C. 5 of the 18th December, 1930, and the Burma Indian Chamber of Commerce, Rangoon, under No. G. L. 137/30/31 of the 24th January, 1931. A strong case was made in the said representations for the levying of a protective duty to stimulate the hosiery industry of India.

We do not know what consideration the Government gave to the said representations, but address this communication in the capacity of a firm engaged in the hosiery import trade for the last 20 years, on an extensive scale, and also as hosiery manufacturers having established a large factory here which has just started working, after a preparation of nearly 3 years.

In our opinion, several details having an important bearing on the question, were not brought forth in the representations above referred to, and we propose, in this letter, to set them down for the consideration of the Government.

One of the first steps that we took as a preliminary to the establishment of a factory, was to engage an Indian Engineer, having about 17 years' experience in hosiery manufacture in India and to send him to Japan to study in detail, the method of hosiery manufacture in that country, and during his 6 months' stay there he examined the matter from several different angles. From the following points it will be seen where the Indian manufacturer is at a disadvantage and how it is possible for the Japanese makers to undersell their products in this country.

The hosiery industry of Japan, the success and expansion of which is now phenomenal, was started only on a modest scale. In the beginning very costly machinery was imported from abroad, and as the industry made steady headway, under Government protection, several factories were started to make hosiery machinery in Japan the basic principles followed in the construction of machinery were same, but as the result of several important modifications and changes, Japan was finally able to evolve knitting machines which were extremely simple and considerably cheap compared with those originally imported from abroad.

The same factories later concentrated on the manufacture of different parts for such machines, as also spring and latch knitting needles, and thus manufacturers managed to replace any broken or damaged part of their machines immediately and at very little cost.

The large hosiery factories in Japan are now mostly in Osaka in which place also there are a number of spinning mills, producing special hosiery twist yarn. This yarn is somewhat different to that spun for cloth weaving in that it has less "twists" per inch and is wound on cones. The result is that the hosiery manufacturer, whenever he is in need of any count of hosiery yarn, can immediately bring to his mill, at a very little cost, the required quantity wound ready on cones.

Owing to continuous practice the workmen of Japan can turn out nearly double the work of an Indian workmen.

There are now several small factories engaged in turning out only one of the several lines of goods required in hosiery manufacture. For instance some mills only produce netted cloth used in armpits of undervests or for netted underwear, other mills only make cloth used in the "French" or jersey neck of undervests while others do only bleaching and finishing of grey knitted cloth or dye yarns to order. There are others which produce knitted cloth labels, while some are engaged in making buttons. Similarly several firms are engaged in making cardboard boxes required for packing, and there are several printing presses doing printing and art work in connection with the ticketing or labelling the finished goods.

The advantages of such a system are obvious in that it makes it possible for persons of even moderate means to start hosiery manufacture on their own. With a small capital for knitting and sewing machines, and for buying a small quantity of yarn to start with, any person or firm of moderate means, can start producing, what is known in the trade as "Web Cloth" (circular knitted garment). He can get his cloth bleached and finished from firms doing that particular work, then buy the required net cloth, buttons, labels, etc., and without much trouble put his finished article on the market.

It may be stated that several small industries dependent on the main industry are situated in the same place, and there is therefore no charge

incurred in bringing the various articles or of importing them. The small subsidiary industries are also protected by the Government by a very high tariff, for instance buttons and cloth labels which are made in Japan if imported from abroad have to pay about 100 per cent. duty.

It will therefore be seen that India is at a considerable disadvantage, when it has to compete against such a highly efficient and organised industry, as the hosiery trade of Japan. From the particulars given above the disadvantages of the Indian hosiery maker can be easily adduced thus:—

The hosiery industry now consists of a number of very small concerns scattered at considerable distance in a vast country like India. There are also very few mills spinning hosiery yarns as there is no substantial demand. The hosiery maker has in many cases to get his yarns from distant places and has also to pay for the special make up on cones. This make up packing freight, etc., cost him about 12 per cent. by the time the yarns reach his works. We import yarns from Madura and actually pay this charge. If the yarn is bought in hanks the small advantage obtained in price is lost, when the outlay on winding machines, workmen to work them, and waste in process of winding from hanks to cones is considered.

In addition to the usual circular knitting machines the Indian maker has also to install machinery for making various subsidiary articles mentioned above. To provide against a possible breakdown of any of the machines he must at least have one more machine of each style in reserve all of which calls for a very big capital. There is further no hope of his being able to replace broken parts unless he has a large and varied stock of such spares, which in turn calls for additional capital.

The Indian workmen can at most do about 60 per cent. of the work done by Japanese workmen, and while the former are about 25 per cent. cheaper the net disadvantage to the maker is 15 per cent. roughly.

The waste from Japanese factories is used in making some kinds of handkerchiefs or suspenders, or very small cuttings are by process converted into lint, etc., and used in hospitals giving a return of 5 per cent. to the maker, while there is no such gain to the Indian maker his waste being nearly all thrown away.

The hosiery industry of India if it receives a stimulus through a protective duty will in course of a few years be a prosperous industry giving employment to a very large number of men of working class and also of middle class. Small subsidiary industries will also spring up as has happened in case of Japan and ultimately India will be able to manufacture sufficient goods for her requirements.

We now come to the question that the levying of a protective duty will not result in a loss to the Government revenues, for the following reasons:—

Even if the protective duty is levied, it will be some years before India can produce sufficient hosiery for her needs. During such period hosiery will continue to be imported, and duty thereon received.

Owing to the stimulus which the hosiery industry will receive through the protective duty a number of factories will be established in India, machinery for which will be imported, and which now pays duty. The regular and continuous import of spare parts and needles, etc., for such will be a source of regular revenue to the Government.

Articles such as sewing thread, buttons, dyes, colours, chemicals, etc., will be imported in larger quantities as also straw boards for boxes, napery of various kinds including colored flint papers will be wanted in larger quantities yielding revenue.

Stimulus will also be given to the Indian spinning industry which will receive large orders for hosiery yarns.

It might be stated that the present prosperity of the Japanese industry is due to the Government protection it has received.

While on the subject we also wish to bring to the notice of the Government that the duty on hosiery goods has all along been higher than that on piecegoods. When the duty on piecegoods was  $3\frac{1}{2}$  per cent., 5 per cent.

and 11 per cent. it was 5 per cent., 7½ per cent. and 15 per cent. respectively on hosiery goods. During the recent frequent changes in the Tariff this fact has been lost sight of and the position has actually been reversed as duty on hosiery is now 25 per cent. against 31½ per cent. on piecegoods. Japan has not been slow to take advantage of this fact as we know from our own experience and that country has started exporting to India goods in hosiery form such as ready made shirts of different kinds, handkerchiefs, etc., thus paying 25 per cent. duty, whereas in piecegoods form they should have to pay 31½ per cent. duty. Thus workmen in India who could earn their living in making such ready made articles, have lost their income.

We therefore hope that in view of the explanations given, Government will see its way to give a favourable consideration to the matter and protect the Indian industry by a suitable duty.

(2) *Letter dated the 6th July, 1932, from Messrs. Ahmed Ebrahim Brothers, Rangoon.*

We beg to refer to your No. 228 of the 13th ultimo and to the questionnaire relating to hosiery industry forwarded therewith, and beg to submit below our replies to the questions in order.

1-2. Having only recently started manufacturing hosiery goods we have no figures. About two years ago, however, our Principal had been to India on a tour of inspection and at the time visited about 30 to 35 different factories in Bengal, United Provinces and Bombay Presidency. The factories inspected were mostly middle size ones, but all of them were worked by power and employing about 150 to 200 hands each.

We are proprietors of the factory known as the Violin Hosiery Works, situated at Kamayut near Rangoon and the following is a brief description of the plant and equipment of our factory:—

- (a) We have about 70 circular latch needle body machines including rib cuff machines of various diameters from 3½ inches to 38 inches diameter. On these machines the circular web cloth is knitted from grey yarns.
- (b) After the grey cloth is knitted, it is taken to the bleaching department. In this department we have two bleaching kiers in which the grey web cloth is put, boiled and then passed through various tanks in each of which are kept different chemicals, soaps, etc. In this department besides the kiers we have a hydro-extractor, a boiler and a calendering and finishing machine.
- (c) After the cloth is bleached and finished in the calendering machine it is cut to various sizes and passed on to the sewing department where we have a power bench with sewing machine to perform various operations. We have 100 such sewing machines.
- (d) The undershirts are then ironed with electric irons, folded and packed in cardboard boxes. We have, in the packing department, machinery for making these boxes.
- (e) We have also a Rashel loom for making fancy design cloth used for making pull-overs, cardigans, etc.
- (f) We have also machines for making socks, mufflers, children's and men's caps, but these machines are not being worked as in the present circumstances it does not pay us to manufacture these goods which can be imported cheaper from Japan.
- (g) We have also in the knitting department four winding machines with a total of 200 spindles to wind the yarn imported in hanks, on to the bobbins. We import yarns both on cones and in hanks. All the machines are run by electric power.

4. At present we are engaged in manufacturing undershirts only. The undershirts we manufacture at present are our Flying Elephant

brand, samples of which are being forwarded to-day. We had been importing these undershirts from Japan and still import them now. The machines that are now running are capable of producing about 400 dozs. daily, but owing to our workmen not being well trained and inexperienced we are able to produce about 300 dozs. daily or a quantity of 7,500 dozs. per month, working 25 days in the month. The quantity we can manufacture per year on the present basis is therefore 90,000 dozs.

5. The following statement shows works expenditure per dozen undershirts as at present manufactured by us. For reference please see the undershirt marked as sample No. 1 which is made from 30s hosiery yarn superior quality imported from the Madura Hosiery Mills, Madura, Southern India. We also send another sample marked No. 2 which is the same undershirt made from 30s hosiery yarn imported from Japan. Sample No. 3 is the undershirt made in Japan which we have been importing. They are sent so that comparison may be easy. Our last purchase of Madura yarn was at Rs. 7-11 per 10 lbs. or As. 12-3 per lb.—

	Rs.	A.	P.
(1) Yarn required for one dozen undershirts at As. 12-3 per lb. . . . .	2	4	9
(2) Other materials—	As. P.		
(a) Bleaching chemicals imported from England . . . . .	3	0	
(b) Buttons imported, duty 25 per cent. . . . .	2	6	
(c) Sewing thread imported from England, duty As. 1-6 per lb. plus 25 per cent. . . . .	0	9	
(d) Cloth labels imported from England and Germany, duty 25 per cent. . . . .	1	6	
(e) Twill front plate, and tape binding round neck from England, duty 25 per cent. . . . .	2	6	
(f) White shirtings for lining under front plate and under buttons, Indian . . . . .	1	0	
(g) Cardboard boxes made of boards and coloured paper imported, duty 25 per cent. . . . .	2	0	
	—	0	13 3
(3) Labour (knitting, bleaching, cutting, sewing, packing) . . . . .	0	11	0
(4) Electric power (supplied by Rangoon Electric Tramway & Supply Co., Ltd.) . . . . .	0	1	6
(5) Repairs and maintenance . . . . .	0	2	0
(a) also replacement of broken parts and needles owing to inexperienced labour . . . . .	0	2	0
(6) Supervision and office establishment . . . . .	0	2	0
(7) Packing and selling expenses, ticket, labels, paper band, advertising paper and paper on box . . . . .	2	0	
Selling commission . . . . .	2	0	
	—	0	4 0
(8) Miscellaneous (depreciation on buildings and machinery) . . . . .	0	2	0
<b>Total</b> . . . . .	<b>4</b>	<b>10</b>	<b>6</b>

6. The maximum capacity of our factory is to produce about 600 doz. undershirts and about 150 doz. mufflers, caps, etc., daily, but machines for latter are not running because, as stated above, it does not pay to make these goods.

7. According to our experience the capital expenditure required for equipping and erecting in India a hosiery factory to produce about 100 doz. daily, provided a suitable building can be rented at a rental of Rs. 75 per month, would be Rs. 25,000.

8. According to our opinion the rates at present allowed for depreciation are insufficient. For all machinery, that is knitting machines, bleaching machinery and sewing machines  $12\frac{1}{2}$  per cent. depreciation ought to be allowed. We understand that the rate at present allowed is  $6\frac{1}{2}$  per cent.

9. The c.i.f. price from Japan-made undershirt of the same quality to ours is Rs. 2-13 arrived at as follows, *vide* our contract No. 4074:—

	Rs. A. P.
Yen 2-28 <i>plus</i> 12 sens for freight and insurance equal to yen 2-40 per dozen. Exchange at the time of contract Rs. 117 . . . . .	2 13 0
Duty 25 per cent. . . . .	0 11 3
Wharfage and river dues 2 per cent. . . . .	0 1 3
	Total . . . . .
	3 9 6

and the wholesale price is Rs. 3-12 to 3-14 per dozen.

To-day's price for shipment August/September is yen 2-25 which at exchange 105 and 25 per cent. duty and 2 per cent. wharfage, etc., works out to Rs. 3-2-6 per dozen.

If we bought Madura 30s superior yarn now the cost would be As. 11 per lb. so that the saving to us—considering that other items of expenditure remain the same—is As. 3-9 while the saving in Japan (difference between Rs. 3-9-6 and 3-2-6) is As. 7 per dozen.

We send another undershirt (Palanquin brand) imported from Japan by another importer, the wholesale price of which is Rs. 3-9 per dozen. This is very nearly the same quality as our Elephant brand (sample No. 4).

One of the other causes of our costs being higher is the fact that owing to the inexperienced labour here the defects in knitted web cloth are considerably more than in Japan where the workers are comparatively very efficient. We send a large piece of web cloth (bleached) marked sample No. 5 an examination of which will reveal the large defects. These have all to be cut and removed before sewing, so that the percentage of waste in our cloth is much higher compared with Japan. Had it not been for this fact we could be able to produce one dozen from 2 $\frac{1}{2}$  lbs. of yarn instead of 3 lbs. as at present.

10. Our factory has now been running for the last 6 months and our imports of yarns during the period are (a) Indian about 10,000 lbs. and (b) Foreign about 20,000 lbs. The annual import can be computed on this basis.

11. As we are at present manufacturing undershirts from 30s yarn against those made from same count by Japan we require mostly (about 70 per cent.) 30s yarn. According to our idea it will be some time before the Indian mills can supply this yarn suitable for hosiery industry. However in India mostly yarns from 16s to 24s is used for hosiery industry and we think that the Indian mills are at present in a position to supply these yarns. Formerly Japan used to make cheap undershirts from 20s yarn but as such goods are now made in India they are producing same from 30s yarn and selling such goods very cheap in India. We send samples Nos. 6 (undershirts previously imported from Japan made from 20s yarn)

and No. 7 which is an undershirt made from 30s yarn as now exported from Japan. If the hosiery industry receives protection, and it expands as the result of such protection we think that sufficient 30s hosiery yarn could be produced in India at competitive price.

12. No machinery of spare parts as well as needles, etc., for the manufacture of hosiery goods are at present obtainable in India.

We beg to submit for your consideration a few other relevant facts about this industry to which we request your attention. The samples mentioned in this letter are being forwarded by registered post. We also forward one cardboard box in which the undershirts made by us are packed. Each box contains half dozen undershirts.

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(3) *Letter dated the 6th July, 1932, from Messrs. Ahmed Ebrahim Brothers, Rangoon.*

**Re HOSIERY INDUSTRY.**

In connection with our separate letter of date giving replies to your questions we beg to enumerate below the circumstances which influenced us to decide in favour of starting hosiery manufacture here.

For several years past importers in India have been importing hosiery from Japan, and most of them have their own marks to distinguish their goods. About three years ago the Union of Hosiery Manufacturers in Japan decided that such importers should import their goods only with the Japanese manufacturers' ticket. If any of them wanted his particular brand to appear, such brand must be registered in Japan in name of the manufacturer from whom he bought their particular brand. The importers' rights over their own brand were thus attempted to be snatched away at one blow, and the registration in Japan of the Trade Mark in favour of the manufacturer would mean that he would be free to charge the importer any price for the goods as the latter could not place his order with another maker except with the one in favour of whom his brand had been registered.

This action of the Japanese makers was naturally greatly resented by the Indian importers and many protests were lodged, and finally a compromise was made to the effect that the importer would be allowed to retain his brand as a temporary measure for 3 years subject to the condition that the makers' own brand was affixed under his brand during that period, and after that period the question as to whether the importer could have his own brand would be considered. It is evident that when making this proposal the Japanese makers thought that during this period their own marks affixed under the importer's standard marks would become well known and after 3 years if they disallowed the importer's mark altogether, their goods could be sold in India under their own marks.

This was 3 years ago, the above matter was only recently reconsidered, and action has been deferred for another year. As we have been importers of hosiery goods on an extensive scale, we naturally did not want to put ourselves at the mercy of the Japanese makers and therefore enquired from our Kobe office how best to meet the situation.

We were informed by our Kobe office that if we purchased a factory in Japan, and joined the Hosiery Makers Union in Japan the difficulty could be tidied over. This proposal was for some time under our consideration. The price of 30s yarn was then about Re 1 per lb., and on account of the price being high the duty on yarn, viz., 5 per cent. of 1½ annas per lb. worked out to about 7½ per cent., the exchange ruling at the time was Rs. 145 and working on this basis we found that we would as well be able to manufacture hosiery goods here, instead of in Japan, and our costs would be about same as that of imported goods. Considering the question from a broader view-point we thought establishment of a factory in a foreign country we would simply be helping a country and its labourers who were the direct cause of unemployment and distress in India, by their

policy of dumping goods cheap, and that if we wanted to start an industry our country's labour had first claim on us. We therefore abandoned the idea of buying a factory in Japan and instead started fitting up one here.

Circumstances unforeseen then have now greatly changed our whole calculations. The considerable decline in price of raw cotton resulting in reduced price of yarns, and the import duty on yarn the incidence of which was then about 7 per cent. to 8 per cent. is now something like 30 per cent. It is evident that it would be more profitable to import the ready made articles at 25 per cent. duty than to import yarns—the principal raw material at 30 per cent. duty. The exchange which is now about Rs. 105 is another great obstacle in our way, so that it is now entirely impossible for us to produce even at the same price as that of Japan. Not only that but in the present circumstances the Japanese makers can at present undersell us to a large extent in our own market and our position as a manufacturer is hopeless.

We enclose herewith letter from Messrs. G. Gillespie & Co., the local agents of the Madura Mills, giving quotations of yarns for shipment August/October, 1932. It will be seen from that letter that the difference in price between 30s ordinary quality yarn, and 30s superior quality yarn (which is used for hosiery manufacture) is As. 11 higher per 10 lbs. than the ordinary quality. If more mills are engaged in the production of such finer yarn owing to protection the price thereof will be naturally cheaper due to competition.

As we previously mentioned we have been importers of hosiery goods for over 25 years past on a large scale. Besides our Elephant Brand, we have another established brand which is Violin Brand. Sample No. 8. We import from Japan in large quantities undershirts with this brand. In support of our statement we beg to enclose herewith 5 contracts Nos. 4087/91 for a total of 700 cases. As at present we cannot produce Elephant Brand undershirts on a paying basis, it will be impossible for us to make Violin Brand undershirts here during the next two years even granting that the industry is given protection.

Although we are aware that any increase in duties would hit us hardest in our capacity of importers, yet in the broader interests of the country we wish to state that a duty not less than 75 per cent. must be levied on imported hosiery goods considering all prevailing circumstances. Only then can the hosiery industry in India be established on a paying and competitive basis. Unless such protection is granted it is very clear that before long we will be compelled to close down our factory, and continue to be importers, which is at least a paying proposition.

If such protection of 75 per cent. cannot immediately be granted, we would suggest that till such time that Indian spinning mills are in a position to produce at a competitive price sufficient fine counts 30s and above, the duty on yarns of 30s and above imported from abroad may in case of England be duty-free and other foreign countries it may be levied at 5 per cent. of  $\frac{1}{2}$  anna per lb., whichever is higher taking into account the very low price for cotton and yarns. We make this suggestion in the event of protective duty being less than 75 per cent. By such step Indian makers will to a certain extent be able to produce cheaper and that would help labour. It would also lessen the burden on the consumers to some extent as they would be getting goods cheaper.

We hope that the Government will seriously consider this matter in the interests of Indian hosiery industry.

### Indian Chamber of Commerce, Calcutta.

*Letter No. nil, dated the 8th August, 1932.*

I beg to forward herewith a copy of replies to the questionnaire in regard to Hosiery Industry received from the Pabna Silpansanjibani, Ltd., Pabna.



REPLIES TO QUESTIONNAIRE RELATING TO THE HOSIERY INDUSTRY.

1-2. Not known.

3. (a) One 6 N.H.P. Portable Engine, one 20 B.H.P. Engine, one 10 K.W. Dynamo with equipments, fifteen Blackburn circular machines, eight Schubert Sulzer machines, one Loop wheel, one Minotand, two Phantaschie Raschel, two Flatbeds, eleven Rib machines, thirty Overlock, neck and other sewing machines, one Steam Calender.

(b) Partly at piece-rate, partly at fixed salaries.

4. Cotton vests—40,000 dozens annually. Lady vests, underwears, sweaters, football jersey, swimming costume, sports wears, woollen sweaters and banians, lady banians, etc.

5. For our No. 1 quality:—(1) Rs. 5 (4 lbs. on the average per dozen), (2) Rs. 1-4, (3) Rs. 1-2, (4) As. 2, (5) As. 6, (6) As. 4, (7) As. 6, (8) As. 8.

6. 250 dozens daily.

7. Rs. 2,00,000.

8. 5 per cent.—Not reasonable, one hosiery machine properly worked does not last more than 10 years.

9. (i) c.i.f. not known.

(ii) Rs. 5.

10. 160,000 pounds.

11. Yes, 14 to 32 counts.

12. Nil.

**Behar Planters Association, Ltd., Motihari.**

*Letter No. 758-T., dated the 25th July, 1932, from the Secretary to the Government of India, Department of Commerce, Simla.*

PROTECTION TO THE INDIAN INDIGO INDUSTRY.

I am directed to refer to your letter No. 80/31-32, dated the 29th March, 1932, on the subject noted above.

2. As the Behar Planters Association is doubtless aware, the import duty formerly levied on coal-tar dyes was removed in 1927 as a result of the recommendations of the Indian Tariff Board and as a measure of assistance to the cotton textile industry. The questions whether protection should be continued to that industry after March, 1933, and, if so, in what form, have been referred to the Tariff Board in this Department Resolution No. 341-T. (150), dated the 9th April, 1932 (copy enclosed), and the Government of India will consider the question raised in your letter when they have received the Tariff Board's Report. In the meantime they have forwarded a copy of your letter to the Board for information, and I am to suggest that any further communication you may desire to make on the subject may be addressed to the Board.

Enclosure.

*Copy of letter No. 80/31-32, dated the 29th March, 1932, from W. H. Meyrick, Esq., General Secretary, Behar Planters Association, Ltd., to the Secretary to the Government of India, Department of Commerce, Delhi.*

I have the honour to bring to your notice the distress in the Indigo Industry. In its prosperous days this industry produced in India as much as 107,000 cwts. (1895-96) of indigo, as against 14,600 cwts. in 1929-30 and 13,700 cwts. in 1930-31 (see Statement A).

Competition from synthetics, a dye produced from coal-tar, is the cause of the collapse of the indigo industry in India. Whereas in the old days by far the greater part of the indigo outturn was exported now-a-days, a very small percentage is exported, the reasons being that synthetics

have taken the place of indigo in the foreign markets. Whereas in 1895-96 approximately 97,000 cwts. of indigo were exported, during 1930-31 only 934 cwts. were exported.

It does not seem possible to recover the foreign markets but as far as India itself is concerned a tariff on synthetics will save the industry from extinction. During 1930-31 9,675 cwts. of synthetics were imported and the probable consumption of indigo during that year was 12,600 cwts. 60 per cent. synthetic is sold at Rs. 1-12 per lb. Formerly it was selling at Rs. 1-8 per lb. But owing to increased duties the price has risen to Rs. 1-12. A further duty of As. 12 per lb. on synthetics will give indigo the necessary protection. If this protection stops the import of synthetics as it is anticipated it will, then on the 1930-31 figures there will be a market for 22,275 cwts. of indigo yearly, and probably this market will increase in future.

The indigo industry should be fostered for the following reasons:—

- (1) It is largely a catch crop and therefore very profitable to the agriculturist.
- (2) It is of great benefit to the land as a change crop.
- (3) The refuse indigo, *i.e.*, the indigo plant after the colour has been extracted from the leaf, is the finest manure available in India.
- (4) The industry gives employment to agricultural labour at a time of the year when there is considerable unemployment.
- (5) Why buy foreign goods, when one can supply a home-grown article that is a better dye than the foreign synthetic, and the difference in price to the consumers is infinitesimal?

This briefly is the case for protection of the indigo industry, and I write to request you to refer the matter to the Indian Tariff Board.

#### STATEMENT A.

##### *Production of Indigo.*

Province.	1929-30. Cwts.	1930-31. Cwts.
Madras . . . . .	11,500	10,900
Bombay and Sind (including Khair- pur State) . . . . .	100	(b)
Bengal . . . . .	(a)	...
United Provinces . . . . .	400	400
Punjab . . . . .	1,400	1,600
Bihar and Orissa . . . . .	1,200	800
Total . . . . .	14,600	13,700

(a) No cultivation.

(b) 19 cwts. only.

#### **New Industries Ltd., Howrah.**

(1) *Letter dated the 25th July, 1932.*

I respectfully beg to place before you our case for protection against the unfair Japanese competition with their imported goods.

1. The factory was established as a limited concern in the year 1922, mainly for the purpose of encouraging the Indian Industries in this line. In the beginning 600 heads of the machines were created but in order to meet the market further capital was invested and we have now about 2,100 heads of machines but mostly two-thirds are now lying idle.

2. Japan is the only other country which is importing large quantity of such goods and flooding the market.

3. Though large capital has been invested and all up to date machines have been erected but still the dumping of the market by Japanese has not given us any chance to stand on our legs.

4. In order to catch and flood the Indian market the Japanese currency has been depreciated to the lowest possible point and now the market is so dumped that the prices have gone down by 50 per cent. as compared with the last few months.

5. Owing to the above facts we are unable to stand this unfair competition and have practically closed down the factory.

6. The cost price of the article as produced by us is as under for a bundle of 1 lb. :—

	Rs.	A.	P.
Cost of Indian made yarn count 20/2 1 lb. . . . .	0	9	0
Labour charges on above . . . . .	0	2	6
Dyeing and colouring . . . . .	0	1	6
Power charges . . . . .	0	0	6
Wastage of yarn . . . . .	0	0	6
Packing in charges . . . . .	0	0	6
Establishment charges . . . . .	0	0	6
Selling commission . . . . .	0	1	0
	<hr/>		
Per bundle of 1 lb. . . . .	1	0	0

So the cost of Japan is:—

At 51 sen per bundle of 1 lb. at exchange 1s. 5d. . . . .	0	9	0
Import duty on above at 25 per cent. . . . .	0	2	3
	<hr/>		
Cost of Japan . . . . .	0	11	3

By the above it is clear that the Japanese goods is imported in this market about 25 per cent. cheaper than the cost price and so this is very heavy and unfair competition for us to stand.

7. Owing to this heavy fall in the price the market is paralyzed and two local factories of this article are closed and if immediate relief is not given then this factory will also be strangled to death.

8. The Director of Industries, the highest technical expert on the subject in this province, inspected our factory and after ascertaining all the facts about the cost of our production was so convinced that he stated in his letter No. 1170-D. I. G., dated the 11th September, 1929, that "you can certainly claim consideration of your case for protection".

9. I respectfully beg to state that a great unjustice has been done to us because the less duty is levied on Japanese cotton braids being classified as an ordinary yarn and textile fabrics and are not classed under cotton piecegoods "not of British manufacture" as it should be. This article is used by the people of Bengal round the neck, arm and waist, etc., as an ornament so it is an article of luxury and should be classified as such and charged with 50 per cent. duty instead of 25 per cent. duty as is now done.

This not only bring loss to the Government revenue but it assists and encourages the Japanese import, and consequently ruin the Indian Industries.

10. Our factory is equipped with most modern machiners imported from Europe and Japan and the Director of Industries, Bengal, who visited our factory remarked in his letter No. 4946-D. I. G., dated the 28th March, 1929:—

"I have already stated that inasmuch as the braid making is suitable to Bengal and it supplies a need peculiar to Bengal and other Provinces and utilizes in its process materials exclusively Indian origin and further as much as the two factories in Calcutta of which yours

is the most advance, are in a position to manufacture practically all the requirements of the country and would easily be capable of expansion to do so, you can certainly claim consideration of your case for protection."

Sir, I have placed all the facts which I possibly can and shall be ready to submit any further information when required in this connection.

I respectfully beg that you may kindly recommend the following suggestions to the Government to safeguard our industry and save us from ruin:—

- (a) This article be classified as an articles of "luxury" under "cotton piecegoods not of British manufacture" and a duty on the luxury basis of 50 per cent. be levied.
- (b) A protection duty of 100 per cent. be imposed on the Japanese goods imported in this country.
- (c) Such other steps to be immediately taken to stop the dumping of the market.

In conclusion, Sir, I hope I have placed all the facts as I think are required to make my case for protection and in particular I will appeal to you to consider the following facts:—

- (a) I had been in Germany for about 6 to 7 years and had practical knowledge of cotton braid industry there.
- (b) I came to India having obtained such practical training and started the cotton braid industry in Calcutta.
- (c) In spite of my obtaining the best type of machinery and starting business on a large scale and devoting my best time and energies after investing a large capital, I feel, on account of the dumping of market by the Japanese cotton braid, I am suffering heavy loss, and in fact a portion of the machinery had to be stopped working for which act of kindness I as duty bound will ever pray.

(2) Letter dated the 12th September, 1932, from the New Industries, Ltd., Howrah.

In continuation to our previous application for protection against foreign competition we beg to enclose herewith three statements A, B, C, six copies of each on which we beg to draw your best attention.

Statement "A" will show you the position of the last five years and statement "B" will show you the cost of the plant of the Industry while statement "C" will show the cost per bundle.

We have given the above statements as accurate as possible and anything further you require we will place before you. We shall thank you to place these before the Tariff Board and oblige.

"A."

Statement of 5 years' account, 1927 to 1932.

Items.	1927.		1928.		1929.		1930.		1931.	
	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.
Labour charges	9,828	12 9	11,899	6 8	13,916	0 6	12,586	12 0	6,059	13 8
Fuel and power	3,691	4 11	4,018	8 6	6,293	9 0	3,742	15 6	1,990	13 8
Stores consumed	28,257	5 9	61,807	0 6	79,077	5 8	89,230	14 11	18,888	13 9
Rent and taxes	2,857	2 6	2,956	7 0	1,793	10 9	2,317	3 0	2,444	12 0
Repair and maintenance	755	7 9	372	12 0	445	11 0	970	1 8	918	3 0
Establishment	1,388	11 8	1,437	0 0	2,173	9 9	1,905	15 0	2,112	1 0
Selling expenses	5,473	11 6	9,899	2 6	14,106	12 6	13,514	15 6	6,787	5 0
Other expenses	8,038	15 10	8,054	12 11	4,665	1 10	2,912	14 0	3,092	15 4
<b>TOTAL</b>	<b>60,271</b>	<b>8 8</b>	<b>1,01,748</b>	<b>1 8</b>	<b>1,22,471</b>	<b>12 7</b>	<b>77,181</b>	<b>11 2</b>	<b>42,294</b>	<b>8 7</b>

*Statements of bundles produced and amount realized.*

Year.	Bundles.	Amount.	
		Rs.	A. P.
1927 . . . . .	31,563	55,460	8 9
1928 . . . . .	67,893	79,257	8 0
1929 . . . . .	94,006	1,19,678	15 0
1930 . . . . .	70,117	76,805	13 3
1931- . . . . .	43,674	36,107	3 0
<b>Total</b> . . . . .	<b>307,258</b>	<b>3,67,310</b>	<b>0 0</b>

*Net result, 5 years.*

	Rs.	A. P.
Cost . . . . .	4,03,963	0 3
Sale . . . . .	3,67,310	0 0
<b>Loss—Total</b> . . . . .	<b>36,653</b>	<b>0 3</b>

## "B."

*Statement for cost of erecting a cotton braiding plant.*

150 machines of 6 heads  
of 9 spindles at £20  
each . . . . . £3,000

winding machine for  
spools . . . . . £ 50

	s. d.	Rs.
£3,050 at exchange 1 4		45,750
Customs duty on above at 10 per cent. . . . .		4,575
Landing and toll, etc. . . . .		125
Cost of 1 Corrugated shed not including rent . . . . .		5,000
Cost of electric motor and electric wiring, etc. . . . .		1,500
Cost of pullies, belting, shafts, blocks, etc. . . . .		5,000
Insurance premium, etc. . . . .		550
		<b>62,500</b>

Running Capital required Rs. 8,000.

Production, single shift a day, 200 lbs.

Under double shift, 300 lbs. a day, yearly 90,000 lbs.

## "O."

## Statement of cost.

	Rs. A. P.
Capital locked . . . . .	0 10 0
Depreciation 5 per cent. . . . .	0 0 6
Profit 10 per cent. . . . .	0 1 0
Interest 10 per cent. . . . .	0 1 0
Labour 20 per cent. . . . .	0 2 0
Colour and dyes 10 per cent. . . . .	0 1 0
Power and energy 5 per cent. . . . .	0 0 6
Packing 5 per cent. . . . .	0 0 6
Selling commission 10 per cent. . . . .	0 1 0
Wastage 5 per cent. . . . .	0 0 6
Repair and renewal 5 per cent. . . . .	0 0 6
Manager supervision 10 per cent. . . . .	0 1 0
Reserve fund 5 per cent. . . . .	0 0 6
Total . . . . .	1 4 0
Cost of 1 lb. yarn 20/2 . . . . .	0 9 0
	1 13 0

Cost 1 lb. bundle of cotton braid one rupee thirteen annas.

### Calcutta Flour Mill's Association.

(1) Letter No. 52-F. M., dated the 10th May, 1932.

I am directed by the Calcutta Flour Mills Association to address you upon the grave position reflected by the exclusion from import duty of foreign starching materials.

As is of course known to the Tariff Board the Cotton Mills and Jute Mills in India use large quantities of starching materials in connection with the various processes carried on in the textile industry. The flour mills in India specially make a flour for starching and sizing purposes which is suitable for the purposes of the jute and cotton mills. This flour was almost exclusively used by the jute and cotton mills prior to the year 1927. With the removal, however, of the duty on starch in 1927 the flour mills trade with the jute and cotton mills steadily declined owing to various kinds of imported "starching" materials being able to compete with the products of the Indian flour milling industry. With the advent of a further handicap in the shape of a heavy duty on the wheat imported by the mills and the addition of a 10 per cent. duty on mill stores generally (but excluding *inter alia*, the starching materials) the position now is that the flour mills find it almost impossible to sell the sizing flour manufactured by them.

The Calcutta Flour Mills Association objects most strongly to the continued exclusion, from import duty, of these cornstarch products, and they would invite the attention of the Tariff Board to paragraph 94 on page 179 and the following pages in the report of the Indian Tariff Board (Cotton Textile Industry Enquiry) 1927 where the position with regard to the duty on mill stores, including starching materials, is explained. In particular they would direct attention to the paragraph at the foot of page 182 of the report which reads:—

"We have not overlooked the fact that the acceptance of our recommendation might in the case of one or two items in the lists such as magnesium chloride and bobbins, prejudicially affect existing Indian industries but we are of the opinion that it is for such industries to establish a case for protection in the usual manner."

imported and these are sold at Rs. 4-8-6 and Rs. 4-10-6 per cwt. respectively f.o.r. Bombay.

In this connection I am to say that the Association has now had the opportunity of studying the figures published in the annual statement of sea-borne trade of British India and of comparing the serious falling off in the trade of the local milling industry with the great increase in the importation of foreign starches, farina and sago flour.

As has been pointed out to the Tariff Board in the Association's letter of the 10th May, 1932, the trade in starching flour of the local mills has considerably shrunk. Estimates show that for the year 1931 the trade in starching flour, for the local mills, was lower than the corresponding trade for the year 1926 to the extent of 26,500 maunds or say 20,000 cwts. Yet the importation of starch and farina into Bengal alone increased from 46,007 cwts. in 1926-27 to the very large total of 121,439 cwts. in 1930-31. This is equivalent to an increase of 75,439 cwts. But the All-India figures are still more surprising for, while 170,163 cwts. of starches and farina were imported in 1926-27 this figure had increased to 438,096 cwts. for the year 1930-31: for the year 1931-32 the figure was 492,932 cwts.

The Association feels very strongly that there is something most unsatisfactory in an arrangement which freely permits the importation of large quantities of foreign starching materials while the indigenous flour trade, which can quite easily cope with the visible demand for starch, is unable to dispose of its output. The wheat producing areas in the Punjab which have to meet the charges on costly irrigation schemes are of course directly affected by this position, for the local starching flour is produced from Indian wheat. The following table extracted from the Annual Statement of the Seaborne Trade of British India will doubtless be of interest:—

*Imports of Starch and Farina Totals.*

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
	cwts.	cwts.	cwts.	cwts.	cwts.
Share of—					
Bengal . . . . .	46,007	76,280	85,731	133,800	121,439
Bombay . . . . .	120,904	247,204	167,931	265,785	180,073
Sind . . . . .	406	812	1,181	1,884	1,702
Madras . . . . .	1,927	3,121	2,855	32,546	32,981
Burma . . . . .	919	1,073	1,834	1,891	1,901
Total . . . . .	170,163	328,490	259,532	435,906	438,096

The total for the year 1931-32 was 492,932 cwts.

With regard to the last of the three questions, I am to explain that the Association is not in possession of definite evidence, such as that for which you ask, indicating that imported "corn starch" materials are chemically prepared. But they have before them an analysis of Maize Flour made by a leading analyst in England, which shows the presence of from 7 per cent. to 9.5 per cent. of proteins, and similar analyses made in Calcutta of two different types of imported flour starch showing in the one case .39 per cent. and in the other .09 per cent. of proteins—a striking difference in protein—constituent that must, the Association concludes, be due to the imported starches having been chemically processed.

(4) *Letter No. 189-F. M., dated the 26th September, 1932, from the Calcutta Flour Mills Association.*

I am directed by the Committee of the Calcutta Flour Mills Association to refer to the attendance before the Tariff Board of their witnesses, Mr. F. C. Fyfe, Mr. H. C. Lewis and Mr. D. McEwan,

The Committee understand that the President of the Board in the course of the examination of the above witnesses referred to the relative milling values of Australian and Indian wheat. It was admitted by the witnesses and it is now confirmed by the Association that the milling advantage which the Australian wheat has over the Indian product comes to five annas per maund and the total disability of Indian wheat as against Australian wheat on rates recently ruling works out at between 3 annas and 7 annas per maund after allowing the extra milling value in Australian wheat, calculating the price of Indian wheat at the lower and higher points, viz., Rs. 4-4 and Rs. 4-8 per maund.

The Committee confirm that on a basis of 60 per cent. white flour extraction 100 maunds of wheat at Rs. 4-4 would yield:—

	Rs. A.
Sooji 5 mds. @ Rs. 5-4 <i>ex-bags</i> . . . . .	26 4
Atta 5 mds. @ Rs. 5 <i>ex-bags</i> . . . . .	25 0
Low grade atta 7 mds. @ Rs. 3-8 <i>ex-bags</i> . . . . .	24 8
Bran 23 mds. @ Rs. 1-8 <i>ex-bags</i> . . . . .	34 8
	110 4

It was admitted by the witnesses that the sizing products of the Calcutta Flour Mills carry a disadvantage of between 14½ per cent. and 20 per cent. This is now confirmed.

The witnesses were asked to say what the effect on the Indian Jute Mills would be if a duty of say 20 per cent. were to be imposed on foreign starching materials. In reply they intimated that they would require time to consider this question. The President kindly granted the Association a fortnight's time to make enquiries and to report. That being so the Committee have now to submit that from the enquiries which they have made it would appear that the use of sizing materials in the Mills is tending to increase. At one time sizing was used only in connection with the beaming of Hessian yarn, but its use is now rapidly extending to the dressing of coarse sacking yarn. The cost of sizing represents a very small proportion of the manufacturing cost of jute goods, being somewhere in the neighbourhood of ½ per cent. and if sizing costs were doubled the effect on the manufactured cost of jute goods would hardly be noticed.

The following figures relating to the reported production of manufactured goods by the mills in the membership of the Indian Jute Mills Association for the year 1931 are of interest:—

	Yds.
Hessian (both as bags and cloth) . . . . .	1,026,536,592
Sacking (both as bags and cloth) . . . . .	1,095,351,319
Canvas . . . . .	800,853
	Total . 2,122,688,764

It is well nigh impossible to obtain accurate figures relating to the amount of sizing material used in the Jute Mills either on a loom basis or on the basis of so much per unit of yarn beamed. No statistics are compiled with regard to this and the Association can only proceed on general assumptions.

It has been ascertained however that during a period of a month a set of 466 hessian looms used 13,266 maunds of flour costing at Rs. 4-10 per maund—Rs. 610-5-5. In a working year this would total Rs. 7,324-1. Therefore the cost of sizing per loom per year on this basis would be Rs. 15-11-6.



It is understood that there were 35,663 hessian looms in the Indian Jute Mills Association in 1931, of these 15 per cent. were sealed leaving 30,313 working. It has already been stated that 1,026,536,592 yards of hessian cloth were produced in 1931. This must have been done on 30,313 looms. This gives an output of 33,864 yards hessian cloth per looms per year.

The average overhead price of hessian cloth for the year 1931 was about Rs. 9-10 per 100 yards. Therefore the value of 33,864 yards works out at about Rs. 3,253—the value of the annual output per loom.

In the case of those hessian looms which use dressed yarn the cost of the sizing per loom per year works out as has already been stated at Rs. 15-11-6. It will be seen that this is a very small item indeed when compared with the value of the output of the loom, namely Rs. 3,253 and it is submitted that a duty of 25 per cent. or even 50 per cent. is not likely to embarrass the jute industry.

**CHECKED**  
**2003-04**