

INDIAN TARIFF BOARD

Cotton Textile Industry

Volume IV

Oral Evidence given by the
applicants for protection before
the Indian Tariff Board.

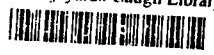


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THE MILLOWNERS' ASSOCIATION, BOMBAY.

Evidence of Mr. H. P. MODY, Chairman, Mr. S. D. SAKLATVALA, Mr. AHMED F. CURRIMBHOY, Mr. H. M. MEHTA, Sir MANMOHANDAS RAMJI and Mr. T. MALONEY, Secretary, recorded at Bombay, on Tuesday, the 16th August, 1932.

President.—Mr. Mody, you are Chairman of the Bombay Millowners' Association?

Mr. Mody.—Yes.

President.—And your colleagues who are appearing with you are members of the Committee of your Association?

Mr. Mody.—Yes.

President.—I should like to get some idea of the constituency that your Association represents, that is to say how many mills are there which are represented in your Association at present?

Mr. Mody.—101.

President.—How many of these are situated in the City and Island of Bombay?

Mr. Mody.—63.

President.—May I take it that you are authorised to represent the up-country members of your Association?

Mr. Mody.—Yes, all our members.

President.—As far as the general issues are concerned, you represent the up-country members as well?

Mr. Mody.—Yes.

President.—I feel probably the most convenient way in which we can proceed with your examination is to take up the various points in the order in which we have set them out in the questionnaire and if there are any points which are left over, I propose to discuss them at the end of the discussion of the questionnaire? Would that suit you?

Mr. Mody.—Yes.

President.—As far as the cost statements are concerned, you have expressed a desire that the statements of costs of individual mills should be kept confidential and in accordance with the undertaking the Board gave you in our questionnaire what we propose to do is to hold them over till we have discussed all the other issues in the questionnaire and probably I think, as far as I am able to figure it out, on Thursday our sittings will be entirely confidential, assuming that all the other issues are finished by to-day and to-morrow?

Mr. Mody.—Yes.

President.—The first question which we have raised in the questionnaire is the extent and range of external competition by which the Indian textile industry is faced and we stated those conclusions in Mr. Hardy's report because we felt that they formed a sort of peg on which we could hang the essential points in that question. The first point raised therein is the progress that you have made in respect of bleached goods. I consider that rather an important question because to some extent I take it that the progress made by the Indian textile industry in respect of bleached goods is an indication of the progress which is made in respect of finer classes of goods—I don't say entirely but to a large extent it may be

taken as an indication. Then, of course, it is also connected with the question of competition between the Indian industry and the imports from the United Kingdom, because the United Kingdom has always been a large importer into this country of bleached goods.

Mr. Mody.—Yes.

President.—Now the point is this. You remember that when the Tariff Board reported in 1926, they gave a figure of 67½ million yards as the production of the Bombay Mills of bleached goods.

Mr. Maloney.—Yes.

President.—I think 67·6 million yards is the correct figure.

Mr. Mody.—Yes.

President.—As a matter of fact the figure which was given in the Bombay Custom House returns was 4·3. They rejected that figure on the ground that the Custom House figures did not show bleached goods which were bleached at separate bleach houses outside the mills. The Custom House figures showed only the production of bleached goods to the extent they were bleached on the mill premises. Therefore they accepted 67½ million yards as the correct figure. Mr. Hardy in 1929 went into this question and he rejected the Tariff Board's figure on the ground that the higher figure which the Tariff Board gave in 1926 represented not merely goods consisting entirely of bleached yarn but also goods which consisted in the main bleached yarn but also coloured and woven patterns although the coloured and woven patterns were classified for import purposes as coloured goods. He therefore stated that the lower figure ought to be taken for the purpose of bleached goods as understood by the Trade Returns and he gave a figure of 1 per cent. I have been examining these figures which you have sent in recently and I am rather glad that you have shewn separately the figures of coloured yarn bleached goods because if we exclude that we are in a position straightaway to check Mr. Hardy's figure. Working out your figures, the result that I get is this. Taking the year 1927 which is very close to the year on which the Tariff Board reported if I leave out all coloured yarn goods and leave out also what you call unaccounted goods, the proportion of bleached goods to the total production in Bombay City and Island is 6·5 per cent. I think you have calculated your percentages on a different basis. I think you have probably taken unaccounted goods into account?

Mr. Mody.—Yes.

President.—If you leave that out, you get a figure of 6·5 per cent. which is the proportion of bleached goods to the total production.

Mr. Maloney.—Yes, leaving goods made out of coloured yarns.

President.—I think that the Tariff Board's figure of 67·6 million yards, taking the total production which I got from one of your reports, gives 7 per cent. Leaving out coloured yarns, the proportion is 6·5. Therefore it looks to me that the Tariff Board was correct and Mr. Hardy wrong.

Mr. Mody.—Anyway, in our replies to the questionnaire we have given detailed figures under each head of bleached goods. If you leave out goods containing coloured yarn, you will find that our production as regards plain goods has gone up by 100 per cent. In dhotis, it has gone back a little.

President.—I was trying to look at it this way. I want to know precisely the progress which has been made in respect of bleached goods, that is to say, entirely bleached with no admixture of coloured yarn because that is the thing that matters when you come to consider the question of competition in the white bleached line. Then, you see in 1927 it was 6·5 per cent. and in 1931, including the goods bleached at the four new bleach houses, the figure is 9·7 per cent.

Mr. Mody.—Yes.

President.—That is to say the proportion of bleached goods has increased in the past 5 years from 6·5 to 9·7 per cent.?

Mr. Mody.—50 per cent. increase.

President.—That gives one a fairly accurate picture of the progress made in respect of bleached goods?

Mr. Mody.—Yes.

President.—There is one point which I don't quite understand. If you could explain the point, it would be useful. I cannot understand how the Custom House could exclude from their returns goods bleached at separate bleach houses by mills. The Custom House must get these figures from you only. There is no independent source from which they could get figures.

Mr. Saklatvala.—They get the production figures from us.

President.—In the production you show goods bleached outside the mill premises?

Mr. Saklatvala.—No.

President.—Then, it is a natural error that the Custom House may make?

Mr. Mody.—I cannot say.

Mr. Boag.—Would these goods bleached in outside bleach houses appear in your returns as grey?

Mr. Maloney.—I don't say always but the probability is that they would be returned as grey.

Mr. Saklatvala.—Very often the selling agents buy as grey and put in the production returns as grey. Then they get them bleached outside.

President.—The bleaching is done by people who have taken it off your hands?

Mr. Saklatvala.—Yes.

President.—That is how the mistake arose?

Mr. Mody.—Not always, but often enough.

President.—Is it possible for you to tell me approximately, taking the bleached goods used by Bombay Mills, what range of counts of yarn they represent—never less than 30s?

Mr. Maloney.—That would not be correct.

Mr. Saklatvala.—In some years there has been a substantial demand for bleached khadi.

President.—That would be somewhere about 20s?

Mr. Saklatvala.—Coarser still; there would be some 10s.

President.—Taking the current practice, would you say that your bleached goods represent counts above 30s?

Mr. Saklatvala.—Yes, as far as plain goods are concerned. I just want to point out one thing. The progress in respect of goods containing coloured yarn does not seem to be much, and the reason is this. In Bombay, we can scarcely compete against Ahmedabad where the bleaching is done by the local washermen. That is why in respect of bleached goods where there is coloured yarn, Ahmedabad has got the bulk of the trade.

President.—In Ahmedabad, bleaching is a cottage industry—that is what it amounts to?

Mr. Mody.—Yes. But I think as a general proposition it can be stated so far as plain goods are concerned, a great deal of the stuff that is bleached would be about 30s. As Mr. Saklatvala pointed out, a great deal of khadi is bleached which is made of coarser yarn.

President.—Then, I come on to the next point, that is the share of the grey goods market which Calcutta represents. There is no essential difference of opinion between you and Mr. Hardy. The only point is that Mr. Hardy fixed the figure at a slightly higher level than you do, but you admit that Calcutta is still the largest market in respect of grey goods?

Mr. Mody.—Yes.

President.—Have you any particular reason for suggesting that the figures are now lower than what Mr. Hardy suggested?

Mr. Mody.—I cannot say whether Mr. Hardy's estimate when it was originally framed was accurate or not. We can form only general ideas. What we have stated is "As far as Bombay mills are concerned, it certainly cannot be said that 90 per cent. of the dhoties or 65 per cent. of other grey goods are distributed from Calcutta. It is difficult to say what the exact proportions are. General enquiries 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".

President.—You contest the original estimate itself?

Mr. Mody.—I do not know where he got his estimate from.

President.—I am wondering, if Mr. Hardy's figures for 1927-28 were correct and your figures are correct at present, whether the difference could be accounted for in this way, that there is at present in Bombay mills a much larger production of grey dhoties and when you have a large increase in local production often as we have seen in other industries, it stimulates a local demand. Therefore as a result of active selling arrangements, it is possible for you to sell a larger proportion of grey goods that you make here in the local market instead of shipping them out to distant markets.

Mr. Mody.—It would not be correct to say that our trade in Calcutta has fallen off. It has not fallen off. It is not known where Mr. Hardy obtained his figures from.

President.—As far as dhoties are concerned, the Calcutta Custom House had kept special returns and I think it is on the basis of those special returns that he made that statement. But as you point out, it is not an entirely reliable basis. It is a very rough way of estimating it.

Mr. Mody.—Yes.

President.—There is one point on which I should like some information. From the statements that Mr. Hardy makes I gather that when goods are shipped from Bombay to upper India markets which are naturally catered for from Calcutta, it is sometimes the practice for the goods to be sent in the first instance to Calcutta and then from Calcutta they are shipped over again, that is to say instead of sending it direct from Bombay to a place like Amritsar, you send it first to Calcutta and then from Calcutta to Amritsar. To my mind, it appears that it is a very circuitous way of selling goods?

Mr. Mody.—We have such direct connections that we would not think of selling in the way now suggested. If we did, we should be entering into competition with people who are sending goods direct to those places.

President.—The only condition under which such sort of things may happen is if there are any special station to station rates?

Mr. Mody.—Yes.

President.—I don't think that there are such station to station rates?

Mr. Mody.—No. Further I should consider it improper to do like that.

President.—Even on your figures Calcutta is the largest market for grey goods and grey goods form your staple production. The question of freight from here to Calcutta is a very important point.

Mr. Mody.—Yes.

President.—You have given us freight figures. Is the practice generally to send goods at O. R. or R. R. rates?

Mr. Mody.—I had statistics taken out some time ago and I found that goods were going in increasing quantities by rail rather than by sea.

President.—What I am asking is whether you send them at owner's risk or at railway risk?

Mr. Saklatvala.—Sometimes the merchants ask us to send them at owners' risk, and we do so.

President.—If the mills themselves ship goods, they generally send them at railway risk?

Mr. Saklatvala.—No.

President.—For our purposes, as we are looking at the thing entirely from the mill point of view, it would be necessary for us to calculate the freight on the R. R. basis?

Mr. Mody.—No.

Mr. Mehta.—We cannot afford the railway risk rates. The railway risk rate is sometimes 25 per cent. more than the owner's risk rate.

President.—Let us take for the present the owner's risk rate. The owner's risk rate from Bombay to Howrah is Rs. 1-9-9. Approximately it works out to about 3½ pies per lb. Is that correct?

Mr. Maloney.—Yes.

President.—I was trying to look at it from this point of view: You have given us quotations for steamer freights from Japanese ports to Indian ports. I am afraid I am unable to make very much use of the steamer freight that you have given because it is calculated per ton of 40 c.ft. Unless we know the equivalent freight in respect of the leading classes of cloth in cubic tons, it would be difficult to make any calculations.

Mr. Mody.—It would be somewhere about 3½ bales.

President.—When you speak of a bale of piece-goods, how much is it?

Mr. Mody.—300 lbs.

President.—Would you put it at so high a figure? A few stray invoices that we happened to see give us for standard plain grey goods a figure of somewhere about 500 lbs. Would it be possible for you to give us some information?

Mr. Mody.—I shall try.

President.—In respect of about half a dozen classes of goods. Normally we might take it at about 1,050 lbs.

Mr. Mehta.—One cubic ton, taking an average of 300 lbs., comes to 1,050 lbs.

President.—What kind of cloth are you thinking of?

Mr. Mehta.—All classes except very fine goods—80s, 60s and so on. All the bales are over 300 lbs.

President.—Taking all the kinds with which the industry is normally concerned?

Mr. Mehta.—Yes.

President.—Supposing we took the cubic content as the equivalent of 1,050 lbs., at 13-50 yen less 10 per cent. rebate, taking about 100 as the current rate of exchange, what kind of steamer freight does it come to per lb. from Japan to the Indian ports? We have got a figure of 1½ pies calculating on 500 lbs., so that if you calculated it on 1,050 lbs. it would be about half of that. Supposing you took it at a pie per lb. and if you added a pie per lb. as the freight on cotton from here, then the total freight on raw material from here to Japan and from Japan to Indian ports is 2 pies, whereas your freight to Calcutta which is your principal market on piece-goods is 3½ pies per lb. The freight paid on raw material and piece-goods put together in the case of Japan is lower than the freight that you have to pay on piece-goods to your most important market in India. Will you look into this question in some detail and let us know? If you could give us six different lines of piece-goods and give us the freight rates, it would be useful.

Mr. Mody.—I shall try to give you the information.

President.—There are various other questions that arise out of the question of freight, but I will raise them in detail when we come to the question of

freights. Now we come to the question of coloured goods. You suggest that the percentage of coloured goods is now less in the Calcutta market than at the time of Mr. Hardy's report. The total production of coloured goods in 1927-28 was 681 million yards; it is now 678, so that the total Indian production remains more or less the same. Your production has fallen off because your export trade has fallen off. If the total Indian production is more or less the same now as in 1927-28, is there any reason why the proportion of business done in coloured goods in Calcutta should be less now than it was four or five years ago?

Mr. Mody.—I can only answer that by suggesting that the Ahmedabad production of coloured goods mostly go to other markets than Calcutta.

President.—Four or five years ago you were the principal Indian manufacturers sending goods to the Calcutta market?

Mr. Mody.—About half and half.

President.—Since then Ahmedabad has increased its production?

Mr. Mody.—They have.

President.—With regard to this question of fine counts, that is, the progress made in respect of goods woven from fine counts, we shall take the question of dhoties first. That is a very important point in this enquiry because we have got to form an estimate of the extent to which the industry has been able to comply with the recommendations made by the Tariff Board in 1926 with regard to diversification. This has a very important bearing on the question of competition. Your suggestion is that the ratio of goods woven out of medium and fine counts is considerably higher now than when Mr. Hardy reported, and reading your replies in connection with your representation I gather that the main grounds on which you base your statement is this: first you show that there is a large increase in the output of dhoties made in Bombay and since dhoties made in Bombay mills are largely medium and fine counts, therefore the increase in production consist of cloth of 40 counts. Then you take the lines "Cambrics and Lawns" which are above 40s.

Mr. Mody.—Yes.

President.—Then there is the question of improvement in the average counts of yarn spun. Taking Bombay there is an increase of about 3.5 and taking India as a whole it is 2.1 per cent. Then you give us the returns of individual mills who have considerably increased their production of finer dhoties.

Mr. Mody.—Yes.

President.—In addition to these points is not one justified in pointing to the increase in the imports of raw cotton from other countries than America? If you have increased your imports of raw cotton from East Africa and Egypt you are obviously importing staple cotton which is more suitable than that from America.

Mr. Mody.—A considerable portion of the cotton

President.—What I was thinking of is this. Take 1926-27: the total import of raw cotton was 474,000 bales and in 1930-31 the amount is more or less the same. What has altered is the distribution, that is to say from East Africa in 1926-27 the total import was 85,000; last year it was 179,000: from Egypt was 3,026 in 1926-27 and it was 146,000 last year. Therefore although the total remains about the same the import from countries which specialise in staple cotton has increased considerably.

Mr. Saklatvala.—May I point out that in 1926-27 more American cotton came in not because of fine counts but because of the scarcity of Indian cotton, but in later years because more and more finer yarns are being spun.

Dr. Matthai.—There is one point on which I want you to help me. The usual way in which progress in respect of finer counts is estimated in the

publications that I have seen is this: they say the total Indian production is so much, out of that the total amount made out of finer counts is so much and therefore the proportion of finer count to total production is so much. To my mind that is rather a misleading way of stating the position. Unless you state the proportion of cloth of finer counts to the total amount of cloth from medium and fine counts—there are certain kinds of goods that are produced from below 20s rule that out and take cloth made from above 20s. Out of that what is the actual proportion of cloth made out of 30s and above? That is a much better criterion. The way I would like to calculate it is this. I would like you to tell me if there is any flaw in this calculation. We take the year 1926-27 to start with and compare that with 1931-32. Take the total Indian production in 1926-27 which is 528.7 million lbs., in 1931-32 it is 672. The first thing I am going to do is this. There are some kinds of cloth which are definitely woven out of 20s and below. I presume they are chaddars, jeans, sheetings, khaddars and so on. I rule these out entirely as coarse cloth.

Mr. Mody.—That is so.

President.—Your total production includes also various classes of goods which are not piece-goods. There is, for example, an entry in the Indian production returns of "grey and coloured goods other than piece-goods". When we are calculating piece-goods it is necessary to leave out "Other than piece-goods". Then take hosiery. We must leave out hosiery which is included in the total production. Then there is a certain amount of production of goods which is mixed with silk or wool. I take all these out in order to get the piece-goods which are made of counts above 20s. Leaving all these out you get for 1926-27 a production of about 409 million lbs. and for 1931-32, 513 million lbs. The resultant figure is entirely dhoties, cambries and lawns, shirtings, longcloth and coloured piece-goods. Those definitely are classes in which counts above 20s are used.

Mr. Mody.—Yes.

Mr. Saklatvala.—There is a substantial production of goods from counts below 20s.

President.—Could you suggest a proportion? I think I am justified in saying that this figure is on the high side.

Mr. Saklatvala.—Yes.

President.—To get the production of cloths from counts 20 and above I take the total Indian yarn production of 31s to 40s in 1926-27 and 1931-32 and the Indian production of counts above 40s in the two years. Then I get a total for 1926-27 of 39 million lbs. of yarn of counts above 30s and 105 million lbs. for 1931-32. In order to get the Indian production of piece-goods, corresponding to this production of yarn I have got to make certain deduction on account of handlooms, yarns that you have reeled and sold. You remember the figures given by Mr. Hardy showing the proportion of warp, weft and reels in the Bombay mills. The last year for which he has given figures is 1928. Taking the 1928 figures I find counts above 30, reeled yarn represents about 5 per cent. of the total quantity of yarn of these counts made in the mills.

Mr. Mody.—That would be so even to-day.

President.—Therefore if I take 5 per cent. off the total production of yarn over 30s in 1926-27, the resultant figure shows the quantity of yarn above 30s which is used in the Indian mills, and that would be right.

Mr. Mody.—Yes.

President.—I am assuming also that imported yarn above 30s is almost entirely used by handlooms.

Mr. Mody.—Yes.

President.—Therefore in calculating your production of fine cloth, I need not take into account imported yarn above 30s.

Mr. Mody.—No. not for practical purposes.

President.—For practical purposes it may be left off.

Mr. Mody.—Yes.

President.—If that gives a correct estimate for our purposes of the production of piece-goods of 31s and above; the proportion that I get in 1926-27 is 9 per cent. of all the goods which are woven out of yarns of counts above 20. On the figures that I have for 1931-32, it is 18.4 per cent. Therefore taking simply the classes of goods in which the counts above 20 are used by the mills, the proportion has more than doubled which, I think, is probably a more vivid way of presenting the situation.

Mr. Mody.—Yes.

President.—Coming to the 5th point, that is the question of the extent to which trade in dhutis imported from the United Kingdom competed with those of the production of Indian mills is that because Mr. Hardy reported on 1927-28 figures and he came to the conclusion that the overlapping took place only to a small extent.

Mr. Saklatvala.—This would be of interest to you. Out of the total production of yarn by the Swadeshi Mills, the production of finer counts of 30 and above was 7 per cent. in 1927-28 and in 1931-32 it was 17 per cent.

President.—Mr. Hardy came to that conclusion. It is a question of the extent to which imports from the United Kingdom in dhutis overlapped with the Indian production. It is a question first of estimating what is the proportion of these counts imported from the United Kingdom and the second is the proportion in which it is made in India. With regard to the first what Mr. Hardy apparently did was to take the proportions of various kinds of dhutis imported from the United Kingdom as registered in the Calcutta Custom House special returns. He took shirtings, dhutis, jaconets, mull dhutis, shirting dhutis between 30s and 40s and jaconet dhutis between 40s and 50s. He got the proportions of these and he took 30s-40s figures and compared them with the production here and that is how he came to this conclusion. While his statement might have been perfectly correct judged by the Calcutta Custom House returns, a fact which has perplexed me a great deal is a statement that I found in the Tariff Board's report in 1926, page 39. That was when they were drafting the report. If that statement as given in the Tariff Board's report is correct, in that case the position is that on the total imports from the United Kingdom in 1926-27, 40 to 45 per cent. consisted of 30s to 40s.

Mr. Mody.—As it has been supplied by the Manchester Chamber of Commerce, it must be a very reliable figure.

President.—Much more reliable than anything we can get locally. The total imports from the United Kingdom in 1926-27 was 1,457 million yards. Taking the lower figure of 40 per cent. you get 580 million yards of 30s to 40s. Out of the 1,457 million yards imported from the United Kingdom in 1926-27, 550 million yards were bleached goods. Now I am right in thinking judging by actual practice, the whole of the bleached goods imported from the United Kingdom is above 50s.

Mr. Mody.—Yes.

President.—I have found that statement elsewhere and I found it also in Mr. Hardy's report. Therefore we can take 550 out of that. If it is above 40s you can take 550 out of 1,457. You get 870 million yards. 580 million yards out of 870 million yards of the goods which are generally made of medium and fine counts imported from the United Kingdom were 30s-40s. That is very nearly 60 per cent. That consists of plain grey, bordered grey, printed and woven goods. If you assume that a very considerable proportion of plain grey is of counts below 30s, a very considerable proportion of printed goods is below 30s. Similarly woven coloured goods are below 30s. Taking simply bordered grey dhutis, more than 60 per cent. in 1926-27 must have consisted of 30s and 40s. If that was so, Mr. Hardy's conclusion is rather rash.

Mr. Mody.—Yes.

President.—Unless the statement of the Manchester Chamber of Commerce which the Tariff Board quotes was simply not an accurate statement but a sort of approximate statement.

Mr. Mody.—I don't think the Manchester Chamber of Commerce is likely to make approximate statements.

President.—In the invoices they don't show the counts.

Mr. Mody.—The Manchester Chamber of Commerce would be in a position to know the facts better than any of us.

President.—*Question No. 1 (vi): Counts of Japanese goods.* I do not know whether you have any remarks on Mr. Hardy's report. If you will look at page 48, Table XXII, the second part of the table is Japan. From those figures one would rather say that 80 to 90 per cent. of dhutis from Japan was then below 40s. What is your general impression about the time when these figures were collected? Would that be a correct statement of the position?

Mr. Mody.—Yes.

President.—You make a reference in your replies to the analyses of Japanese dhutis. Have you got any definite statements on the results of these analyses?

Mr. Maloney.—We will send you the analyses later.

President.—*Question No. 1 (vii): Heavy shirtings:* With regard to the question of grey shirtings the position is interesting, interesting in this sense that there has been a very large reduction in the imports of plain grey goods as compared with 1929-30. I mean 1929-30 is the year immediately preceding the introduction of specific duties. It was 310 million yards in 1929-30 and in 1931-32, 127 million yards. It is less than half in spite of the fact that it still constitutes the largest single item of imports from Japan. In other words although there has been a reduction of more than half since 1929-30, the competition which the Indian industry has to face in respect of that class of goods is still very great.

Mr. Mody.—Yes.

President.—As far as sheetings are concerned, there is hardly any import. It has completely disappeared. The explanation that Mr. Hardy gives for the disappearance of sheetings from the import trade figures is not so much that there has been an actual reduction in the imports, but it is simply a question of the way that Customs classify these goods for customs purposes. In other words supposing you have a bale of sheetings, sheetings for all their general appearance are exactly like shirtings. Therefore a particular piece of sheetings was described as shirting.

Mr. Mody.—That was being used for sheetings and shirtings. On enquiry being made we found that that particular type of sheeting although it would be easily called sheeting, they were used for pyjamas in Karachi.

Mr. Mukherji.—It was described as shirtings and it was passed as shirtings to all intents and purposes. That particular type of cloth was used in the Karachi District for pyjamas.

President.—Was there a considerable import of that class?

Mr. Mody.—Yes.

President.—It has completely ceased now?

Mr. Mody.—Yes.

President.—The reason why this still constitutes the largest single item in spite of the high duty is because this is precisely the kind of cloth that lends itself to standardised production.

Mr. Mehta.—They are weaving it on automatic looms. One Japanese workman is able to manage 20 to 25 looms. Automatic looms imported into India by some of the mills have been given to Indian workmen and they

could not run even 4 looms satisfactorily. As a matter of fact one of the Japanese mills in Bombay ordered out several of these automatic looms and they tried them. They brought their own men and women to teach the Indian workmen. They got tired and went away. The Indian workmen could not operate these looms.

Mr. Mody.—As a matter of fact the experience of one of our members is that the automatic looms do not produce more than the ordinary looms.

Mr. Saklatvala.—Here is a statement which will interest you. (Handed in.)

President.—Automatic looms are no good in respect of goods in which constant adjustment is required.

Mr. Mody.—Quite. It is only in the case of plain goods that automatic looms can be made use of.

President.—I am entirely a layman in this matter. The more I read, the more I feel puzzled about the whole matter. Why it is that everybody when he talks of Japan describes the automatic loom as an enormously useful piece of machinery, but in Lancashire and Bombay they apparently take a different view? Why should the automatic loom succeed in Japan and not succeed here or in Lancashire?

Mr. Mody.—Japan has perfected the automatic looms and has made a success of it.

Mr. Saklatvala.—It is more the number of hours they work than the automatic looms that have made Japan a successful competitor. In Lancashire also the automatic loom is not a success.

President.—It coincides with the experience in Bombay?

Mr. Mody.—Yes.

President.—It is unfortunate that Bombay should look to Lancashire as their spiritual home.

Mr. Mody.—There is no doubt that Japan has made a success of the automatic loom.

Mr. Mehta.—Bombay has come to look upon Great Britain as its spiritual guide. We have also been following Japan and America very closely. But there are difficulties in this country. We cannot get the same amount of work from our workmen as they do in other countries. Further, the climate is against it and the machinery is so intricate and complicated that it requires an engineer to supervise it. The other point is that in Japan one woman looks after 20 automatic looms. Besides, they run two shifts.

President.—In these days of rapid mechanical advance I am not a believer in the theory that climate and other things are fundamental factors.

Mr. Currimbhoy.—There is certainly advantage in automatic looms but we cannot introduce them for financial reasons.

President.—That argument has never been put forward as the most important. So far, the argument has been against its working.

Mr. Mehta.—If it has not been so, why have the Toyo Poddar Mills given up the automatic looms in this country?

Mr. Mody.—The primary consideration is that we cannot experiment with it on a large scale. I am certain that when times improve, a lot of mills will try automatic looms. Up to the present moment, for one reason or another, they have not been a success. At the same time, it is just possible that when finances improve and when we instal automatic looms on a large scale, we may be able to get better results. At present, the automatic loom has failed. I have known mills which have installed a dozen or twenty looms, but that is not good enough. We must import in considerable quantities, have special weaving sheds and provide other special facilities.

Mr. Saklatvala.—Automatic looms have not been invented recently. Even when there was no financial difficulty, these looms were not tried. We tried

lots of looms in 1898 to 1899. We had about 8 looms and after years of trial, we came to the conclusion that there was no special advantage.

President.—I have no right whatsoever to express any opinion, but I am unconvinced.

Mr. Mody.—Mr. Maloney has attended to 20 looms in Lancashire more than twenty years ago. Standardised goods only can be produced satisfactorily in those looms.

President.—Coming to point (xii) and the following points, that is to say, the extent of dyed goods, coloured goods, and so on which are still imported, the figures seem to throw a great deal of light on the relative effectiveness of specific and *ad valorem* duties. I took out all the figures. The position is this. We find in regard to plain grey that in 1929-30, the year just before protection was introduced, the total import from Japan was 310 and in 1931-32 it was 127. That is a line of goods to which a minimum specific duty was applicable. The other class of goods to which a minimum specific duty is applicable is coloured woven goods. If you take the total imports of coloured woven goods, in 1929-30 it was 74 million yards and in 1931-32 it is only 17.4 million yards. That is a very big drop. Take the other class of goods to which the *ad valorem* duty is applicable. If you take the bordered grey, in 1929-30 it was 57.5 million yards and in 1931-32 52.6 million yards—practically stationary. As regards bleached goods, in 1929-30 13.8 million yards were imported and in 1931-32 59.8 million yards were imported. As regards printed goods, the total imports in 1929-30 were 52.5 millions yards and in 1931-32 48.5 million yards—fairly stationary. In 1929-30, 27.6 million yards of dyed goods were imported and in 1931-32, 28.6 million yards of dyed goods were imported. It seems to me that these figures throw an interesting light on the way in which *ad valorem* and specific duties operate. They seem to bear out the contention of your Association that if protection is to be effective, it ought to be granted in the form of alternative specific duty.

Mr. Mody.—Yes.

President.—I do not know if your experience agrees with the statement that I have often heard made and my own observation leads me to think that that is right—the way in which Japan has been competing in the Indian market particularly since the introduction of protective duties. As regards plain grey goods, Japan imports goods which are of slightly better quality than the imports from the United Kingdom but sells them at the same price; whereas in regard to bleached goods, Japan imports goods which are of a lower quality than the imports from the United Kingdom but sells them at a lower price. Is that right?

Mr. Mukherji.—With regard to plain grey, and white bleached goods, the quality of Japanese imports is slightly inferior to Manchester but better than the Indian production.

President.—The inferiority is considerably greater in white bleached goods, and it shows their intelligent way of adjusting trade to the purchasing power of the people.

Mr. Mody.—There is no doubt about that.

President.—I come now to point (xiv), *viz.*, the question of exports of Indian coloured goods. There has been no improvement as far as that is concerned.

Mr. Mody.—Exports have fallen off.

President.—In view of this rapid decline in your exports of coloured goods which are the main line in your export trade, I am wondering how far it is true now to say what the Tariff Board did in 1926 that one solution for Bombay as distinct from other centres of production in India is to give increased attention to the export trade. If the Indian industry finds it difficult to hold its own in a protected home market, how is the Indian industry going to face competition in an unprotected export market?

Mr. Mody.—At the present moment it is impossible.

President.—I am not speaking of the position since the exchange began to depreciate but of the time before the depreciation of the exchange.

Mr. Mody.—We had a certain advantage before, due to the cheapness of the rates at which we could get our dyes. That advantage has vanished. The price of dyes has also gone up now and so far as manufacturing costs are concerned, we cannot market the goods at that price. Besides the facilities which the Government and shippers in Japan afford to their manufacturers are killing our trade.

President.—Various suggestions have been made to us ever since the enquiry was referred to us that the textile industry in India ought to set about sending Commissioners of Trade, Commercial Travellers and people to report conditions in foreign markets and so on. Looking at actual figures of exports from India and comparing them with the exports from Japan to those export markets and looking at the relative levels of Japanese and Indian prices, I find that no amount of trade commission is likely to solve this point.

Mr. Mody.—No. At the same time we have requested the Government of India to appoint Trade Commissioners

President.—If the difference is represented by a small margin, visits of Trade Commissioners and the provision of satisfactory information might help but where there is an enormous margin, to what extent can mere provision of information help?

Mr. Mody.—Let alone the question of expansion, if we are to retain the markets which are important to us, the appointment of Trade Commissioners is a preliminary step.

President.—As regards that, I think that Dr. Meek is perfectly right when he says that if after all the export markets represent 5 per cent. of the Indian production, as a solution of the depressed condition of the Indian textile industry, its contribution is negligible.

Mr. Mody.—I agree with that.

President.—I want to raise that question again in connection with our discussion of freights because looking at the position of the Indian export trade in coloured goods and also the question of the railway freight rates, I must say that my examination of these two figures has suggested some exceedingly pessimistic reflections with regard to the Bombay mill industry.

Mr. Saklatvala.—It is not because of want of information that we have lost our old markets. We had every available information. We had been doing a good deal of export trade with Egypt, Levant, and certain Turkish ports. It is not because of the quality or want of information that we have lost the trade. It is because of this Japanese competition that we have lost our export trade.

President.—The price factor is the determining factor?

Mr. Saklatvala.—Yes. It is not that we did not try or that we had no information. We did a considerable trade with those parts. We had our agents. We had all the necessary information but gradually we began to lose those markets and specially during the war we could not send goods to those countries. Somehow the Japanese manufacturers maintained their production and their exports and thus kept those markets. Then finally came the question of price.

President.—On the evidence that we have received so far, the way in which I visualise the problem is this. As Mr. Saklatvala pointed out, this question of India's export trade is one that has got to be solved entirely with reference to the price factor. The price factor means your cost factor out here. Now the only way in which you can reduce costs is by having a sufficiently large Indian market at home which may enable you to raise your output and invest reserve funds in capital extensions and improvements. If costs are brought down in that way be increased output

and increased capital extensions, then there may be a possibility in some distant future of your winning your export market; that is to say, the essential with regard to the capturing of the export market is a sufficiently increased output ensuring the home market.

Mr. Mody.—Yes.

President.—Economically and logically, that is the only way. As for myself, I don't believe in Trade Commissioners?

Mr. Mody.—The position however with regard to yarn is somewhat different. So far as exports of low count yarns are concerned, trade could until recently be carried on.

President.—That is a question that I want to deal with when we come to the handloom industry. There is one statement which Mr. Hardy made in his report which has been quoted to us ever since we started this enquiry, and that is this proposition that area for area fine cloth is often cheaper than coarse cloth. One may not have had any experience of manufacturing cloth but one has always worn piece-goods. This proposition seems to be at variance with one's experience. Is this really a correct statement? Mr. Hardy bases it on a Table which he gives on page 85. The price given is price per unit per area. There the prices vary in such a haphazard way. I do not know if these prices necessarily suggest this inference. Take the following examples:—

Counts of yarn.	Weight. lbs. ozs.	Price. Pence.
40/40	1 9	36½
70/110	0 13½	41½

I cannot understand this. If it is really true that area for area a fine dhoti is cheaper than a coarse dhoti, you could not on that account possibly account for this large reduction in imports from the United Kingdom. It has gone down as a result of the decline in purchasing power.

Mr. Mody.—I think that it cannot be supported as a general conclusion. Where there is a difference of 10 or 12 counts, it is possible that the price variation would be very small.

President.—There is hardly a representation from an important commercial body in India in which this has not been quoted. Supposing you had cloth, say, 29s×30s in which the reed and pick was 17×14 and if you had cloth 80s×100s would they sell at much the same rate?

Mr. Mehta.—You can't wear it without outraging decency?

Mr. Mody.—It would apply to a very limited range.

President.—To the extent to which it was true, even to that extent the reason is that if you take the quantity of raw cotton that goes into a particular area of fine cloth it would be less than the quantity of raw cotton that goes into a particular area of coarser cloth.

Mr. Mody.—That is so.

President.—On the other hand, manufacturing charges above cotton must be greater in the case of fine cloth?

Mr. Mody.—Yes.

President.—Therefore what you gain in raw cotton you lose in manufacturing charges?

Mr. Currimbhoy.—That is correct.

President.—With regard to 1 (xvi)—price of Japanese goods as compared with the fall in the price of cotton—I find from the figures that you have given that Mr. Hardy was right at the time he wrote.

Mr. Maloney.—I think he was more or less correct.

President.—On your figures of 1929 there was a fall of over 20 per cent. in the price of cotton, and if there was a fall of over 20 per cent. in the price of cotton the fall in the price of piece-goods was about 8 per cent. and that is correct, is it not?

Mr. Maloney.—Yes.

President.—But since Mr. Hardy reported the position has changed: in other words, the protective duties have been made ineffective by a reduction in prices almost entirely in accordance with the measure of the duty.

Mr. Mody.—I think we have compiled figures on that showing a much greater drop in relative prices.

President.—I hope you will send us a table showing the fall in prices. I was looking at the Calcutta wholesale index number. If you take the index number of Indian manufactures in 1927, it was 159; in 1931 it was 123. That is a fall of 22½ per cent. That is the average fall in the price of cotton manufactures between 1927 and 1931. If the prices of Japanese goods that you give in this table are correct, then during that period the fall at any rate in that particular class of Japanese goods is 45 per cent. against a general fall in cotton manufactures of 22½ per cent.

Mr. Mody.—That is so.

President.—On this question of artificial silk yarn, I think you made a suggestion in one of your representations that artificial silk yarn is mainly used by handlooms. It is only to a relatively small extent that the mills are using it?

Mr. Mody.—In fact the Bombay mills have stopped using it since 1931.

President.—I will tell you why I feel rather puzzled about that statement. Looking at the imports of artificial silk into India I find that the bulk of the imports are into Bombay. We get about 7 to 8 million lbs. of artificial silk yarn; out of that I should say about 4 to 5 millions are imported into Bombay. If it were true that the handloom industry were the chief users of artificial silk yarn I should say that Madras would have the largest share of the imports.

Mr. Mody.—So far as the Bombay mills are concerned they have given up its use.

Mr. Boag.—Are you speaking of the mills in Bombay alone?

Mr. Mody.—At the moment I am speaking of Bombay but I think the Ahmedabad mills also are not using it. We have adopted a policy of stopping altogether the use of artificial silk yarn and all the members of our association, whether in Bombay or outside, have loyally abided by it. Mr. Saklatvala has got mills outside Bombay and he has stopped its use in those mills.

President.—I raise this question in connection with a suggestion which has been made by the Bombay Chamber of Commerce, that if a high protective duty is to be levied on artificial silk goods then it stands to reason that any restrictions on the manufacture of such goods in the country should be immediately removed. There is this much logic in the contention of the Bombay Chamber of Commerce that the rate of protective duty which you have proposed and which is suggested by the figures will be a very high rate on artificial silk goods if a case for protection is established. In the case of a particular class of goods on which an exceptionally high protective duty is asked it is a somewhat anomalous position that production on that class of goods should be definitely rendered impossible in the country.

Mr. Mody.—I shall deal with it at length later and explain to you the position.

President.—With regard to artificial silk goods I think in your representation you give a figure of 5 annas for yarn and in your replies to questionnaire 4½ annas!

Mr. Maloney.—4½ annas is quite correct. I think it is less than 4 annas now.

President.—What is your suggestion with regard to artificial silk mixtures? This 50 per cent. duty applies to goods made wholly of artificial silk: There is an item in the Tariff Schedule "Artificial Silk Mixtures" on which the duty admissible is 34½ per cent. *ad valorem*. What is your proposal with regard to that?

Mr. Mody.—I should certainly tax them heavily.

President.—Do they compete as heavily as artificial silk?

Mr. Mody.—Our contention is that in spite of the fact that for various reasons, in which we need not go into now, Indian mills have stopped the use of artificial silk yarn and have stopped producing goods composed of artificial silk yarn. Competition, particularly from Japan, has increased very considerably; they are sending much larger quantities of these goods and they are hitting not only similar class of goods but they are hitting types which are entirely different—finer class of goods, fancies and things like that. That is why we say that the imports of artificial silk piece-goods are hitting our industry very badly. A man who is given the choice of the two classes of goods—our finer goods and these beautiful looking artificial silk goods—will naturally go in for the artificial silk stuff, particularly if it is much cheaper.

President.—Artificial silk mixtures are, I understand, much cheaper still. Some of the prices that we saw in connection with artificial silk mixtures, in the majority of cases the prices were lower. As far as you are concerned your proposal applies to both?

Mr. Mody.—Yes, but artificial silk mixtures are coming in much smaller quantities.

President.—When it was decided to increase the duty on artificial silk goods to 50 per cent. for what reason was no action taken with regard to mixtures?

Mr. Mody.—As a matter of fact our attention was not directed to that at all. We asked for prohibitive duty against artificial silk piece-goods but I don't remember our making any special differentiation with regard to silk mixtures.

Mr. Maloney.—They are really covered by section 21 of the Sea Customs Act.

President.—Now I go on to question 3. You have not given us any information with regard to question 2.

Mr. Mody.—We have expressed our inability to give it.

President.—What I find from the figures you have given in answer to question 3 is this. I have taken for the purpose of comparison the figures from January 1928 to July 1930, my reason being that since July 1930 various influences have been at work in the market which have disturbed the normal state of affairs. Taking that period the costs that you show in this table are mostly for coarser counts. The fall is from 15 to 20 per cent. If you take Rs. 0-12-6 for January and Rs. 0-10-6 for July 1930 the fall is somewhere about 15 to 20 per cent. If you take your lower Table for 30s/40s dhoties and if you take the period from January 1928 up to August 1930 the fall is 5 per cent. Before the protective duties were introduced and prices were disturbed in consequence—if you take a more or less normal period such as January 1928 to July 1930—piece-goods woven from lower counts have shown a higher percentage of fall than goods made of finer counts of yarn.

Mr. Mody.—That is so.

President.—While that is true on the figures that you have given here, it seems to me that the data that you have given are not sufficiently wide for us. Could you give us for the same period a few other superior classes of cloth besides dhoties of 30s and 40s which are sufficiently representative. Give us such figures as you have and if they are good enough we will use them. It is rather an important point. Give us for the same period as in the first Table.

Mr. Mody.—I should make an effort. We will probably be able to give you individual mill prices: that will probably be better.

President.—If you could give us individual mill prices I think we could utilise them. On the answers to Questions 4 and 5, I have no comments to make, but I think the statements are what one would expect. As regards Question 6, I am afraid we are rather responsible. As it is phrased, it is somewhat enigmatic. The point that we had in mind when we framed this question was this. The Tariff Board said in 1926 that if the Bombay industry did not require protection, there would be no claim for protection and there would be no case for protection. Supposing that was the position to-day and the need for protection on the discriminating basis was confined to the Bombay section of the industry, if the protective duties were withdrawn in 1933 and Bombay production on that assumption fell off very considerably, could the rest of the industry afford to stand by with folded hands so to speak? What happens in Bombay, is it a matter of entire indifference to the rest of the Indian Textile industry?

Mr. Mody.—It cannot possibly be.

President.—That is a very speculative kind of question on which it is very difficult to arrive at any statistical conclusion, but then it occurred to us there was a very fortunate circumstance that the effect of the big strike in 1928-29 was also tantamount to a suspension of protective duties. Is that not so?

Mr. Mody.—Yes, in some measure.

President.—There the figures are rather interesting. I find that the way in which I proceed to calculate the figures in that connection is this. 1927-28 is the period immediately preceding the strike period when your production was 1,031 million yards. In 1928-29 and 1929-30 you and your labour were amusing yourselves with strikes at that time. I took the average of 1928-29 and 1929-30 as the average production during the strike period. Take the total of these two years and divide it by half. You find the average production during the period as 713 million yards as compared with the year before of 1,131 million yards which shows a loss in Bombay due to strike of 418 million yards. In Ahmedabad in 1927-28 the production was 526 million yards. The average of the two succeeding years when you had these strikes here was 618 million yards. Ahmedabad and all the other centres increased their production during your strike by 156 million yards. The total loss in Bombay was 418 million yards. In other words the rest of India supplied about 37 per cent. of the Bombay's loss. Japanese imports increased during the same period taking the average of the two years by 137. In other words Japan got 33 per cent. of your loss as against 37 per cent. which was gained by the rest of India. That accounts for 70 per cent. The rest was due to the fall in general consumption. If you look at it in this way it would appear as if the rest of India got half and Japan got half. From our point of view the really important point is this. The Indian gain of 156 million yards during this period represented an increase of 30 per cent. on their original production. That is to say they were able when an extraordinary situation like this arose to increase their production in the course of two years to the extent of 37 per cent. and Japan increased its imports in the course of two years to the extent of 42 per cent. In other words the adaptability of the Indian industry as compared with Japan when a big opportunity of this kind offers itself is very much greater. In my opinion therefore assuming that these figures are correct, supposing the protective duty was withdrawn in 1933, what would happen would be something on the lines of what happened during the strike period in Bombay.

Mr. Mody.—Did Lancashire imports increase?

President.—The decline in the purchasing power was really reflected in the decline of imports from the United Kingdom. It looks to me as if the rest of India however prosperous under a tariff system they might be

at present, if the protective duties were withdrawn, the position might be entirely different from what it appeared to be to the Tariff Board in 1926.

Mr. Mody.—We are proceeding on the assumption that the rest of India is in a very happy condition. I can't admit that.

President.—I am not suggesting that either.

Mr. Mody.—We are proceeding on the assumption that in case the Bombay alone

President.—That is only if the assumption made by the Tariff Board still holds good. We have not had time to examine the figures of costs received from other centres. Therefore I am not making any suggestions at all.

President.—We have come to the question of freights.

Mr. Mody.—Regarding question 6, there is one point arising which has not been touched. Apart from the question whether the decrease in the production by Bombay will be made up entirely by mills in up-country or not, there is this question of price. There is no doubt whether production increases in other centres or not, that the prices realised by the whole industry will be absolutely uneconomic. That is a factor of great importance. It is not so much the actual quantity that is coming into the country though that is large enough, but the price at which it is coming that is hitting the industry.

President.—Therefore considering the question of the connection in this matter between Bombay mills and mills situated in other parts of the country, we had to take into account both the factor of output and the factor of prices. That is to say if in the absence of protection Bombay being situated in a port exposed directly to external competition prices are seriously depressed, then there is an inevitable reaction upon the prices likely to be fetched by mills in other parts of the country.

Mr. Mody.—Yes.

President.—Before I make any comments on these figures of railway freight, one thing I would like to know is that this freight rate from Bombay to Howrah is a special rate. That is to say it is not the ordinary class rate?

Mr. Mody.—No.

President.—Do you know what is the class of freight in which piece-goods are included say by the Great Indian Peninsula Railway?

Mr. Mody.—I shall get that for you.

President.—There is a railway classification. The freight that you give here—I am talking of the O. R. rates for the time being—works out Rs. 1-9-9. If you reduce it to maund mile rate, what is the rate per maund per mile? I find the figure that I get is lower than the lowest class rate. The lowest class rate for railway purposes, I think is .38 pies.

Mr. Saklatvala.—Because it is a special rate.

President.—It is lower than the lowest class rate, but higher than the minimum rate which railways levy which is .1. The point that I want to get at is supposing it was found on an examination that there was a case for giving freight assistance since the actual freight rate which is given to you as a special measure on my calculations is .25 pie per maund higher than the lowest freight rate which may be charged by the railways under the arrangements, viz., .1, if a case is established for further reduction there is a margin.

Mr. Mody.—Yes.

President.—You have not actually reached the rock bottom.

Mr. Mody.—Couple of years ago I attempted to get a reduction in that rate. Even supposing that part of our goods which came by sea would be diverted to the rail routes, I could not get anything out of them.

President.—Actually the steamer freight is lower.

Mr. Mody.—Certainly lower.

President.—The figures that you give here seem to give a lower rate per lb. than this special rate, but then when you take the steamer freight into account, you have got to add the regular freight, landing charges and various other things.

Mr. Mody.—Yes, other charges such as interest, godown rent and so on. That is why in spite of the steamer freight being cheaper a good deal of our goods go by rail.

Mr. Currimbhoy.—The steamer takes more time.

Mr. Mody.—That affects interest charges and other things.

Mr. Mehta.—Fulfilment of the contract is also another important matter. For October delivery contract I can prepare goods in the first week of October and deliver them in time if I send them by railway. On the other hand if I am to send them by sea, to prepare for October delivery goods, I must be ready with them in September.

President.—What time does it take for a steamer to go to Calcutta?

Mr. Mody.—8 to 10 days. Nowadays it takes only 7 days.

President.—So that the time factor is really more important than the question of landing charges.

Mr. Mehta.—Yes, it is a question of one month's interest.

President.—The most important point to which I want to draw your attention with regard to freight rates is this. Calcutta is the largest market for grey goods and therefore the largest market for the bulk of your production. That is right?

Mr. Mody.—Yes.

President.—The big increase that Bombay mills have been able to make in output since protection was granted has been striking.

Mr. Mody.—It is a most notable increase.

President.—For which the market is almost entirely Calcutta.

Mr. Mody.—Yes.

President.—Therefore the freight to Calcutta is a very essential element with regard to your position here.

Mr. Mody.—Yes.

President.—I am trying to look at it from the point of view of the relative competitive power of Bombay mills and Calcutta mills. The point is this. Suppose we decide as a result of this enquiry to recommend a continuance of duties on an adequate scale for an adequate period, the benefit of the protective duties will apply equally to Calcutta and Bombay. The most serious difficulty that Calcutta mills have is that they are up directly against Japanese competition. If there were no protective duties, the biggest piecegoods market, *viz.*, the Calcutta market is equally accessible to Japanese imports. Supposing we give adequate protective duties then Calcutta mills are saved from the menace of external competition. Then the question arises how are they going to stand in this matter as compared with you. There the point is that your advantage is that you are nearer to the centres of cotton cultivation whereas they are not merely nearer, but right in the middle of the market. As far as I am able to judge supposing it is a question of producing piecegoods in India out of Indian cotton, then the nearest important centre of cotton cultivation, I take it is Amraoti.

Mr. Mody.—Yes.

President.—I took the railway freight on raw cotton from Amraoti to Calcutta. I took the railway freight on raw cotton from Broach to Bombay. Now the difference between that is your freight advantage on raw cotton as far as Indian cotton is concerned.

Mr. Mody.—Yes.

President.—The whole of the freight that you incur on piecegoods from Bombay to Calcutta is your disadvantage as compared with Calcutta, because Calcutta has no disadvantage in the matter at all.

Mr. Mody.—Quite.

President.—Comparing the Calcutta's freight disadvantage on raw cotton with its advantage on piecegoods, I find on the balance they have an advantage over you in the Calcutta market.

Mr. Mehta.—They can't get everything from Amraoti. They have to go to South of India, to places like Hubli, or they have to go to Broach or Surat. They can't make 20s from Amraoti cotton.

President.—It would be a question of using different kinds of cotton.

Mr. Saklatvala.—The position as regards that is the same with Bombay mills. They also have to get it from the Punjab.

President.—That is a small quantity.

Mr. Saklatvala.—Also from the Nizam's Dominions.

Mr. Mehta.—All the Ahmedabad mills buy nothing else but Surat.

President.—Is it possible for you to make a suggestion; supposing Bombay mills were going to use entirely Indian cotton for their manufacture, to what extent would they depend on raw cotton other than Oomra?

Mr. Mehta.—They would have to use Surat.

Mr. Saklatvala.—Very little of Oomra cotton is used by the Bombay mills. I am speaking of the weaving mills. It is only for our reeling yarn that we use Oomra cotton. Otherwise for warp and weft we use C. P. No. 1. In the main for our warp and weft we use other cotton which as I said we get from the Nizam's Dominions.

President.—Which are nearer Calcutta?

Mr. Saklatvala.—They are nearer Bombay, but there would not, I agree, be much difference.

President.—The difference cancels out?

Mr. Saklatvala.—Yes.

President.—So that the position would not be materially different if we calculated it entirely on Broach basis for you and Oomra basis for them?

Mr. Saklatvala.—No.

President.—If it becomes necessary for us to make a detailed calculation on that basis, I will take that factor into account.

Mr. Mody.—The advantage in the way of cotton does not lie very much in the matter of freight. After all cotton has got to come from a great many places from the south, from Raichur and other districts in the Nizam's Dominions. The advantage really comes out of the fact that Bombay is a very large market for cotton and there we get a certain advantage. But it is not in the matter of freight.

President.—What does it amount to? It is possible for you to get right quantities, is that the point?

Mr. Saklatvala.—Yes, the point really is this. We are not in the same position as up-country mills such as my friends here who have to take in their full quantity of cotton.

President.—It is a question of stocking it?

Mr. Saklatvala.—Yes.

President.—Since the market is here you are saved the expenses connected with stocking of cotton?

Mr. Mody.—We are not compelled to buy our cotton for the whole year.

President.—You save interest on the working capital?

Mr. Mody.—Yes.

Mr. Saklatvala.—Again that is offset in a great measure by quality. We maintain that by having our own ginning factories on the spot and examining the cotton and converting it, we get a better stuff and naturally

as the season is confined to three or four months we buy all our cotton and store it. In Bombay cotton can be bought whenever it is wanted but not the quality that one gets when cotton is bought direct. That is the difference.

Mr. Mody.—That does not apply to Calcutta, Mr. Saklatvala?

Mr. Saklatvala.—No.

President.—I take it that if the continuance of protection is going to help the Indian textile industry to capture the rest of the Indian market represented by imports now, to a large extent it would be cloth made out of imported cotton and of counts finer than those which you can make out of Indian cotton?

Mr. Mody.—Yes.

President.—Taking last year's figures approximately about three-fourths of the Indian market have already been captured and one-fourth is still catered for by imports. Now, much the greater part of that is cloth which would have to be made in India out of imported cotton.

Mr. Mody.—Yes.

President.—Well then, supposing the Indian industry is going to proceed as a result of protection to make those finer cloths how do you stand in relation to Calcutta? As far as imported cotton is concerned, you have no advantage over Calcutta?

Mr. Mody.—No.

President.—Because it would be landed in Calcutta more or less at the same rate as in Bombay.

Mr. Mody.—All American cotton would have to go to Calcutta through Bombay.

Sir Manmohandas.—Bombay is connected with foreign markets by regular services of steamers whereas the ports in other parts of the country have yet to develop on those lines.

President.—Do you refer to Calcutta?

Sir Manmohandas.—Yes. In that way they have to begin using large quantities before they will be able to get those facilities.

President.—Supposing as a result of the continuance of protective duties, Calcutta is able considerably to increase its production very naturally the port facilities would grow up?

Mr. Mody.—Sir Manmohandas is referring to present conditions. If the mills in Calcutta went in for finer counts and were in a position to use large quantities of imported cotton then they could import just as easily as we could.

President.—Comparing the figures of production now with those of 1925-26 I find that the Bengal mills, although they still represent only a small portion of the total production, have advanced a great deal?

Mr. Mody.—Yes.

President.—And it looks to me therefore as far as the production of finer counts of cloth which are now represented by imports is concerned in the course of a few years, provided protection is continued for a sufficiently long period in the Calcutta market, it would be more and more difficult for Bombay to compete?

Mr. Saklatvala.—If Lancashire is shut out more and more, Bengal being the market for Lancashire goods, the Calcutta people will certainly look forward to manufacturing all these goods themselves. As far as Bombay is concerned, if we are to be enabled to compete in the Calcutta market, the only solution will be that the railway freight should be considerably reduced so that the Bombay goods may be sent to Calcutta at a nominal rate.

President.—What I feel is this. Supposing you made your proposal in that form, then the Railway Board which has to consider this question will

refer it to the Railway Rates Advisory Committee. They cannot differentiate between Calcutta and Bombay. The Calcutta mills will say "the railway freight which already is on a special basis for Bombay happens to be one protection against Bombay. If you reduce it, you are not taking into consideration the interests of the Calcutta mills". That would be the obvious answer?

Mr. Mody.—Yes.

President.—It is not merely the Calcutta market or the immediate area round Calcutta. If you take all those upper India markets, I find from the figures that you have given and from the figures that we have got from the Railways, as far as Delhi is concerned, it is more or less the same from Bombay and Calcutta whereas in Cawnpore Calcutta has an advantage of about 3 annas per maund; in Lucknow they have a tremendous advantage of about 12 annas and in Amritsar you are more or less on the same footing; so that it looks to me it is not merely with regard to the immediate area round about Calcutta but also with regard to a considerable number of those upper India markets, Calcutta may have a considerable advantage over Bombay and if Calcutta develops, then the increase that has been possible for you to make in the type of finer grey goods may be checked?

Mr. Mody.—Yes, in grey dhotis.

President.—There is a considerable room for expansion in that direction.

Mr. Saklatvala.—The railways have been giving preference to Calcutta over Bombay always and now there is nothing to prevent them from giving preference to Bombay.

President.—It is not a preference in the true sense of the word; it is a special rate. That point has been puzzling me a great deal.

Sir Manmohandas.—Bombay has to consider, when she expands, the whole of India and not Calcutta alone or Bengal alone, because cloths made of finer counts are consumed all over the country by certain classes of people, that is, the richer and better class of the middle class. They use all these finer goods.

President.—But unfortunately the people who do use all these finer goods happen to be much nearer Calcutta than Bombay.

Sir Manmohandas.—Not necessarily in respect of all goods. That is true only of dhotis. At present the trade has been developed to supply one portion of the country, that is Bengal. Therefore all the goods that are manufactured from medium counts and even finer counts go to supply that market. But that should not lead us to conclude that the trade will be confined to that portion of the country. Finer goods are consumed all over the country by a greater number of people and India will have to cater in future for all that demand.

Mr. Mody.—Sir Manmohandas will agree that the supposition holds good as regards dhotis.

Sir Manmohandas.—Yes.

President.—It represents more than 50 per cent. of these grey goods. Although it is true that finer goods are consumed in other parts of the country, you have 50 per cent. of this consumption more or less concentrated in an area much nearer Bengal mills than Bombay mills. I am quite prepared to admit that there are large parts of the country where large quantities of grey goods are consumed. Here is a part of the country where 50 per cent. of the demand is concentrated.

Mr. Mody.—What do you deduce from that?

President.—I am stating the problem. Bombay still represents, in spite of the decline, 40 per cent. of the Indian production. The city of Bombay and the Presidency of Bombay—in fact the whole of Western India—is in a real sense economically dependent upon this industry. Therefore we

cannot altogether ignore the importance of the textile industry as maintained on the present basis in Bombay. It is of national importance. What our predecessors said in 1926 looking at the question as to how to provide a solution for Bombay as compared with up-country was: "let Bombay look first to the export market and secondly to the market for finer goods". Now if in the export market the price factor is entirely against you—more against you now than 5 or 6 years ago—and if in respect of finer goods there is a possibility under protection that Calcutta may become very strong competitors then it looks to me from the point of view of Bombay the problem of the future is one of very great difficulty.

Mr. Mody.—I think that it would take some years before Calcutta develops even under protection, say, in the matter of the production of finer goods. In ordinary circumstances I think Bombay will be able to hold its own even in centres where the industry is developed. For instance, a great deal of our goods goes to Delhi, Amritsar, Cawnpore and other places. There are mills in Delhi, in Amritsar and round about those places. Indore is more favourably situated than Bombay and still we are able to send goods to those places. Under normal circumstances Bombay, I am sure, will be able to hold its own. While I admit that the Calcutta will have an enormous advantage for instance in dhotis in Bengal, still I don't think that that is a danger which need make us apprehensive for practical purpose for quite a long time.

Sir-Manmohandas.—Labour is the chief factor in all these things. Bombay labour has gained such a knowledge and experience by working for such a long number of years that it would take a very long time for labour in any other place to develop to that pitch.

President.—Calcutta labour does not happen to be so organised as Bombay labour to give trouble. If any idea occurs to the Millowners' Association on this point, that is to say, if you have any views as regards this problem or any suggestions that you think it might be desirable to make, we should be obliged if you would communicate them to us. I feel that in considering the recommendations of the Tariff Board in 1926 this development is one which has got to be taken into account.

Mr. Mody.—As I said, the chances of Calcutta some day replacing a great deal of the goods which go out from Bombay to Bengal are somewhat remote at the moment at any rate.

President.—You have had protection now only for two years. Calcutta would not develop except under protection. Therefore it is the progress that Calcutta has made since protection was granted that should be noted. If protection is not granted there is no chance of Calcutta developing at all. But the progress that has been made in the last two years has been very striking.

Mr. Mody.—Calcutta has an enormous market in Assam, in Bengal and in Burma. These markets have not been developed. Leaving out the finer counts, what about the enormous quantity of coarser goods for which the Calcutta mills are favourably situated?

Mr. Saklatvala.—Because there was no protection, they have hitherto concentrated on jute and now that the jute market has fallen they may concentrate on cloth.

Mr. Mody.—Later on but not now.

President.—Neither in your representation nor in your replies to the questionnaire has your Association made any suggestion for giving special assistance to Bombay?

Mr. Mody.—No.

President.—On the other hand it is your friends, the Bombay Shareholders' Association, who have put forward a proposal for special assistance?

Mr. Mody.—We have tried to be moderate and modest in our demands.

President.—The proposal that they have made is that a bounty should be given. We have not had time to consider the proposal which is not a fascinating one?

Mr. Mody.—No.

President.—I shall leave the question at present at that. As regards the export question we have discussed it sufficiently. With regard to the handloom industry, there is only one point that I want to raise it with you, and that is the question of specific duty on yarn. I find it difficult to accept the position that you have put forward in your note. You remember we sent you a copy of some correspondence that we had from a provincial Government and then you sent us a note on that. We have had a great many letters about the handloom industry not merely from Associations and bodies interested in the handloom industry but from Directors of Industries and provincial Governments. I think I am right in saying that in practically all these representations from provincial Governments there is almost a unanimous demand for reconsidering the question of the specific duty on yarn and I want therefore to put before you such ideas—they are purely tentative ideas—as I have been able to gather from the evidence so far received. Taking the figures that you gave to Mr. Hardy regarding the quantity of each class of yarn reeled and disposed of to handloom weavers, I gather from that Table that nearly 80 per cent. of the yarn sold by your mills, yarn below 20s produced in your mills, is sold to handloom weavers. If you take all the yarn that you are able to sell of all grades, I should say that quantities of 20s and below that is about 80 per cent. Is that correct?

Mr. Mody.—Yes.

President.—Therefore the class of yarn which in the main the handloom industry takes from the mill industry is below 20s?

Mr. Mody.—That is correct.

President.—Am I right in suggesting that as regards yarns of counts 20s and below the Indian industry must be in a position of great advantage as compared with exporting countries? That is to say, your competition with importers must be not merely much less but must be very little as regards yarns of counts 20 and below for the obvious reason that the manufacturing charges, that is to say charges above raw cotton, would be considerably less—the coarser the yarn you make, and if industries in other countries are able to compete with you it is because by means of large scale production and things of that kind they are able to reduce the margin of charges above raw cotton to the rock bottom. But to that extent as regards 20s and below you are in a strong position.

Mr. Mody.—One reason why we are in a strong position is undoubtedly the duty that we have on yarns.

President.—I don't agree with you.

Mr. Mody.—Even then we are not realising an economic price at all. Japanese yarn even today is selling at an abnormally low rate. The quantities have come down since these duties were imposed. If you take off the duties and return to old conditions Japan will certainly be able to supply India at a much cheaper rate.

President.—For the moment I want to confine our attention to the coarser counts—20s and below. You state that if the position of the Indian mills with regard to 20s and below is strong now, it is because of the protective duty. I was looking at the figures of imports previous to 1927 when there was no specific duty on yarn and I find that the imports of counts of yarn of 20s and below were negligible. There has been no difference in the quantities of coarser yarns imported before the duty was imposed and afterwards.

Mr. Mody.—I am not thinking so much of the Japanese mills as the mills in China where the danger is much greater than ever it was from Japan because they are working under primitive conditions. The Japanese own a considerable number of spindles in Shanghai and other places and

we who once used to send yarn to China are now receiving considerable quantities of yarn from China.

President.—That is perfectly true, but the point of view from which I would look at it is this. Take the handloom industry. Before 1926-27 don't you think that the excise duty that was in force was of some assistance to the handloom industry? They lost that measure of assistance. In 1927 you placed a handicap on them by levying a duty on their principal raw material. During the period the mill industry has been receiving assistance the handloom industry has not merely lost the assistance but has been exposed to fresh handicaps. That is the point of view I would like to look at it.

Mr. Mody.—I would entirely agree with you if you were saying that through that measure of assistance which we have received since 1927 we have been able to exact whatever price we liked from the handloom weavers. We can give you figures which will show to you that even with that assistance we have not done anything wonderful in the shape of price at which we are supplying yarn to the handloom industry; we are supplying yarn at no more than the economic price.

Mr. Currimbhoy.—As regards our mills I may tell you that we are selling this yarn always below our cost of production. We have never been able to realise any profit.

Mr. Mody.—This raises the question whether the consumer of yarn is entitled to get his yarn at rates which are not economical to the mills. That is the problem.

President.—If that is the problem I would like to put this point before you. When the Government of India decided in 1927 to give the mill industry assistance in the shape of duty on yarn, for various reasons they refused to give you assistance on cloth. Suppose as a result of our recommendations now you get adequate protection on cloth, that is to say protection sufficient not merely to cover your works expenditure but also a reasonable allowance for depreciation and profit, and supposing they are calculated on the capital value of the whole plant, then is it not possible for you to sell your yarn—supposing there was sharp competition from outside—practically at works cost because you get your depreciation and profit?

Mr. Mody.—If I were to look into the future, in that eventuality, namely the period of protection during which we are able to manufacture and sell our cloth at remunerative rates, then I say that all the spindles which are used for the production of yarn would be devoted to the production of cloth. Then what would happen? Then the whole handloom weaving industry would be dependent on the imported yarn for its livelihood and then what the position of the handloom industry will be is not difficult to conceive. It is imaginable that for the time being they may derive a certain advantage from cheap imports of yarn. But supposing foreign importers had the grip of the market; then they would be able in the end to fix whatever price they wanted. We would turn out cloth and the whole field would be left open to the importer of yarn.

President.—Even in the best of conditions, that is to say the most effective measure of protection, the extra yarn that you would convert into cloth would be yarn of medium and finer counts and not yarn of coarser counts.

Mr. Mody.—Which means that we would not have any yarns for sale, for the simple reason that yarn would not pay us good prices we wouldn't sell any yarn whatever. That tendency is in existence even now; nobody thinks of installing more spindles. People are continually going in for more looms.

President.—I take it that 30 per cent. at present of your total yarn production is sold to handlooms. Assuming that protection applies to India as a whole. The total production in India to-day is somewhere about

700 million pounds: 30 per cent. is absorbed by handlooms. That would be approximately 200 million pounds. The suggestion is that all this 200 million pounds which is now sold to handlooms will be turned into cloth. 200 million pounds of yarn would mean approximately 1,000 million yards.

Mr. Mody.—About 800 to 1,000 yards.

President.—There isn't that market in this country for coarser counts of cloth.

Mr. Saklatvala.—Supposing the duty on yarn is removed altogether that means that Japan can send yarn very cheap especially from Chinese mills. Then they start having weaving sheds in India and get their yarn cheaply from China and flood the market with cheap cloth: what will happen then?

President.—We are really between two fires. There is the mill industry, there is the handloom industry and there is the cultivator of cotton. We have got to balance all these considerations.

Mr. Mody.—I entirely agree.

President.—All the figures we have seen seem to show that the handloom weavers are steadily deteriorating. You are undoubtedly passing through a period of depression. But when the mill industry passes through a period of depression it can curtail production or close down, but when the handloom industry passes through a period of severe depression they don't close down, they starve.

Mr. Mody.—I agree. But surely you don't put the depression in the handloom industry to the fact that they are weaving from yarns purchased at prices which are unremunerative?

President.—I should say the greater part of the difficulties experienced by handloom weavers is due to general depression but I should say that there is a part of the depression which is due to the cost of raw material.

Mr. Mody.—We are selling our yarn to handloom weavers at rates which are uneconomic. That is what you have got to consider. I maintain that the rate at which the handloom industry is getting its yarn is not more than the economic rate and in some cases at an uneconomic rate. So that I don't agree with you that his raw material is uneconomic. I don't think that the handloom industry has a right to receive its raw material at an uneconomic price. You have to satisfy yourself by considering the price which the Indian mills have received in the last few years and then satisfy yourself whether the handloom industry has been placed at the mercy of the mills.

President.—I am prepared to concede from these figures that I have received that the price that you have charged in spite of the protective duty on yarn for coarser counts is lower than the c.i.f. price plus duty. You might have charged a higher price but you have not. I concede that, but what I don't concede is that since the protective duty was introduced you have been able to charge a higher price relatively to import price.

Mr. Mody.—That would be the object of protection.

President.—But on account of internal competition between the mills the price of coarser counts should not go up.

Mr. Saklatvala.—This result is entirely due to their being sufficient duty on yarn and insufficient protective duty on cloth. If you give sufficient protection to cloth then the handloom weaver will get a better price for his cloth. As you yourself said we have not raised prices abnormally and I don't think we will do that even if there is better protection and then the handloom weaver will be in a better position to realise a higher price for his cloth.

President.—The Government of India, when they proposed the present protective duties in 1930, did not go into the question of higher costs or the rate of depreciation or profit that you were to get. They arrived at an arbitrary figure. The result was that the rate of protection which they arrived at for cloth was not the rate of protection the industry required

for cloth. We are attempting to recommend on entirely different lines. Supposing we arrived at a rate of duty on cloth which covered a reasonable estimate of works expenditure, reasonable profit and depreciation, taking depreciation and profit not merely on plant required for weaving but on the whole plant, don't you think your position would be infinitely better than what it is to-day?

Mr. Mody.—Certainly it would be.

President.—I have been reading the Assembly debates and the Finance Member's speech in 1930 and 1927. When the Government decided in 1927 to give assistance to the textile industry by means of a specific duty on yarn and no duty on cloth, it was assistance to the industry where it was not needed and refusing to give assistance where it was actually needed. It was given in a form which placed unfair burden on other classes of manufactures. It was a topsy-turvy measure.

Mr. Mody.—To a certain extent it was rectified by subsequent duties. We have to consider the other implications of the proposals which you have put forward. As we have pointed out, if yarns become an absolutely unremunerative proposition to us then this tendency to turn our spindles to looms—a tendency which have been going on for some years—will be accentuated: we would give up manufacturing yarns altogether, even under the shelter of a duty. Even though, as you say, we may have realised a better price than before, it is still unremunerative: we shall simply have to give it up. As we have more and more reserve we shall instal more looms. This has been going on all the time under normal circumstances and if the duty on yarn was taken away I positively anticipate this result and the handloom weaver will be left entirely at the mercy of the foreign producer of yarn. This is not so much a matter of concern to us as to the mills in Southern India. It would create an impossible position for them.

President.—The mills in Southern India are largely producing yarns, are they?

Mr. Mody.—They are purely spinning mills, and they will find their trade entirely gone because it will be unremunerative.

President.—Supposing you look at the question from the point of view of medium counts of yarns, leaving for the moment 30s—40s, from all the figures that I have seen the handloom weaver finds it most difficult to compete with the mill industry in medium counts. They are fairly strong in regard to coarser counts, for the same reason that you are in a fairly strong position compared with foreign countries because the margin is small. In medium counts they do very little. They do a considerable amount in the higher counts not necessarily because they can compete economically with you, but because it is in cloth of higher counts artistic designs are used. It is a different class of quality.

Mr. Mody.—Yes.

President.—If it is so difficult for purely economic reasons for the handloom weaver to compete with the mill industry in respect of the medium counts, then to increase the price of medium counts to the handloom weaver is to destroy the market for medium yarn.

Mr. Mody.—We sell very little of medium counts. The position resolves itself into this. As you yourself have said that so far as the coarser counts are concerned, the handloom weaver can hold his own against us. Then we go on to the medium and finer counts. With regard to the medium counts of yarn, I don't think we are selling a lot.

President.—I had better explain a bit.

Mr. Currimbhoy.—In our group of mills the counts of yarn we sell are 2s to 20s and over 40s.

President.—You don't sell anything between 20s and 40s.

Mr. Currimbhoy.—No. Medium counts we don't sell. We can't compete.

Mr. Saklatvala.—In Nagpur we sell 18,000 to 20,000 bales regularly to handloom weavers. They take mostly 12s.

President.—The position as you put it, is exactly the opposite of the case for the specific duty on yarn which Sir George Rainy put forward in the Assembly. What you want is an increase in the price of coarser yarn which precisely could not have been the object of the duty.

Mr. Mody.—I am merely placing my point of view and asking you to take into consideration the various other factors which certainly have a value in the consideration of this problem. I should probably be able to deal with a great deal more facts and figures before we have done with this subject.

President.—I should welcome it very much, because I am worried very much.

Mr. Mody.—I ask you to believe this at any rate for the moment whatever protection we have enjoyed in the shape of duty on yarn that has not turned our fortunes in the sense that we have made money. We have been able to market our products. Here are two members at this table who will speak on the point.

Mr. Saklatvala.—There is one important consideration. As far as the weaving mills are concerned, they have got to make use of the waste that they produce. Our weaving is generally done with about 20s and the yarn that we use in 20s and above are required for weaving. Then we get a waste which has also got to be manufactured.

President.—You can put it on the market at very low prices.

Mr. Saklatvala.—It is all waste. That does not mean we can produce it cheap. First of all it is superior cotton. It has got certain properties but we can't use it for superior yarn.

President.—If the handloom weaver in the village to-day makes six annas a day and the removal of the duty would enable him to make a wage of 7 annas a day. It seems to me that it is a matter of enormous importance to the country.

Mr. Mody.—We entirely agree.

President.—If we can guarantee against any loss that you may sustain and give you suitable protection on cloth, is not that a satisfactory arrangement from all points of view.

Mr. Saklatvala.—Cannot some other arrangement be made keeping this duty on yarn and assisting the handloom weaver in other ways.

President.—What other ways?

Mr. Mody.—The method of marketing yarns. We have written in our letter somewhat vaguely. We have made the suggestion in a way. Supposing the handloom weaver is enabled to get the yarn without the intervention of middlemen, that would be something. Supposing Provincial Governments made it possible for Co-operative Stores to supply the handloom weavers with yarn purchased from the mills, we should be most willing to co-operate. In dealing with this question we want to be as fair as possible. In dealing with higher counts of yarn, we would not at present be able to supply the requirements of handloom weavers because a good deal of yarn that we produce is used in the manufacture of cloth. If you remove the duty on yarns on counts of 60s and above, it would possibly be a help to the handloom weavers.

President.—Supposing the duty is removed above 30s, since you say that medium counts do not matter?

Mr. Mody.—I agree, but supposing the Japanese importer was able to place his 30s on the market at a rate which is equal to our 20s, where will we be? That has happened.

Mr. Currimbhoy.—That is also happening to-day.

Mr. Mody.—I think you have got the prices at which yarns are marketed.

President.—Yes. We have got various prices.

Mr. Mehta.—2/40s imported Japanese 9 annas a lb. The price of cotton to spin that yarn is 7 annas. The cost of spinning single yarn is As. 2-6; 7 annas for the raw cotton, As. 2-6 for the spinning of that, plus half anna for doubling it; freight from Japan to Bombay half anna and Port Trust and landing charges one anna and a half. The cost price to them would be As. 12, but they are selling at 9 annas.

President.—You are speaking of current prices.

Mr. Mody.—Yes.

Sir Manmohandas.—We are to look to the prices of medium counts of yarn, finer counts of yarn and coarser counts of yarn that are charged to-day in Bombay and compare them with the cost of production of those yarns. You will see there is not much of a margin.

Mr. Mehta.—All the surplus yarn that is left over after weaving we sell. Even if we lose a quarter of an anna or so per lb. we sell.

President.—What is your final suggestion, Mr. Mody? Supposing it was a question of fixing this at such a rate that it would mean no more burden than the revenue duty on counts above 40s, would you be agreeable to that?

Mr. Mody.—Would you fix it at as low as 40s.

President.—Supposing we brought it down to 40s, would that suit you?

Mr. Mody.—No. I would like to think it over. I shall have to work it out.

President.—I want to say that it is a matter on which evidence that we have received so far does not enable us to frame a recommendation that would be entirely in accordance with your suggestion. I am personally very worried about it. I will tell you what raises this question in my mind. If you look up your prices here, (I think it is page 328) if you take the year ending 1927, your average price of yarn per lb. was As. 10-10. The duty was introduced about October or end of September, 1927. If you look at next year's price it is As. 11-10, a rise of one anna.

Sir Manmohandas.—What was the price of cotton in September?

President.—What Sir Manmohandas says is perfectly true. About September, 1927, there was a sharp rise in the price of cotton which lasted for about five months and then it dropped. The price of raw cotton in 1927 was Rs. 15-1-0. In 1928 it was Rs. 15-4-0. That I take is what it represents the rise in the price of cotton.

Sir Manmohandas.—Not necessarily.

President.—What I suggest is this. If the rise in the price of cotton made it necessary for you to increase the price of yarn by one anna, it is necessary for you to increase the price of cloth by much more than 3 pies.

Sir Manmohandas.—Provided the goods are made from similar kinds of yarn.

President.—On the whole unless there is a break in the price relation, the prices of different cotton rise and fall, and in this period 1928-29 there is no break in the price relation. The break disappeared about the end of 1927.

Mr. Mody.—I have already attempted to answer the question that this duty on yarn did help us to stabilise a better price and the result was reflected in the better price that we were able to obtain. If you watch the course of prices, you will realise what I have all along contended that compared with the price of cotton the price of yarn is more or less closely following the drop in the price.

President.—I am not for the moment suggesting that you have charged for 20s and below a price below the c.i.f. All that I am suggesting is that this duty apparently has been felt almost in its entirety by the handloom weaver during that period.

Mr. Mody.—The price is now As. 6½.

President.—But the handloom weaver is correspondingly getting a lower price for his cloth. He is not helped. After all you must compare what he pays for his raw cotton with what he gets for his cloth.

Mr. Mody.—We are proceeding on the assumption that the handloom weaver will also benefit by any protection that may be given to the cloth. We are proceeding on that assumption. Therefore the answer is he may get his yarn at a higher price than the ruling price if there were no protection. At the same time if he gets protection in the form of cloth, he will get protection in the same way as the mills.

President.—The object of the protective duty is two fold. First is to enable you to get a better price and the second is to keep the importer out of the market. When there is a severe internal competition and a large quantity of a particular kind of goods is produced in the country, then the legitimate use of a protective duty is not to raise prices because the internal competition keeps it down, but what it does is to keep the importer out of the market. Supposing you are able to keep the importer out of the market, because you are able to get a better reserve in regard to the prices realised under protection, can't you ignore the factor of price, because the internal factor of competition keeps down the price.

Mr. Mody.—We should be able to ignore the price factor, but the tendency which I foresee will largely be in evidence, that the mills will discard their spindles and will instal sufficient looms to take all their superfluous yarn production.

President.—I should like to make a final suggestion. We have debated this question now. I should like you to get away from this atmosphere of debating and we have both been using arguments against one another I should like the Association to reconsider their decision with regard to this matter and let us know in the form of a note what is the change they are prepared to make with regard to this question.

Mr. Mody.—I don't want you to carry the impression that we are out to crush the handloom weaver. On the contrary, we are prepared to co-operate to the fullest possible extent in bettering the fortunes of the handloom weaver. I am merely pointing out that if this protection is withdrawn, the handloom weaver, instead of being dependent on us, will be dependent on the foreign manufacturer, and that his last condition will be much worse than the first. That is all that I am trying to impress on you at the present moment.

President.—Would you be able to give any definite suggestions in that note? Supposing this duty is left as it is, is there any kind of arrangement that the Millowners' Association can make with the object of enabling the handloom weaver to get his yarn at that end at a lower price than he does now while your mills realise the same price?

Mr. Mody.—I can only offer my co-operation. I am not in the same position as the Directors of Industries of the various provinces and people who are in close touch with the handloom weaver in those centres in which the handloom weaver is established, to say exactly by what measures co-operation can be achieved between the handloom industry and the power loom industry. All I can say is that if any practical suggestions are forthcoming, we shall be most pleased to deal with them. But the suggestions should come from the other side, from people who have really dealt with the handloom industry, that is to say from people who have made suggestions to you with a view to removing the middlemen who exist between the mill industry and the handloom industry. They probably get a good deal more out of this business than the mills do.

President.—It is an enormous problem to remove the middleman. Co-operative societies are always suggested as a solution of the difficulties faced by the handloom weaver.

Mr. Saklatvala.—As far as the Bombay Presidency is concerned, the Co-operative Bank has branches in various places where the handloom industry is flourishing. Co-operative Banks can either buy direct from the

mills or assist weavers to buy their requirements from mills. If they do that, it will be of great assistance to the handloom industry.

President.—If co-operation is the only remedy that you can propose my reply is that your remedy will remain always a pious aspiration. It has worked for over 20 years. Although the weaver has been talked about in relation to co-operation for the last so many years nothing has been done. It is a very difficult problem. I am not blaming the Co-operative Department.

Mr. Mody.—If the handloom weaver is receiving his yarn from foreign countries, then many of our spindles would have to remain idle.

President.—For the moment I do not entirely accept your premise, that is to say, when you say all the coarser kinds of yarn which are now being sold in the country by the Indian textile industry would be converted into cloth or the spindles would be left idle. I don't accept that premise. Anyway, we have discussed this matter fairly fully and I should be very grateful if the Millowners' Association could send us a considered statement.

Mr. Mody.—Yes.

President.—With regard to the question of the duty on raw cotton, I think probably I would reserve that question for discussion with the Indian Central Cotton Committee because it involves a discussion of the extent to which imported cotton now competes on the one hand with the Indian long staple cotton and on the other hand with the Indian short staple cotton. Unless one is clear about the figures, it is impossible to discuss that question.

Mr. Mody.—As you know, I opposed this duty in the Legislative Assembly.

President.—Do you still hold that view?

Mr. Mody.—If anybody can establish that this duty is doing good to the cultivator, I am prepared to give in. I only took up the position I did in the interests of the cultivator of Indian cotton. If it could be established that this duty on raw cotton benefits the Indian cultivator, I am prepared to withdraw my opposition even though it affects the mill industry.

President.—Supposing we succeeded in extracting that confession from the Indian Central Cotton Committee?

Mr. Saklatvala.—Their opinion would be more authoritative on this subject than that of the Millowners' Association.

President.—You are appearing on behalf of both.

Sir Manmohandas.—This duty on raw cotton will nullify the effect of protection to the extent of 6 pies per lb.

President.—Six pies per lb. is the duty on raw cotton, which forms 40 per cent. of the cost of the finished cloth. Supposing we gave you 2½ pies extra on cloth, that should satisfy you?

Sir Manmohandas.—Yes.

President.—After that, the questions deal with costs which I propose to hold over, that is to say questions beginning with 13 to practically 25. Regarding Question 25, the interesting point that emerges out of these figures is the figure given in reply to that question. Your yarns of counts below 20s generally realise a price which is lower than the c.i.f. plus duty and your yarns of counts of 30s and above generally realise a higher price than the c.i.f. plus duty.

Mr. Maloney.—There is no business possible in finer counts.

President.—If your figures mean anything, they mean this that in the case of coarser counts your price is lower than the c.i.f. plus duty and in the case of higher counts your price is higher than the c.i.f. plus duty.

Mr. Mody.—That is so.

President.—How are you able to get a higher price than the c.i.f. plus duty in the case of finer counts?

Mr. Mody.—As a matter of fact, we cannot sell.

President.—Can you give me the realised prices? After all you sell about 5 per cent.?

Mr. Mody.—We sell very little of the higher counts. We could not sell to-day even if we had yarn to sell. We would not be able to sell in competition with the imported yarn. There is no doubt about this that the imported yarn is cheaper than we can make.

President.—If these figures are accepted as correct, would it imply this? Since you produce very small quantities, you are able to sell in very small lots against urgent requirements and thus sometimes you are able to get a better price.

Mr. Mody.—It does not mean that at all. These figures must not be taken to mean that we are realising these prices at all.

Mr. Mehta.—These yarns are produced mainly for consumption in the mills and not for sale.

Mr. Mody.—I find again with regard to the selling of medium and higher counts of yarn, these people are interested in seeing that Swadeshi yarn is used by the handloom industry. My experience has been that it is impossible to sell these yarns in competition with the imported yarns even with the duty.

President.—As regards medium counts, it does not matter very much, because you can easily convert them into cloth. The problem does not arise at all if the cloth does not get adequate protection. I am banking entirely on that. On this question of hosiery yarn, supposing we decide to give protection to hosiery goods, then it seems to me that there is a very considerable market for hosiery yarn in the country. I estimate it at not less than 10 million lbs. Is it very difficult for Indian mills to produce the hosiery yarn? Is any special equipment necessary? I think it is a question of the way in which it is reeled. It is reeled on cambs and so it is simply a matter of reels.

Mr. Mehta.—We want doubling machines for that.

President.—It is a question of arrangements for doubling and then cheesing.

Mr. Mehta.—Yes.

Mr. Saklatvala.—A better class of cotton is required.

President.—If you are going to use imported cotton, you can get that.

Mr. Saklatvala.—Yes.

Mr. Mody.—It will be quite easy. If there is a considerable demand, there should be no difficulty in producing it.

President.—So that it can easily be done.

Mr. Mody.—Yes.

President.—But you make a statement that certain mills have spent a considerable amount. compete."

Mr. Mody.—The Colaba mills have put down a plant.

President.—How long ago was this?

Mr. Mody.—About six years ago. They installed the winding machinery but they have not been able to get any orders.

Mr. Saklatvala.—We were considering the question of installing a plant in our own mill. We found that vests were being sold at a price, against which it would be very difficult for us to produce yarn. A vest weighed—I forget how many ounces. To produce so many ounces we required more than 5 annas. But 5 annas is the price at which vests are being sold in the country. Naturally a man who wants to make these goods will want his yarns at a cheap price. If that is protected and if the imported stuff is kept out of the country, then there would be no difficulty in producing the yarn.

Sir Manmohandas.—They are producing in large quantities in Japan and therefore they can afford to sell cheap in competition. Besides they are well organised as regards bleaching, packing, and everything else.

President.—It is a very well organised cottage industry.

Sir Manmohandas.—Yes. Organisation is necessary to create a new industry in India. It should be a special trade by itself.

President.—I believe we have the elements of a very good hosiery cottage industry in this country; provided you can help against more severe forms of external competition, the necessary organisation will develop later on. Now I come to the question of capital expenditure. I think I have no criticisms to offer on this estimate—not that I know anything about the cost of a textile plant. I have looked at it this way. Your total estimate at present is Rs. 46 lakhs. Now that per loom of 40 spindles is Rs. 4,621. I find that the Tariff Board in 1925-26 took a figure of Rs. 5,450 for one loom with 30 spindles. Calculating on a basis of Rs. 70 per spindle, it is more or less right. Then, I find that one loom with 40 spindles on the 1926 basis would be Rs. 6,150 against your estimate of Rs. 4,621. Taking the variation in the general level of prices between 1926 and now, your estimate is quite correct; in fact, it is a very careful estimate.

Mr. Mody.—We have exercised great care. We have asked more than one man who knows something about the mill machinery and arrived at this estimate. We have certainly not over-estimated.

President.—As far as I can check it by methods which I have outlined, this estimate is quite close. I should like however to make one alteration—not for any intrinsic merit but in order to make our own calculation easier. You have taken for bleaching and dyeing plant a capacity equivalent to one-fourth of the total output.

Mr. Mody.—Yes, as a working basis.

President.—I took the whole consumption in this country of bleached goods as compared with the whole consumption in this country of piece-goods and I found the proportion to be 15 per cent. For dyed goods you get more or less the same kind of proportion.

President.—If I take 15 per cent. of the total output and make a corresponding reduction I get Rs. 45 lakhs; that would be a reasonable estimate.

Mr. Mody.—We have tried to give an economic unit. All I say is that 15 per cent. capacity and 25 per cent. will mean almost the same. What we have given is an economic unit.

President.—Taking the total output of a plant of this cost it will come to 28,50,000 lbs. of cloth. We suggest that we may raise it to 30 lakhs lbs. That gives us a capitalisation of Rs. 1-8-0 per lb. of cloth. That you accept?

Mr. Mody.—I will accept that.

President.—With regard to depreciation you accept the income-tax rates as suitable?

Mr. Mody.—We have already indicated what our views are. The viewpoint from which I look at it is this. There are many administrative difficulties about giving double allowance for working double shift. If however double shift working becomes general there would be a good case for giving double allowance.

President.—As far as the Tariff Board are concerned I don't know if we could take this matter into consideration at all. The question whether a higher rate should be allowed on double shift production is a matter between the industry and the income-tax department. In the first place you may take the actual rates of depreciation, 2½ per cent. on buildings, 5 per cent. on ordinary machinery, 7½ per cent. on bleaching and dyeing machinery. I take your total capital expenditure in the proportion represented by land, buildings, ordinary machinery and bleaching and dyeing machinery and calculate the rate of depreciation on these various items and then arrive

at a flat rate on the whole block of 3.75 per cent. Supposing we allowed you a flat rate on the whole block of 3 to 3½ per cent. It works out like this: let us assume that with Rs. 100 capitalisation you make about 50 lbs. of cloth. I allow you in your fair selling price a flat rate of depreciation on the whole capital of 3½ per cent; that would be per lb. of cloth. Supposing you work double shift then on a 100-rupee plant you make 100 lbs. of cloth; I allow you 7½ per cent. Then per pound of cloth the rate of depreciation that you realise is per lb. As far as we are concerned if we allowed you this flat rate on a single shift basis per unit of cloth, then you are safeguarded whatever the income-tax rates are.

Mr. Mody.—Per unit of cloth would be quite all right.

President.—This question of working capital is rather an important question and I should like you gentlemen to see that the calculations that I have got here are correct because in view of various suggestions which have been made with regard to the management of Bombay mills, it would be necessary for us to arrive at some kind of conclusion regarding the proportion of working finance that is locked up in the industry, because if there is unseasonable purchase of cotton, too much commission on stores, too many outstandings as well as delay, all that must be reflected in the proportionate working capital locked up in the industry. Therefore I consider this question of working capital as important. The way I am looking at it is this. Here you have got your published figures of working capital over a period of six years. The total amount of working capital locked up in the industry is the sum of the last two columns. If I added all the items in column 8A in column 9, find the sum of these two totals and divide that by the total number of mills shown here which is 400, then I get the average working capital locked up in the industry per mill per year; is that right?

Mr. Mody.—That is correct.

President.—That gives you an average working capital per mill of Rs. 15.73 lakhs per year over a period of six years.

Mr. Mody.—Yes.

President.—What I want to try is to find what proportion this bears to the average total works expenditure of the Bombay mills during this period. In order to get that I take the average production in the City and Island of Bombay from your figures which gives me an average production of 922 million yards. That I think is correct. At 4.25 yards per pound this is about 217 million lbs. If 217 million pounds is the average production per year of the City and Island of Bombay the production per mill is 2.8 million pounds, taking the total number of mills in 1927-31 on an average at 75. From an examination of your figures of reeled yarn, the proportion of yarn sold and yarn used I take it generally at 40 per cent.

Mr. Maloney.—It would probably be something less.

President.—Take the year 1928: warp and weft about 100; reeling is about 41. That is how I get 40 per cent., that is to say the proportion of yarn sold to yarn used is 40 per cent. I am taking the average of six years.

Sir Manmohandas.—Yarn reeled does not mean yarn sold.

President.—The bulk of it is sold. If you don't accept this figure of 40 per cent. you can send in some other figure. If you take the average production of cloth per mill per year as 2.8 million pounds, 40 per cent. of that is the yarn production. That gives you 1.15. Now I want to convert this yarn on the basis of price into cloth. I take your average price of yarn as 8 annas over this period and the price of standard cloth as 14 annas 6 pies. In that proportion I reduce the yarn poundage to cloth poundage. That gives me about 640,000 lbs. Adding that to the cloth production you get a total production in terms of cloth per mill per year of 3½ million lbs. Taking your average cost of longcloth at 14½ annas—

because you have not been earning any depreciation and any profit, it would be correct would it not?

Mr. Mody.—Yes.

President.—Now, the average capital that we estimated was Rs. 15.73 lakhs and the average production per mill that we estimated was 3½ million lbs.; therefore the working capital per pound is 7 annas.

Mr. Mody.—That would be more or less right.

President.—If your works cost on your typical cloth is 14½ annas then the proportion to your working capital is per cent. That would be a correct way of calculating.

President.—Coming now to the question of facilities available for borrowing working capital (question 31), I do not want to go into the actual arrangement required with regard to the banking organisation of the country and so on because various recommendations have been made by committees more competent to deal with the question than we are. The only point on which I would like to ask for information is this. I do not know if you remember the chapter in the Banking Enquiry Committee's Report where they give figures showing the proportion of working finance derived by Bombay mills from various sources. The proportion they give for Bombay mills—I think you supplied figures for 64 mills—is as follows:—

Loan by Managing Agents	21 per cent.
Loan by Banks	9 „
Public deposits	11 „
Share Capital	49 „
Debentures	10 „

It is more or less correct now?

Mr. Mody.—Yes.

President.—If we assume a capitalisation for an ordinary mill of about Rs. 45 lakhs and if we assume that the working capital is about Rs. 15 lakhs, then the total capital required is Rs. 60 lakhs. If I take loans by Managing Agents, loans by banks, public deposits, share capital and debenture in the proportion shown in this statement, then I find that out of a total of Rs. 60 lakhs of capital that you require, Rs. 36 lakhs would be supplied by share capital and debentures and your fixed capital is Rs. 45 lakhs. Rs. 36 lakhs out of Rs. 45 lakhs in Bombay mills is financed by long-term loans and share capital?

Mr. Mody.—Yes.

President.—So that 80 per cent. of your fixed capital expenditure is met by share capital and debentures. The whole point is that it is considered unsatisfactory that the fixed capital expenditure should be met by short-term loans. What happens in Bombay is that 80 per cent. of the fixed capital expenditure is met from other than short-term borrowing funds. If these proportions are right. Working on the same basis on the Ahmedabad proportions I find about 30 per cent. of the fixed capital expenditure is met by share capital and debentures and the bulk of the fixed capital expenditure is met by short-term loans.

Mr. Mehta.—Yes. They believe in short-term loans.

Continued on the 17th August 1932.

President.—There are just a few points of detail that I want to raise with regard to the working capital. I should like to get an idea of the normal rates of interest which are paid now by mill companies in the case of loans by their agents and loans by banks taking what may be called normal current rates of interest.

Mr. Mody.—I should say so far as banks are concerned, somewhere about 6½ to 7 per cent.

President.—Even now?

Mr. Mody.— $\frac{1}{4}$ per cent. over the bank rate.

President.—Supposing we took the bank rate at the low level at which it stands now?

Mr. Currimbhoy.—The average throughout the year comes to about 6 $\frac{1}{2}$ per cent.

President.—Supposing for example the average bank rate is not going to be more than 5 per cent., the rate of 5 $\frac{1}{4}$ per cent. to 6 would be the proper figure to take.

Mr. Mody.—That would be on the low side.

President.—What would you consider an appropriate rate?

Mr. Mody.—6 per cent. at the least. I was saying 6 $\frac{1}{2}$ per cent. with reference to the conditions of the last two years, but if you ask me with reference to conditions prevalent to-day, I should say at least 6 per cent.

President.—When loans are made by Managing Agents to their Companies, are these loans made more or less at the rates of interest at which loans are secured from banks?

Mr. Mody.—In cases where the loans given to the mills by the Managing Agents reach a figure of some crores, the Managing Agents are charging less than what the banks charge.

President.—Is it possible for you to make a statement at all about the normal relation between rates of interest charged by the Managing Agents and the banks?

Mr. Mody.—I can give you a few examples.

President.—That is all that I want. Supposing 6 $\frac{1}{2}$ per cent. was the rate charged by banks, would there be any addition to that?

Mr. Mody.—It would be normally so. I am talking of individual cases.

President.—If you could give us some typical individual cases, that would give us some idea.

Mr. Mody.—In cases where the Managing Agents have advanced very heavy sums, they have actually charged less than what the banks would charge.

President.—How much less?

Mr. Mody.— $\frac{1}{4}$ per cent. less.

Mr. Currimbhoy.—In our case it has been so.

President.—Supposing I asked you for a statement regarding the general position, you would say the Managing Agents' loans are given at a lower rate of interest at which the banks would charge.

Mr. Mody.—It depends on the bank rate.

President.—If the bank rate appears to be exceptionally high, the Managing Agency rates are lower. If the banks' rates are exceptionally low, it would be otherwise.

Mr. Mody.—Yes. I can give you some cases. In the case of Sir Manmohandas Ramji's mills, he lends money to his mills at 6 per cent. even though the bank may charge 6 $\frac{1}{4}$ per cent.

President.—It is a sort of usual rate that he charges irrespective of the bank rate.

Mr. Mody.—It is just possible that in view of the lowering of the bank rate the agents may lower their rate to that extent. It is much too recent for me to express an opinion. I am telling you of the conditions of the last 6 or 7 years during which agents in some cases have actually charged less and in other cases have charged just the same as the banks would.

Mr. Boag.—Do you know of any cases in which they have charged more?

Mr. Mody.—I am not aware of any.

Mr. Rahimtoola.—Is it not a fact that the Managing Agents charge a uniform rate of interest at 6 per cent. irrespective of what the bank rate is.

Mr. Mody.—Quite true, but if you take the average bank rate and if you arrive at a figure of over 6 per cent., my contention would be correct that the Agents would have charged no more and in some cases less.

President.—The Managing Agency agreements seem to suggest that the rate of interest at which the Managing Agents make loans to the mill companies is a rate which is fixed in the agreement itself. There is a statement for example that any loans advanced by the Managing Agents shall be made at 6 per cent. interest. 'I don't say it is a general feature of agreements, but I have come across provisions to that effect. Supposing for the purpose of fixing the rate of interest on working capital to be included in the fair selling price for the Indian mills, we took a rate of 6 per cent., would you consider that on the whole a reasonable one?

Mr. Mody.—Supposing the bank rate was increased—I am not anticipating that—if it went over 6 per cent., the mills finance would be on an unsatisfactory basis.

President.—Supposing we grant you protection for a long period we have got to make a decision one way or the other.

Mr. Mody.—If you make an intelligent anticipation of events, I say that 6 per cent. will not be unreasonable.

Sir Manmohandas.—When we get loans from banks, it is also guaranteed by the agents. In the case of loans advanced by the Agents, there is no guarantee.

President.—I was just coming to that. I want to get some idea of the security on which these loans are made. I understand that the Imperial Bank of India cannot advance any money to mill companies except on two signatures. It is a statutory obligation as far as they are concerned.

Mr. Mody.—Yes.

President.—Do the other banks invariably follow that practice?

Mr. Mody.—Yes.

President.—I suppose it is right to maintain that the practice of banks asking for two signatures is probably from the practical point of view the main justification for the Managing Agency system.

Mr. Saklatvala.—I was going to point out that in our case the Managing Agents had lent to the Tata Mills about Rs. 25 lakhs of which a portion was given by Sir Dorab Tata personally. For 4 or 5 years we charged no interest at all because the conditions of the mills was rather bad. Ultimately of course we had to write down the capital and out of Rs. 31 lakhs we wiped out Rs. 21 lakhs and took shares to the value of Rs. 10 lakhs. But for the loan over a period of five years we charged no interest.

President.—That of course is a special case.

Mr. Saklatvala.—Yes.

President.—From some statement that you make in your representation I gather that even in the case of banks supposing it was possible for a mill to pledge its liquid assets, then the second signature is unnecessary. Supposing it was not a charge, but a pledge, if a particular mill was prepared to make a pledge of its stocks.

Sir Manmohandas.—It is only on a pledge of liquid assets that we can get loans.

President.—Is it a charge or pledge? What I mean by pledge is the bank gets physical possession.

Mr. Mody.—As a matter of fact the bank is in physical possession through a clerk in some cases through whom all stores or stocks have to be passed out or regular daily statements have to be submitted to the bank showing the position at the end of each day of the liquid assets which are pledged

to the bank. So far as that is concerned the bank is not in physical possession in every case, but the liquid assets are there.

President.—You have got to give a security with regard to your liquid assets. If it is a charge, it is not so to speak a definite thing that operates with regard to the quantity of liquid assets.

Mr. Mody.—My answer would be that even if the banks were physically in possession of liquid assets, I don't think they would dispense with the signature of the Managing Agents.

Mr. Rahimtoola.—The present practice is two fold. One is that the bank puts its own board on the godown showing that this Company has taken loan from the particular bank and the other system is that they appoint a clerk who goes through the regular accounts. I think there is a very distinct difference between these two systems. One is not very popular with the millowners and very unusual.

Mr. Mody.—It is very unusual. In either case I don't think that any bank would advance without the countersignature of the Managing Agents.

Sir Manmohandas.—The system is where the liquid asset is pledged, the bank insist upon a regular supply of information of stocks and also a clerk is there. In the ordinary case where the Agents' countersignature is required, there is a statement in the agreement when the loans are negotiated that the mills cannot pledge without the consent of the advancing bank any of their assets.

President.—Supposing it was a regular pledge that was given, what is your experience? In that case have you got to find a second signature?

Mr. Mody.—Yes.

President.—There is a clerk and regular information is supplied?

Mr. Mody.—Yes.

President.—The second signature is never dispensed with.

Mr. Currimbhoy.—In some cases the bank has advanced if the goods are in their possession without the second signature.

Mr. Mody.—As a general rule it may be stated that two signatures are required. I am connected with several Companies. That is my experience and the experience of the Association.

President.—In the case of deposits which account for 10 per cent. of your working capital in Bombay, these deposits are in the first place placed with the Managing Agents or with the Mill Companies?

Mr. Mody.—With the Mill Companies.

President.—Whether deposits are attracted by a mill company would depend to a considerable extent on the standing of the Managing Agents who are responsible for them.

Mr. Mody.—Yes.

Sir Manmohandas.—Both the position of the Company and the Agents.

President.—What generally is the rate at which these deposits are attracted?

Mr. Mody.—If the financial position of both the mills and the Managing Agents is very sound you would get deposits at reasonable rates.

President.—What do you call reasonable rates?

Mr. Saklatvala.—In connection with one of the points made by the Shareholders Association, our mills have been mentioned as giving loans to sister companies. In that connection I have prepared a statement showing what our borrowings were and the rates at which we had advanced to the sister companies. I don't say we have made money over this.

Mr. Rahimtoola.—I am afraid that point is quite different. The reason for lending money to allied concerns as stated by the shareholders is not as regards the rate of interest, but as regards the system prevailing.

Mr. Saklatvala.—As far as our mills are concerned, they have raised that point.

President.—The point that we are on now is the rate of interest at which deposits are attracted.

Mr. Mody.—I have got a statement of different mills which will give you the rate of interest on deposits.

President.—What are the rates of interest?

Mr. Saklatvala.—In 1924—this is our Swadeshi Mills—it was 5.99.

	Per cent.
1925	6
1926	5.56
1927	5.29
1928	4.97
1929	4.99
1930	5.50
1931	5.67

President.—It was round about 5½ per cent.

Mr. Saklatvala.—Yes.

Mr. Mody.—When both the mills and the managing agents are in very good financial position, they certainly get it at a rate which is at least ½ per cent. below the Bank rate.

President.—I understand that the practice of deposits is falling off?

Mr. Mody.—As far as the good mills are concerned, deposits are still made with them.

President.—Perhaps it is due to the depressed conditions all round that the depositors are not so keen now?

Mr. Mody.—Not at all.

President.—Has there ever been a time when the proportion of the total capital in the Bombay section of the industry in the form of deposits was much higher than 10 or 11 per cent.?

Mr. Currimbhoy.—During 1923-24, when the capital of Fazalbhoy mills was only Rs. 18 lakhs, the deposits were Rs. 30 lakhs.

Mr. Mody.—Apart from the financial position of mills and their managing agents, everything would depend upon the fluidity of capital available for industries, whether industries were doing well or not, whether Government securities were more attractive or not. On these combinations of circumstances would depend the amount of deposits. To-day, for instance, when it is difficult to realise 5 per cent. on Government securities, it is possible that good mills with good managing agents can attract deposits in the same way as a good firm.

Mr. Saklatvala.—In the case of our Nagpur mills, we sold off a lot of our heavy investments and had enough money. We wanted to pay off the deposits, and therefore we brought down the deposit rate from 5 to 4½ per cent. That was offered only for renewals. We were not for taking in more deposits. To-day the rate is 4½ per cent. and still renewals are made.

Mr. Mody.—That is a very happy position.

Mr. Saklatvala.—We do not know what to do with the money.

President.—I suppose as far as we are concerned for the purpose of determining the rate of interest to calculate the fair selling price, the rate for us to take would be the rate of interest at which the Banks may be expected to lend money?

Mr. Mody.—Half per cent. over the Bank rate would be generally reasonable but taking the present day conditions 6 per cent. would be reasonable.

President.—As far as we are concerned, supposing we took the rate of interest at 6 per cent. on your working capital, it would be fair considering the actual conditions?

Mr. Mody.—Yes.

President.—There are just a few points I want to ask you as regards your reply to question 32. In the first place let us take the tabular statement that is given here. I was trying to look at it this way. The total amount received by managing agents in respect of the mills for which figures are given is on the same basis as that on which your working capital figures have been calculated. The total amount received by managing agents is the sum total of the amounts shewn in columns 3 and 4.

Mr. Mody.—That would be the total amount earned by them.

President.—And the total of these two columns divided by the total number of mills gives you the average per mill per year. That works out to Rs. 28,690 per mill per year.

Mr. Mody.—Yes, taking the average of all these mills for all these years.

President.—Yes. A good deal depends upon the actual figure. If the arithmetic is wrong, the conclusion may be vitiated. If you took the totals of the two columns and divided it by 400, you would get the average per mill per year. That according to my calculation is Rs. 28,690. That on a monthly basis is about Rs. 2,400. Now that is the amount received by managing agents per mill for the services rendered by them as Managing Directors and for the services rendered by them as managing agents. In order to get an idea of the fairness or otherwise of that remuneration, if you take the total output of Bombay mills on recent figures after the strike period, it will be somewhere about 250 million lbs. That is the total production. To get the average per mill, it may be divided by 75.

Mr. Mody.—Yes.

President.—That would be about 3½ million lbs. per mill per year?

Mr. Mody.—Yes.

President.—Supposing I took the average price of cloth of all classes of grades at about 12 annas a lb., would that be a correct figure?

Mr. Mody.—I would not be a correct figure if you took the average of all these years.

President.—Suppose I took the average of all these years?

Mr. Maloney.—It would be higher.

President.—About a rupee per lb. of cloth?

Mr. Maloney.—Yes.

President.—That would be Rs. 35 lakhs.

Mr. Maloney.—Yes.

President.—I do not know anything about the standards of remuneration. I am a complete stranger. The point I want to raise is if there was a business of which the annual turnover was 35 lakhs and if your Managing Director was paid Rs. 2,400 a month, according to the standards prevalent here, would that be considered excessive?

Mr. Mody.—As a matter of fact it would be considered low considering the fact that the superior staff in a mill—especially the Manager—would get very often in the neighbourhood of Rs. 2,000. It would be difficult to get a Managing Director on anything less than Rs. 3,000 a month.

President.—Would the general feeling in business circle be that if a man was paid Rs. 2,500 for looking after a business with Rs. 35 lakhs of business, he was being paid on a reasonable basis?

Mr. Mody.—If you take to-day's unemployment conditions, a good many people would be willing to be employed on Rs. 1,500, but if you take the average of all these years, I would not regard Rs. 2,400 as at all an adequate wage for a man who is placed in a position of responsibility as Managing Director of a mill.

Mr. Saklatvala.—Managing Agents do not mean individual Managing Directors. The services of managing agents are not rendered by an individual. There are generally three or four people.

President.—Supposing it was a question of finding an alternative to the present system, it would not be reasonable, whether they are three or one, to expect anything more than the remuneration that would be paid to a single Managing Director?

Mr. Mody.—To put it very briefly, the position would be if instead of managing agents you had a system of Managing Directors, then it would be quite reasonable to expect a Managing Director to be paid Rs. 3,000 a month without any obligation to finance.

President.—With regard to the office allowance, I am rather confused in my own mind as to the precise purpose of this allowance and I should like to know what it really represents. According to the system generally prevalent in Bombay I understand that the commission is calculated on profit before depreciation.

Mr. Mody.—Yes.

President.—That is calculated at rates varying from 10 to 12.

Mr. Mody.—Mostly 10.

President.—Now in several cases, that commission is subject to a minimum?

Mr. Mody.—Yes.

President.—May I say generally it is subject to a minimum?

Mr. Mody.—I would not say generally but in quite a number of cases there is a minimum attached to the managing agents' commission.

President.—It is frequently seen in managing agents' agreements—whether it is universal or not—that there is a minimum commission provided for. Is there really room for office allowance in addition to that?

Mr. Mody.—The position with regard to office allowance is this. In some cases it is in view of the office establishment which has to be maintained, that is to say, the office allowance goes to pay for the office establishment. In some other cases the office establishment may be regarded as an addition to the commission but out of that office allowance superior staff at the office is maintained. In some other cases again it is just possible that the office establishment may be in addition to the remuneration.

President.—The point I want to be clear about is this. Supposing for example at the head office of the managing agents there was a person employed for looking after exclusively the affairs of a particular company, in that case would his salary be met by the Company or by the Managing Agents?

Mr. Mody.—As I say there is no uniform practice. In some cases it would be met by the agents; in other cases it would be met by the Company. If you wish to have detailed information I can get it for you from every mill. As I say, there is no uniform practice. In some cases it goes to pay the establishment; in other cases a part of it at any rate goes to pay the superior staff.

President.—I will tell you why I am raising this point. I am not concerned to-day with any individual cases or anything of that sort, but I have been trying to study this question with reference to the practice in Calcutta which is the home of managing agency system, and looking through the Calcutta agreements that I have seen, the idea that I have got is this that what is called the office allowance in a contribution made by the constituent company towards the expenses of the managing agents' general office and staff. If there is any particular staff at the head office of the managing agents which is employed exclusively for the purpose of the Company, then the expenses are met by the Company and not by the Managing Agents. What the office allowance stands for is so to speak the contribution made by a unit in a federal system towards the expenses of the federal arrangement. It does not pay for any particular staff exclusively employed for the purpose of any particular company. It is simply a contribution made by the unit towards the expenses of the federal constitution. Supposing the affairs of a Company got into a serious tangle and it was necessary to straighten them

out and the managing agents decided to employ a special staff in order to clear up all the expenses would have to be paid by the Company. After all, the managing agents business is to look after the various companies. He has a big office; he has a big staff, the whole purpose of which is looking after the various constituent companies. Somebody has got to pay for the upkeep of that office staff, for the accommodation and things of that kind. The idea is that the constituent companies make contributions towards that and this contribution is the office allowance. The office allowance therefore is something in addition to whatever expenses may be met by the managing agents exclusively for the company. If that is the Calcutta idea, does the Bombay idea square with the Calcutta idea?

Mr. Mody.—I would not be able to say that for the simple reason as I have already explained that there is no uniformity of practice. If it is intended to convey that this office allowance is in addition to the agents' remuneration and is another way of getting a little more out of the company, then I say that it would not be a proper presentation of the case. I can give figures to the Board in regard to every mill if it so desires with a view of showing what this office allowance is and what it is employed for.

President.—I cannot see any definition of office allowance in the agreements themselves that I have seen, but I have seen a few phrases indicating the objects towards which it is utilised.

Mr. Mody.—If you take the average, it amounts to Rs. 7,000 for every mill.

President.—I have seen as high a rate as Rs. 36,000 a year.

Mr. Mody.—It is just possible. I would not say that this Rs. 36,000 went into the pockets of the managing agents.

President.—We had better keep the few individual cases out. I am talking of the system. I have been talking of the Calcutta system. With the exception of one rather big firm of managing agents, I find that the general practice in Calcutta is not to make any provision for a minimum commission. In the case of one particular agency firm there is a minimum commission provided for on the lines of the system but there they definitely say in this case there is no office allowance drawn by the managing agents, which seemed to me to indicate that where there was a minimum commission it sort of replaced the office allowance.

Mr. Mody.—In some cases, the office allowance is drawn in addition to the minimum commission, but as I have already pointed out in most cases it goes towards the payment of the superior staff.

President.—Employed at the office?

Mr. Mody.—Yes.

President.—Not at the mill?

Mr. Mody.—No. I have got a note here which says "This office allowance does not even cover the cost of the services rendered to the mill company by the superior staff of the agency firm. In some instances even the office allowance has been given up in times of depression".

Mr. Saklatvala.—If you want a general statement I would say that office allowance does not form any shape of remuneration.

Mr. Baag.—Does it not represent additional remuneration?

Mr. Mody.—Office allowance in most instances goes to the payment of the superior staff.

President.—You don't recognise that to be remuneration for the managing agents themselves?

Mr. Mody.—I don't.

President.—I don't want to go into this question at the present stage. I propose to discuss this question with the Bombay Shareholders' Association and my idea is that if in the course of that discussion any points arise on which I consider it necessary to get more information from you or an expression of opinion from you, then I propose to embody those points in the form of a note

and ask you for a considered note on those points. I do not quite know at present what the case is that the Bombay Shareholders' Association have decided to present to us regarding this question and till we know that clearly I am not in a position to point out to you what I want from you in the way of information.

Mr. Mody.—Yes.

Mr. Mody.—I am always willing to give you information on any point which you desire.

President.—There is one point that I want to mention. I have been reading a considerable amount of literature on this question and I have read a mass of statements. I am not speaking from the point of view of the shareholders or companies or any section of the community, but the point of view of the country at large is that the real evil of the managing agency system is that for purely sentimental reasons the managing agents are often tempted to keep alive bankrupt companies and that in the general interest it would be better for these companies to be wound up. What I mean is this. The industry is passing through a period of depression and the mills' earning capacity is *nil*. The managing agent feels a certain amount of pride; he also feels that his credit is involved and therefore he goes on lending money with the idea of keeping it alive. The result is that he loses more. The position gets more and more embarrassing; he is tempted to resort to doubtful methods of financing. That is as far as the managing agents are concerned. Then the fact that these bankrupt mills have been kept alive intensifies the general depression. If I said that from the point of view of the country at large it is this aspect of the managing agency system which is the most important, then do you think I am right?

Mr. Mody.—It will entirely depend on the point of view from which you regard this question. It is quite true if you put it as paternal pride then the managing agents are certainly interested in keeping the companies alive. But certainly it would not be correct to say that they would keep it alive for their own interest. As a matter of fact, by keeping it alive they are financial losers and they are more and more committed, and we have given figures showing what enormous losses they have made through this process. It all depends on what you conceive to be the right method of procedure. Where you have acute and prolonged depression like that through which we are passing, this policy has been disastrous. What would happen if managing directors had been there? They would not have financed the mills and the banks would not have financed them, and the mills in Bombay and quite a good few throughout the country—I have to emphasise that the financial position of mills up-country is not so healthy as it is popularly believed to be—would have gone into liquidation. Take the other case: Supposing depression is not prolonged, then by this system of managing directors the shareholders stand to lose. At the first blast of economic depression the managing directors throw up their hands and say "we cannot finance the concern" and the company goes into liquidation. But it may be that the tide may turn and more prosperous times may come and if the concerns had been kept alive the shareholders would have got back their loss and made a little more. In that event the managing agents idea of keeping a concern alive is right. We have had cycles of depression; some have lasted five or six years and some seven and every time the industry passed through a period of depression the managing directors would have put the concerns into liquidation. Where would the shareholders be and where would public confidence in the industry be? It may be quite true to say, because of this very unprecedented world depression, that it might have helped the shareholding public and it might have helped the agents to let the company go into liquidation. To that extent you would be right. But the question is one of policy. Are managing agents and directors to make it a fixed policy that the moment the mills cannot be financed they should be put into liquidation?

President.—It is very difficult to discuss it in general terms. Taking the actual conditions of the Bombay mill industry during the past six years,

would'nt it have been to the advantage of the Bombay textile industry if a few more mills had gone into liquidation?

Mr. Mody.—It might have been.

President.—What prevented that?

Mr. Mody.—The fact that the managing agents went on taking money from their own pockets to keep the concerns alive and thus losing enormously. They lost perhaps more than the public in general.

Mr. Rahimtoola.—The idea, I gather, is that the managing agents being in a position to finance and having to look to the future of the industry, consider it worth their while to maintain the industry for a number of years, say two or three, even at the risk of incurring a certain amount of loss during this period?

Mr. Mody.—Yes, taking a long view. That is what I am trying to convey.

President.—If it is true that the main business of the managing agents is financing and not management, then I suppose any question of substantially modifying the system might necessarily involve an examination of the question of industrial finance?

Mr. Mody.—Yes. That lies at the root of the question. Managing agents manage as well as finance, whereas managing directors would manage but not finance.

President.—Is it true to say that they do more financing than management?

Mr. Mody.—I would not say that.

President.—Supposing the Government of India were going to take up seriously the question of re-organising the banking system in accordance with the Banking Enquiry Committee's recommendations, I take it if there was any idea of modifying the managing agency system that would be the time to consider it?

Mr. Mody.—Certainly. We would not stand in the way if proper industrial finance was forthcoming.

Mr. Rahimtoola.—You would be prepared to consider a thorough re-organisation of the managing agency system if it was considered necessary?

Mr. Mody.—I want to make just one point. What does the ordinary man do? A man who is managing a small trading company of his own does not throw up the sponge immediately depression comes on. He tries to go on with his business. What has happened in the case of private individuals trading for their own gain is happening in the case of the managing agents. We are trying to keep our business alive as long as it is humanly possible.

President.—The real point is that when a case of that kind arises the people who are really responsible for financing a concern must be in a position to decide the question purely on business considerations.

Mr. Mody.—Exactly. I deny that there would be other considerations.

Mr. Saklatwala.—Managing agents are shareholders in the concern and they are also interested.

Mr. Rahimtoola.—When you began yesterday morning you gave us to understand that your Association represented 101 mills. Do I understand that they are all mills or are there some gins and presses?

Mr. Mody.—101 cotton mills; in addition we have one or two ginning and pressing mills.

Mr. Rahimtoola.—Are these mills situated in different parts of the Presidency and are all their managing agents in Bombay?

Mr. Mody.—No. Mills situated outside Bombay often have their own managing agents outside Bombay. In the case of Tatas the managing agents are in Bombay, so is the case with Currimbhoys. But in a large number of cases the managing agents are outside Bombay.

Mr. Rahimtoola.—Do they come up for the meetings?

Mr. Mody.—All our literature is sent out to them regularly and they are kept informed of the activities of the Association from time to time. A great deal of information is supplied to them.

Mr. Rahimtoola.—What exactly was the object of establishing this Association?

Mr. Mody.—For the protection of the interests of the industry in every possible way; with regard to tariffs, labour legislation, general questions of policy with regard to the administration of mills and all sort of questions like that.

Mr. Rahimtoola.—What I was thinking was whether your resolutions if carried are binding on the individual members as such or are they in the shape of mere recommendation?

Mr. Mody.—That would depend entirely on the circumstances of the case. In some cases it would not be possible to tie members down to the resolutions of the committee of the Association because those may be matters in which individual mills and individual managing agents may have a real right to form decisions. But even as regards these I think members as a general rule have always paid considerable respect to the recommendations of the committee of the Association. In other cases as laid down in the rules we come to decisions which are binding on members and they cannot get away from them if they want to remain in the Association.

Mr. Rahimtoola.—There are questions on which it is sometimes obligatory in respect of certain members, even if not agreeing to that resolution, if carried by a majority to bind themselves by that resolution. They must carry it out or resign from the Association. Is that right?

Mr. Mody.—Yes. Members have resigned. If a proposition is carried by an 85 per cent. majority it is binding on the members. For example, double shift working and things like that: resolutions carried by a majority is binding on members and they abide by it. We have passed various resolutions of this character.

Mr. Rahimtoola.—From the literature which the Board has received it appears to me that this enquiry is a very complicated one and a peculiar one for the simple reason that this is an enquiry where not only has the industry asked for protection but people who are supporting the industry are asking for protection as well. It is what I understand a double dose of protection on which the Tariff Board is asked to report. I shall now deal with the six main headings. The first is the mill industry. In the mill industry we have two aspects to consider; one is foreign competition and the other is the question about internal competition. Then comes the second heading, namely the handloom industry. In this case you have to consider the question of duty on yarn and the question about the manufacture of certain types of articles by mills in competition with the handloom industry. The third is the cultivator's point of view and that is the duty on raw cotton and the export of cotton. As regards duty on raw cotton we have also to deal with the question of protecting the predominantly Indian industry in Uganda. We have received a representation from the East African Cotton Association to the effect that this duty should be abolished on the ground that it hits them. This is another protection which we are asked to consider. Then comes the question of management. There the question of finance comes in and the deteriorating of the managing agency system. And the last is the question about labour. It is the question of better pay and comforts which they demand from the industry in case protection is granted. This covers the whole field of activity on which the Tariff Board is asked to investigate. Whilst everyone of them is very keen on protection being granted to the industry they are at the same time very keen that they should themselves be protected and therefore I would like you to explain in detail some of the points which I have now enumerated. I take it that as regards foreign competition the two principal sources are Japan and Lancashire. I would like to go into the details about this competition. There are three types of things which are imported: one is grey, one is white and the third is coloured, woven, dyed or printed. I would like to

know, as far as greys are concerned, what is the position to-day between Japan and Lancashire? I am now dealing with the Indian industry as such with regard to foreign competition.

Mr. Mody.—The position can be seen from the figures of Japanese imports. She has made considerable headway and is not only hitting the indigenous industry but also Lancashire.

Mr. Rahimtoola.—I am not concerned with whether Lancashire is hit or not. I am concentrating on what the effect of competition is on the Indian industry. As far as grey and bleached are concerned are you troubled by Lancashire competition at all or do you want to concentrate on Japanese competition?

Mr. Mody.—Our main competition comes from Japan.

Mr. Rahimtoola.—You are not affected by the imports from Lancashire?

Mr. Mody.—No.

Mr. Rahimtoola.—What about white bleached?

Mr. Mody.—A good deal of stuff comes from Lancashire. They have held a fairly large share in this class of imports. So far as fine cloths are concerned—80s and 100s—we cannot say that their competition is affecting us in the same way in which it is affecting us in bleached susis and striped things, but it certainly hits us.

Mr. Rahimtoola.—Why I want this distinction to be made is for the simple reason the Board is asked as you are already aware to find out what the effect of the present duty and how this differentiation operates as far as the different types of cloth are concerned.

Mr. Mody.—Talking generally the existing duties have not been able to help the industry to establish itself against Japanese competition.

Mr. Rahimtoola.—I come to coloured, printed or dyed. Here again I find that though the figures show a certain percentage of rise in Japan, there is an equal rise in the percentage of United Kingdom as well. For instance the quantity imported in 1926-27 was 318 million yards and in 1930-31 it has gone down to 147 million yards.

Mr. Mody.—It would not be the same class of goods.

Mr. Rahimtoola.—In the import figures it is given in three columns.

Mr. Mody.—Even as regards identical kinds of cloth made in Lancashire and Japan, the competition may be felt in various ways. If the goods are fine the competition cannot be felt to anything like the extent which is felt in the case of Japan. While the figures may show that both Lancashire and Japan have made headway or retained their ground, it would not mean that the effect on the Indian industry is the same.

Mr. Rahimtoola.—Therefore on the whole your opinion is that you are concerned more with the Japanese competition especially in the coarser counts?

Mr. Mody.—It is very largely the Japanese competition. I am not saying that Lancashire is to be ignored. As a matter of fact the headway that we have made in the case of dhutis, medium and fine, shows that Mr. Hardy's conclusion we were experiencing no competition from Lancashire is not borne out. We are able to make headway against Lancashire. To put it in other words if Lancashire was sending less dhutis, their place would be taken up by the industry in India. If you take into consideration that it is not necessary for the industry in India to produce the identical kind of cloths which are being imported, but that the second best or something lower than the very best that is coming from Lancashire, to that extent there is still a field of competition between Lancashire and India.

Mr. Currimbhoy.—Because of this protection some of the mills in Bombay are going in for 80s and 100s and are thus able to compete with foreign goods.

Sir Manmohandas.—Japan has competed with Indian goods and at the same time displaced considerably Lancashire goods. That competition has started since the war period.

Mr. Rahimtoola.—Your point of view is that Lancashire goods show a figure of decline which has been taken up by Japan and not by India.

Mr. Mody.—Partly by India. Take the case of dhutis where the Indian mills have taken their place to a considerable extent.

Mr. Rahimtoola.—Now as regards the internal competition you have pointed out in answer to a question that one of the disadvantages from which the Bombay industry is suffering is entirely due to taxation and you have mentioned the figures as Rs. 8,000 for Ahmedabad as against Rs. 28,000 for Bombay.

Mr. Mody.—Yes taking into consideration municipal taxation and water charges.

Mr. Rahimtoola.—In spite of your being on the municipality.

Mr. Mody.—Because of that I am afraid. As a matter of fact the water charge for 1,000 gallons is something iniquitous and the efforts of some of us have brought that down to 10 annas.

Mr. Rahimtoola.—There is always a danger of that going up?

Mr. Mody.—Every year there is that danger.

Mr. Rahimtoola.—Another point regarding internal competition mentioned by Mr. Saklatvala yesterday is with regard to bleaching.

Mr. Mody.—Yes, because of the heavy charges for water, we can't compete with Ahmedabad in respect of bleaching.

Mr. Rahimtoola.—It is not only the water charge, but it is the cost of steam.

Mr. Saklatvala.—It is done by dhobis. Water and steam are supplied by the mills.

Mr. Currimbhoy.—We have attempted dhoby bleaching, but it doesn't pay us.

Mr. Rahimtoola.—Mr. Saklatvala said yesterday that Ahmedabad had a virtual monopoly.

Mr. Saklatvala.—What I said was that we could not do susi business. Most of these susis were bleached and Ahmedabad was doing bleaching at a cheaper rate than Bombay. They get it done by dhobis. They generally pay one or 1½ pies per yard. It works out at 6 or 7 pies per lb. whereas our cost comes to anywhere between 14 to 20 pies. Ahmedabad gets it done by dhobis, but the mills supply water and steam.

Mr. Mody.—If the water charge is reduced, we can also do it.

Mr. Saklatvala.—In Ahmedabad they have large agricultural lands which they have acquired cheaply where they can lay down plants for hand washing.

President.—Is there any disadvantage from which the Bombay industry is suffering apart from the two which have been mentioned?

Mr. Mody.—The labour here I would say is more expensive if you take not only the average rates of wages, but also the output.

President.—When you mention efficiency, you mean the output?

Mr. Mody.—It is not merely a question of efficiency. It is a question of tending more machines.

Mr. Rahimtoola.—We were told yesterday that labour in Bombay was more efficient than that in other centres.

Mr. Mody.—Bombay labour is technically skilled. Efficient in the sense that it has got sufficient technical skill, but if you say efficiency in the matter of the number of spindles or looms, or other machinery minded by each operative, it is not so. Whether this labour trouble is due to outside influence or not, we can't get the same out of our labour as is possible for mills in other centres.

President.—I have a feeling that if you consider the increase in wages which has taken place recently in Ahmedabad and take into account the relative output per man in Ahmedabad and in Bombay, the cost of labour per unit of cloth would not necessarily be higher in Bombay.

Mr. Mody.—I strictly avoid comparisons of actual wages earned.

President.—I am thinking of the cost of labour per unit of cloth.

Mr. Mody.—I could show you from the balance sheets of comparable mills what the wage cost is in Ahmedabad and what the wage cost in Bombay is.

President.—As a matter of fact when the Tariff Board reported in 1926 they gave certain comparative statements of costs which appeared to us that the cost of labour per unit is much higher in Bombay than in Ahmedabad. We have been recently scrutinising statements of costs from other centres of India and a thing that has been perplexing me a great deal is that the cost of labour per unit of cloth is not so high in Bombay in comparison with the other centres of production as one would have thought from the Tariff Board's report.

Mr. Saklatvala.—Because of the change in the production of Bombay mills.

Mr. Mehta.—I have got two or three mills in Ahmedabad.

President.—Will you give us statements of costs for those mills?

Mr. Mehta.—Yes, I will.

President.—We have had certain statements of costs which do not bear by any means the contention that the Bombay cost of labour is considerably higher than Ahmedabad cost of labour. This point was raised before the Court of Enquiry which investigated the last strike in 1929. There also it appeared to be the impression of one of the judges that our costs had now been brought into very considerable relation with the Ahmedabad costs. The best way of testing it is to take two comparable mills and see what classes of goods are turned out. The costs will vary according to the counts. Supposing you take the average counts of 20s, 30s or 40s, take two comparable mills and compare their wage bill with our bill, I can show you the difference.

President.—Supposing I took for purposes of comparison the cost of labour per lb. of cloth, the same amount of sizing and so on for white bleached 30s×40s in Ahmedabad and Bombay, it would be a fair basis of comparison.

Mr. Mehta.—No. You would have to take the average counts spun.

Mr. Mody.—I will explain that to you.

President.—It is no use your explaining unless you know my point. My point is this. Supposing you have got the allocated costs of an Ahmedabad mill showing the cost under various heads and one of these heads is labour. the cloth in both cases is 30s×40s, white bleached, proportion of size is 10 per cent. in both cases and the cost is stated per lb. of cloth and if I am shown X pies of cloth in and X pies in Ahmedabad, am I not justified in saying that the cost of labour is the same.

Mr. Mody.—I understand your point. If you take one particular class of cloth, say 30s or 24s it may not show much of a difference. If you take higher counts of cloth, it may show a difference in the same two mills. For instance in Ahmedabad a man tends two sides of frames of counts of 40s and above. In Bombay not even for 80s and 100s can we get a man to tend two sides of a frame. Supposing I took a finer cloth, that difference would be shown in the cost, whereas it will not be shown in coarser or medium count cloth.

President.—Supposing that is ruled out as a basis of comparison, what would be your basis?

Mr. Mody.—My basis would be this. We must take mills of the same capacity which turn out more or less comparable counts of yarn. Take the wage bill of two such mills and make the comparison.

President.—There would be various differing elements there. The yarn counts may be more or less the same. The total output may be more or less the same, but the variety of cloth may be entirely different. That will entirely upset your comparison. Where can you get a comparable basis?

Mr. Mody.—There would be certain variations.

President.—There would be more variations in your case than in mine.

Mr. Mody.—The best thing would be in that case to take the wage cost for a variety of cloths.

President.—That was what I was going to say. Supposing you took the index numbers of 12 kinds of different cloth in Ahmedabad and Bombay and compared them on that basis, it would be all right. If Mr. Mehta will kindly give us his statements of costs, they will be treated strictly confidential.

Mr. Mehta.—Yes.

Mr. Saklatvala.—Shall I give you particulars for my mills?

President.—Yes.

Mr. Boag.—And also for Nagpur.

Mr. Saklatvala.—Yes.

Mr. Mody.—That would be all right.

President.—It is really a very important point.

Mr. Rahimtoola.—Now I come to the question of the duty on yarn. As far as the internal competition is concerned, I will not deal with the advantage now, because they will be dealt with from the point of view of the industry as a whole. As far as your disadvantages are concerned, I suppose these are the main things. Mr. Hardy said:

“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.”

In reply to that question you have given us to understand that you have ceased to use artificial silk yarn and you have given us to understand that you would be prepared to give us the details about that statement later on. May I know exactly what are the reasons which have led you to this conclusion. I understand that this is the resolution of your Association and it is more or less binding on the Members of your Association.

Mr. Mody.—People outside the industry felt that in these days of Swadeshi, mills should also play their part and should boycott all foreign stuff from the composition of their cloth. For that reason the mills have given up foreign yarn and we have also given up art silk yarn.

Mr. Rahimtoola.—I take it the decision arrived at by the millowners Association was after fully considering the position of the industry and the benefits derived by the mills individually.

Mr. Mody.—It was done after a full consideration of the circumstances of the case, but I cannot say that we took a strictly business view of the problem.

Mr. Rahimtoola.—Is there any intention of the part of your Association to revise or re-consider their decision?

Mr. Mody.—I cannot say.

Mr. Rahimtoola.—Therefore as far as silk yarn is concerned, Bombay Presidency or should I say Bombay alone?

Mr. Mody.—Ahmedabad has also given up the use of artificial silk yarn.

Mr. Rahimtoola.—Bombay Presidency as such is not manufacturing or using it?

Mr. Mody.—No.

Mr. Rahimtoola.—You sympathised very much with the protection which the Board might be inclined to give to the handloom industry. At the same time you felt very strongly about the duty on yarn. You are not manufacturing art silk yarn. In this connection I may tell you that there are two suggestions which have been made to us. One is that there should be no duty on yarn. Another is that the Millowners should be requested not to manufacture certain classes of goods. These are the two suggestions which have been put forward to us by some individuals as well as those who take

interest in the handloom industry. As far as I know, the second is out of the question.

Mr. Mody.—Entirely. We are not prepared to consider that.

Mr. Rahimtoola.—Now, as far as the first suggestion is concerned, it is a point which not only the Government of India have asked us to consider as a separate term of reference, but it is a point which we have got seriously to take into consideration because it hits the poor. In this connection I understand that you are prepared to consider and present to us a note dealing fully with the case which may result in revising your present attitude. Is that correct?

Mr. Mody.—No. What I say was.....

Mr. Rahimtoola.—I say it may result.

Mr. Mody.—I hope not!

Mr. Rahimtoola.—As far as you are concerned, I take it that your Association is not prepared to consider this aspect of the question as well.

Mr. Mody.—If on a fresh consideration of all the circumstances of the case, in view of what the President of the Board has said, we come to a conclusion and feel that in the interests of the handloom weaver, it is necessary that this duty should go, we shall have no hesitation in saying so; but with such facts as are in my possession I feel that if this duty on yarn is to go, it is not calculated to help the handloom industry to the extent to which it is expected that it might. If the duty on yarn is removed, the handloom weaver, if not to-day, at least to-morrow or in the near future will be entirely placed in the hands of the foreign manufacturer..

Mr. Rahimtoola.—If the present duty on yarn is abolished, then yarn will come into India duty free. Supposing the duty is abolished, I want to know whether there is any danger that the mills might use the imported yarn instead of their own.

Mr. Mody.—I cannot say that. So long as it is our policy not to use any foreign yarn, the mills will not use any foreign yarn.

Mr. Rahimtoola.—That is for the present?

Mr. Mody.—So long as that is our policy, the duty which exists on imported yarn does not affect the case.

Mr. Currimbhoy.—There are weaving mills in India and there is every likelihood of their using them in greater quantities.

Mr. Rahimtoola.—If that is so, how far will it affect the cultivator?

Mr. Mody.—It will certainly affect the handloom industry.

President.—Apart from any question of sentiment, on purely business considerations, would it be worth while for the Bombay Mills to-day to import yarn of counts below 40s rather than make it themselves supposing the duty was abolished?

Mr. Mody.—I think in medium counts it will be cheaper to use imported yarn, I refer to counts between 30s and 40s.

President.—My own idea is, having seen your costs, above 40s, very probably above 50s, it would be worth while to do so but if you get protection on cloth it would be worth while to import yarn below 50s.

Mr. Mody.—The point is this. When a man wants to determine whether he is going to use imported yarn or his own yarn, he takes into consideration the cost of the yarn to him as manufactured in his mill and the cost of the yarn which is imported. In view of the fact that the Japanese yarn particularly in medium counts is being sold at much below the cost, as a strictly business proposition, it might pay the mills to use imported yarn.

President.—Supposing it is possible for you by means of prices that you realise on cloth under a system of protection to get an adequate return on your capital, an adequate depreciation on your plant, then will you let all your spindles lie idle on 30s to 40s?

Mr. Mody.—Then the position that I indicated yesterday would arise. More and more looms would arise. Supposing we had an adequate protection

on cloth and the production of cloth became more remunerative, then it would be to our interest to produce more cloth.

President.—I feel morally convinced that if you had adequate protection on cloth, not one mill to-day with surplus spindles would care to import yarn below 40s even if this duty on yarn was removed.

Mr. Mody.—We are pledged not to use foreign yarn.

President.—Speaking purely from the business point of view and assuming that there is protection on cloth?

Mr. Mody.—I would like to consider that point and put in a note.

Mr. Rahimtoola.—Now I will take up the question of the cultivator. As regards the duty on raw cotton, you have very strong views. But one of the arguments that has been advanced as regards this duty is that it has helped the cultivator. Therefore it is necessary to elaborate a little. There are three types of cotton which are imported into India. One is Uganda or African cotton; one is Egyptian cotton and the other is American. As far as the Egyptian and African cottons are concerned, I understand that they do not in any way affect the Indian cotton. Is that correct?

Mr. Mody.—I don't think that there is any comparable type of cotton in India so far as Egyptian and Uganda cottons are concerned.

Mr. Rahimtoola.—What about the American and Sind-Punjab? Do they come in competition?

Mr. Mody.—No. There are only about 8,000 bales of this cotton?

Mr. Rahimtoola.—At present?

Mr. Mody.—Yes.

Mr. Rahimtoola.—What about the future? I understand that the Indian Cotton Committee are investigating this question.

Mr. Mody.—Dealing with the present day conditions entirely I don't think that it is possible for India to displace Uganda.

Mr. Rahimtoola.—What about the American cotton?

Mr. Mody.—So far as that is concerned, it is comparable to a certain extent. Perhaps a good deal of the American cotton now imported is perhaps no better in class or staple than some of the best types of Indian cotton. Even as regards American cotton, there is a certain proportion which is of a higher type than the cotton grown in India.

Mr. Rahimtoola.—The percentage figure I have seen suggests that more than 40 per cent. of the American cotton is cotton which comes in direct competition with the Indian cotton. That is as far as this year's figures are concerned.

Mr. Mody.—Yes.

Mr. Rahimtoola.—If that is so, I do not know how far the mills can show sympathy to the Indian cultivator?

Mr. Mody.—One suggestion which was thrown out in the course of the debate in the Legislative Assembly was that Government might leave Egyptian and Uganda cottons alone and deal with the American.

Mr. Rahimtoola.—You would be prepared to support that proposition.

Mr. Mody.—Might be.

Sir Manmohandas.—While on this subject I will draw your attention to the fact that this duty on raw cotton has the effect of reducing the amount of protection in medium counts.

Mr. Rahimtoola.—I am not talking about those which do not come into competition with the Indian cotton.

Mr. Mody.—Sir Manmohandas's point is that it has the effect of reducing the measure of protection that we have got because it has made the production of finer cloth more expensive.

Sir Manmohandas.—As against the competition from Lancashire and Japan, the Indian producer will have to pay half an anna per lb. more on the cotton they use in the production of finer cloths.

Mr. Rahimtoola.—The Indian Fiscal Commission lays down as one of the main conditions that not only should India be able to produce the raw material but that it should be in a position to use it. If we allow you to import more than 40 per cent. of the quality of cotton which hits the Indian cultivator, to that extent you are certainly doing harm to the country.

Sir Manmohandas.—Through funds found by Indian mills attempts have been made to improve to a very large extent. What is the result? The result is that we are not able to get even a small percentage of high class cotton that is compulsorily used by mills to compete with foreign countries.

President.—We will give you a little more protection.

Sir Manmohandas.—Then I don't mind.

Mr. Mody.—It all depends on the circumstances of each year whether more or less cotton is imported. Last year what happened was this. First of all, American cotton was cheaper in parity and at a particular period when mills were filling their requirements it was felt that there would be an acute scarcity of long staple cotton. That was why mills bought a certain amount of American cotton.

Mr. Saklatvala.—Not only that. Some of the cotton merchants held their cotton. Broach cotton was rather bad. In the expectation that they would realise better price as the crop was short, they did not sell. They held on for a time and later when they were on the market they found that the mills had filled up their requirements with American cotton.

Mr. Rahimtoola.—I understood from you that in Bombay as far as cotton is concerned, the mills would not have to store up.

Mr. Saklatvala.—The mills did not store it.

Mr. Rahimtoola.—You mean the cotton merchants?

Mr. Saklatvala.—Yes, not only in Bombay but in upcountry centres. They would not send the cotton down because the prices were low. Because the crop was short, they thought ultimately they would realise better prices, but in the meantime American cotton being cheaper, the mills filled up their requirements.

Mr. Mody.—One way of helping the industry would be to give a rebate on the consumption figures. That would be a very effective way of helping the industry. I think that in spite of the fact that perhaps in the future Calcutta with its advantages might be a serious competitor to Bombay, as long ahead as we can see, Bombay is favourably situated with regard to fine counts. This duty of half an anna per lb. did certainly affect Bombay as it affected the industry in other centres. One way of helping the industry in Bombay would be to give a rebate of this duty on the figures shown by the mills.

President.—Would it be worth while?

Mr. Mody.—If you say that, I think that it would be a few lakhs of rupees. I am not calculating how much it would be per lb. of cloth.

President.—You want a rebate on Egyptian and Uganda cotton?

Mr. Mody.—Yes, on the basis of our accounts.

President.—You don't want a rebate on American cotton which competes with the Indian cotton. The administration of the rebate is rather a difficult business, and the benefit to the industry is also so trivial.

Mr. Mody.—I think that it would amount to a few lakhs.

President.—The duty works out to Rs. 25 per candy.

Mr. Mody.—Rs. 12-8-0 a bale would amount to a good few lakhs.

President.—It would mean Rs. 15 to 20 lakhs for the whole of India.

Mr. Mody.—You mean if you exclude American?

President.—If you take simply Egyptian and African cotton, as 300,000 bales

Mr. Currimbhoy.—The American imports are 300,000 bales.

President.—Those are not the latest?

Mr. Mody.—It would be about Rs. 25 lakhs.

President.—Let us take it at Rs. 20 lakhs.

Mr. Mody.—For Bombay alone.

President.—Would it be for Bombay alone?

Mr. Mody.—I do not know the exact figures. Over the last two or three years, it would be about Rs. 10 lakhs for Bombay.

President.—I take it that it is about Rs. 36 lakhs on the whole of imports into India. I take it that your consumption is about $\frac{2}{3}$ ths of the total imports. Then it would be about Rs. 14 or 15 lakhs.

Mr. Mody.—Yes.

President.—Then you remove all inducements to the Indian cultivator to produce qualities better than those which they are producing now. What inducement is there for the Indian Cotton Committee to introduce $\frac{1}{4}$ staple cotton?

Mr. Mody.—That is a question on which even the Indian Cotton Committee has not made up its mind.

President.—Their opinion has improved a lot.

Sir Manmohandas.—The Indian Central Cotton Committee have published a lot of literature but have done nothing to produce long staple cotton.

President.—These things take a long time to accomplish.

Mr. Rahimtoola.—The next point is the export of cotton. In this connection I may tell you I have got figures from the Japanese Cotton Shippers Association of Bombay. They have given me figures for five years. The figures of 1930-31 are the latest that they have given. They show the quantity of Indian cotton consumed in Indian mills as 2,266,000 bales as against the exports to various countries of 3,926,000 bales which roughly works out to about 57 per cent. or so for exports. Out of that, they say that the total quantity of Indian cotton exported to Japan is 1,686,000 bales. You have already commented in public on the threat by Japan as far as exports of raw cotton to Japan are concerned. Suppose their threat is carried out?

Mr. Mody.—It cannot be carried out. It is pure bluff. In my opinion Japan buys exactly what it suits her to buy. She is here for business pure and simple. In the course of the last two years her purchases of American and Indian cotton have varied considerably. In some years it pays her to buy more American than Indian cotton and she does so regardless of any question of tariffs. This year Japan has bought much less Indian cotton than in any other year. There is no question of tariffs; nothing at all: Japan found it to her advantage to go in for American cotton and she did so. The whole thing is this. Tariff or no tariff if to-morrow Japan can get all her requirements from America and China at favourable rates and satisfy her requirements just as well as from India, she will not buy a bale in India. She buys what is necessary for her to buy in the Indian market.

Mr. Rahimtoola.—I am looking at the position from the cultivators point of view. If the Indian mills are purchasing imported cotton and Japanese exports fluctuate—they buy as and when it suits her to buy—then the position of the cultivator becomes exceedingly precarious.

Mr. Mody.—The position of the cultivator is not altered. Are you referring to the question of tariffs?

Mr. Rahimtoola.—I am referring to the cotton produced in India and consumed in India and outside India. The figures point out that a large proportion of the bales of cotton exported goes to Japan. In 1926-27 out of 31 lakhs bales of cotton they have exported to Japan nearly 17 lakhs bales.

Mr. Mody.—I think it would be worth while for the Board to get the latest figures. So far as cotton is concerned Japan has bought a

million bales less than in previous years. I can give you the very latest figures.

Mr. Currimbhoy.—A rather interesting point is that Japan is gradually shifting to medium counts so that they will have to take more and more American cotton.

Mr. Rahimtoola.—I am not looking at the Japanese point of view: I look at it from the cultivator's point of view. What is going to happen to the cotton produced in India?

Mr. Mody.—As we have pointed out in our representation, I have an idea that Japan has been consuming less and less of Indian cotton absolutely irrespective of the question of tariff or retaliation. Her imports of cloth have changed in character and they are now going in for medium counts and for that purpose they should have to buy less of Indian cotton than ever before. That tendency is there but I don't fear for one moment that this is likely to be accentuated by the threat that has been held up now.

Mr. Rahimtoola.—I now come to the question of the consumer's point of view. One point that has to be taken into consideration is the question of artificial silk goods. That is a point on which the consumer is likely to raise his voice. You know there is already a 50 per cent. duty. Your contention is that though you are not manufacturing artificial silk goods you still want the duty to be substantially increased on artificial silk piece-goods. In that case the only man who is going to be hit is the consumer. I would like you to explain in a little more in detail how far you are justified in asking for an increased duty on artificial silk piece-goods.

Mr. Mody.—The consumers interest will arise not only in respect of artificial silk piece-goods but in all goods. If I were convinced that it is good for the consumer that he should have the cheapest article whether it is imported or manufactured in this country, then there would be nothing to say. But so far as the case of artificial silk is concerned, Japan is sending out enormous quantities of artificial silk goods at rates which affect the rates realised by mills for better type of goods manufactured by them. In other countries prohibitive duties have been imposed on imports of artificial silk yarn and artificial silk piece-goods, and this duty of 50 per cent. is a mere *bagatelle* compared to the duties which are in force in practically every other country in the world. I think when you have the position that artificial silk piece-goods are selling in this country at rates which are below the manufacturing cost of even ordinary kinds of Indian cloth, then I say that the case for a substantial increase in the duty has been established. It does not enter into competition with identical classes of goods but it affects the whole range of our goods.

Mr. Rahimtoola.—In this connection I may point out that the Bombay Chamber of Commerce has stated as follows:—"My Committee, however, qualify this recommendation by saying that in their opinion a condition precedent to any increase in the duty on artificial silk goods, or even the retention of the existing rate of duty, should be the immediate removal by Indian mills of any restrictions, which may at present exist, on the manufacture of such goods". Your position is that you are not prepared to consider that?

Mr. Mody.—We are not prepared to subscribe to the point of view that it should be made a condition precedent. I should say that even apart from any question whether we are manufacturing the same class of goods or not artificial silk goods coming into this country affect the whole range of our products because they are sold at ridiculously low rates.

President.—As a matter of fact under the Steel Protection scheme we placed duties upon articles which are substitutes for articles which are produced in this country because of indirect competition.

Mr. Rahimtoola.—Now I come to the question of management, a question which has been very widely discussed but I feel that it is necessary to go into it in a little more detail. The first two points that have already been

discussed are the question of finance and the question of fixed allowance, managing agency allowance and office allowance. I find one difficulty as far as the allowance question is concerned and I want to be clear on that point. You gave us to understand that the amount received for office allowance and expenses *plus* commission by the managing agents were earned by the company.

Mr. Mody.—I was referring to the last two columns. I understood the Chairman to refer to the last two columns so I said that the total of the last two columns was earned by the company.

Mr. Rahimtoola.—As far as office allowance and the expenses are concerned, I personally think that there is a good deal of difference between the two: One is the actual office expense which they do not get in lump sum but get according to the expenditure incurred in the office every month.

Mr. Mody.—This column means that the amount was received by the managing agents, but whether it was paid out in all cases in the shape of maintenance of office superior staff or not I am not in a position to say for every single mill.

Mr. Saklatvala.—As far as our mills are concerned we have got office allowance in one mill and in the other we have no office expenses. In the Tata mills floated only recently, in 1915-16, we have an office allowance. This is the exact wording given in our articles of association:—"A sum of Rs. 1,200 has been given to Messrs. Tata Sons in connection with the maintenance and upkeep of the Company's office in Bombay including payment of rent exclusive of salaries, wages and so on". We have given on this sheet the exact amount of office allowance, rent and upkeep. We find that this office allowance and upkeep cost us Rs. 7,000. As a matter of fact we gave up the other portion. (Statement handed in.)

Mr. Rahimtoola.—The point that I wanted to raise, Mr. Saklatvala, is, that it must be made clear to the Board that these two items are definitely separate, that the one goes entirely to the managing agents and the other is given to the office for actual office expense.

Mr. Saklatvala.—That is true, but the agents do not pocket that sum because besides this the managing agents have to bear expenditure not only for things connected directly with managing the affairs of the company but there are others whom they pay out of their commission.

Mr. Rahimtoola.—I will come to that later. Mr. Mody, you admit that these are two separate things; one goes to the managing agents and the other goes to the office expense. How they distribute the same is a different matter, but as far as the allocation is concerned these are two separate heads. You were going into the details as to how that money is spent by the managing agents. You say that they receive it purely for payment of the superior staff. I would like to know what superior staff is exactly meant by that and what amount is deducted from that?

Mr. Mody.—Assistants in the office who are not members of the managing agents firm.

Mr. Saklatvala.—We have two or three people in our office who are employed for the company's work and who receive salaries from the company. At least we draw the commission and pay these men. They look after our part of the business also and we pay them a certain allowance.

Mr. Rahimtoola.—Is it not a fact that when you are getting a Managing Agency commission for managing the Company's affairs, you are also getting a certain amount of profit. There are various methods by which the Managing Agents are remunerated. For instance I was told that one of the Managing Agents receives a commission on purchases. There may be individual cases of that sort, but that is a different system of working. Here you are paid, as far as I understand, in respect of Managing Director and if a Managing Agent acts as a Director, my friend Mr. Mody gave me to understand here that it would be quite within his jurisdiction to charge a sum of not less than Rs. 3,000 for the services rendered.

Mr. Saklatvala.—If a Managing Director had to employ somebody else besides himself, he would put that charge on the Company.

Mr. Rahimtoola.—Why should he?

Mr. Saklatvala.—The Managing Director is one man.

Mr. Rahimtoola.—Managing Agents are composed of 3 or 4 persons. You told me that it is advantageous to have the Managing Agency system for the simple reason that it is composed of more than one person.

Mr. Mody.—I didn't advance that argument.

Mr. Rahimtoola.—Mr. Saklatvala did. Therefore those people are supposed to devote their attention to the affairs of the Company for which they are paid in the shape of percentage on profits.

Mr. Mody.—I have given you figures in bulk. I had no reason to think that the Board were going into these questions in detail. Now that the Board have expressed a desire to know something more about that, I shall prepare a full statement of the case and present it when the Board will be able to appreciate what exactly is this office allowance and expenses and how it is distributed.

Mr. Rahimtoola.—The Board would like to see the statement before examining you further.

Mr. Mody.—If, after seeing my note, the Board wishes to examine me, I am always at their disposal.

Mr. Rahimtoola.—Before dealing with the other questions in detail regarding the management, I shall just run through a few questions from the questionnaire so that this may be disposed of, and then I will come to the question of Managing Agents. As regards the Trade Mission, page 16, Question No. 8, yesterday you gave the Board to understand that though you have pressed for the appointment of Trade Commissioners, you do not expect very good results by the appointment.

Mr. Mody.—I don't think that the mere appointment of Trade Commissioners will mean any considerable increase in our export trade. To that extent what I said was correct. What I say, however, is that for the purpose of investigating the possibilities of a further expansion of our export trade or even as circumstances have borne out, even for the retention of the trade that we have, it is necessary for us to have Trade Commissioners in various places such as Alexandria, Durban, Mombasa and the like.

Mr. Rahimtoola.—But I thought that the question was very fully dealt with by the Mission which was appointed.

Mr. Mody.—The Mission made various recommendations one of which was that the Trade Commissioners should be appointed. As you will remember yourself from your Membership of the Legislative Assembly, the Government of India accepted to appoint six Trade Commissioners. Owing to financial stringency they said that in the first instance they would make one appointment for the European and American markets and one appointment for the Indian markets. That is to say one man for New York and another man for Alexandria, Mombasa or Durban as the case may be. Owing to some sort of blunder such as all Governments are capable of at one time or another what happened was that the second man was appointed, but he was appointed for Milan and I immediately raised a supplementary question and Sir George Rainy admitted and so there we are that the Government of India agreed to the appointment of two Trade Commissioners to start with.

President.—They have asked for applications for Milan?

Mr. Mody.—That is right.

Mr. Rahimtoola.—There was another point regarding the same question of finance. In answer to question 31 you have stated that 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.

Mr. Mody.—That is a second thing debarred by the statute.

Mr. Rahimtoola.—We raised here this question in a general way, but I wanted to know whether the Imperial Bank didn't lend to industrial companies.

Mr. Mody.—The Imperial Bank will give you a loan for 6 months and they renew it every six months.

Mr. Rahimtoola.—It comes to the same thing. They can give you.

Mr. Mody.—So long as it is renewed every six months, there will be no objection at all. It is a small point, *viz.*, a year is often too short a time for a loan and the consequent uncertainty of having to renew every six months a loan for financing our working expenses is certainly a factor.

Mr. Rahimtoola.—But it is not the case that they are refusing to finance.

Mr. Mody.—No. They may not.

Mr. Currimbhoy.—They are not bound to finance any concern.

Mr. Rahimtoola.—It is on the merits, Mr. Currimbhoy. The point is that they are not debarred from financing if they find that the Managing Agents are quite a good firm and the company is in a sound condition. I understand in previous cases they have financed. It is not very happily put.

Sir Manmohandas.—They will negotiate for 12 months, but they will insist upon renewal every six months or three months as the case may be.

Mr. Mody.—We are merely pointing out the conditions under which it is possible to obtain loans from the Imperial Bank of India.

Mr. Rahimtoola.—I will come to question 33. Question 33 deals with the remuneration to the Managing Agents and the reply given by you is that the data will be collected and supplied to the Board direct. As far as I am aware I don't think we have received that information from you. Unless you send that to us, we cannot examine you.

Mr. Mody.—I want to know whether the Board wish me to deal with questions of policy or with what is happening in every single mill. I can only deal as an Association with what may be regarded as the general practice in the industry. If you ask me whether a certain thing happens in a particular mill, I would have to obtain that information and supply it to you, not that I am objecting to supply, but it is a question whether you want to go into that question and in that detail and whether you regard that as necessary for the purpose of this investigation.

Mr. Rahimtoola.—In reply to that I may at once say that I consider this personally a very important question as far as the cost of production is concerned which as you are given to understand will be dealt with to-morrow in a confidential manner. But personally before we meet to-morrow I would like you to give a statement showing the details of the general system as far as the Association is concerned and the details of the reference of the mills for which costs are given. I will confine myself to the mills for which costs are given.

Mr. Mody.—So far as the industry is concerned, the only commission earned by the Managing Agents is 10 or 12 per cent. of the profits. Then all these questions will be for individual mills. The industry as a whole will not be concerned. Therefore I do not know what kind of information I can supply you. Perhaps if you leave the whole question for discussion to-morrow, we will be able to give you certain information.

Mr. Rahimtoola.—As I said from the very beginning I shall deal with this question in all its details to-morrow. That is perfectly true, but I must have some idea as to the practice prevailing in the industry as such and the mills for which costs are given. I want to find out the details of this, because you will understand that on the cost of production statements supplied by you we have to base the fair selling price and therefore I must know all the details in connection with the various expenses which the Company is making in connection with this question. I would confine myself to the mills for which costs are given. Would you give a statement

showing the various expenses of those mills for which you are going to give the cost of production. There you might also add a note on the general system of management prevailing in the industry. We might discuss the details to-morrow.

Mr. Mody.—I shall try and collect as much as possible. My general answer may be taken now and I have already given you that, *viz.*, that as a general rule the remuneration of the agents consists of a certain percentage of profits. I think that the Agency Agreements of these mills whose costs have been given have been supplied to the Board.

Mr. Rahimtoola.—That doesn't give the percentage system.

Mr. Mody.—That certainly would give the information whether agents are entitled to charge only on profits or on profits *plus* a percentage on purchase of cotton or on sales of cotton and so on. Unless the agency agreement provides for it, they could not under any circumstances take commission.

President.—The point is rather different. I mean this does not refer to the question of commission charged on profits. The point that is raised here is where the managing agent renders services other than those rendered in his capacity as managing agents, that is to say where he acts as a purchasing agent or as a selling agent or as an insurance agent or something of that sort, what exactly is the rate at which he has remunerated for that purpose by the Company concerned. There you see the rate at which it is done is not a matter upon which you would get any light from the managing agency agreement. It is really a matter of actual practice. I personally feel, as far as that is concerned, that the best way in which we can check it is by asking you detailed questions to-morrow when we are examining costs and if you are not able in the meantime to collect information to give you a note of the points on which information is wanted. As I said after we had a discussion with the Bombay Shareholders Association who have raised this question in detail, it may be necessary to raise further points on which an expression of opinion or information may be required from you.

Mr. Mody.—I am perfectly agreeable to that.

Mr. Rahimtoola.—35A brings me to the question about the automatic looms. We discussed that yesterday and Mr. Saklatvala was good enough to supply a statement showing the results. It was said—I think by the Hon'ble Mr. Mehta—that in spite of having automatic looms in England it had not been found possible to make them a success. I would like to know whether he has any facts in his possession or whether he has been the mill working. As far as I can see, there is only one mill in Bombay which has these automatic looms.

Mr. Mehta.—There are about half a dozen mills which tried these automatic looms.

Mr. Rahimtoola.—Toyo Poddar Mills have tried them. I think these mills belong to the Japanese.

Mr. Mehta.—Yes. They have not added any more.

Mr. Mody.—Experiments have been made by several mills. In none of them, has the experiment been found successful. As I said yesterday, if at some future date it was found possible for mills to find the money for the installation of automatic looms on a considerable scale, then the experiment would probably have a fairer trial. Under present conditions, it has not been found a success. Where experiments have been made, they have not yielded any good results.

Mr. Mehta.—What I meant was that if there was anybody who could possibly give a satisfactory trial to the automatic loom, it was the Toyo Poddar Mill because the Japanese had been saying that the automatic loom was a great success in Japan. If that was so, it ought to be very successful in their Bombay mill. Instead of adding more and more looms—I mean automatic looms—to their concern, as far as my information goes, they are scrapping them.

Mr. Rahimtoola.—You yourself admit that the automatic looms have been a great success in Japan.

Mr. Mehta.—Yes, and in America.

Mr. Rahimtoola.—That fact is not denied?

Mr. Mehta.—No.

Mr. Rahimtoola.—What is it that is hindering the Bombay industry from employing these looms? Could it be the type of cloth that is made in India?

Mr. Mehta.—First of all, the type of cloth woven here is of so many patterns for which automatic loom is not suited. Plain goods can be woven on the automatic looms. But the automatic loom is an intricate proposition for a layman to handle here. It requires almost an engineer to look after. One man instead of getting on with 25 or 30 looms as they do in Japan is able to attend only to 4 looms.

Mr. Rahimtoola.—I was told 6 or 8.

Mr. Mehta.—For the purpose of argument, I admit that he may be able to attend to 8 looms.

Mr. Mody.—Unless the automatic loom was made to serve the exact purpose for which it was intended, it would not pay at all. If you are not able to ask one man to tend 16 or 20 looms it cannot possibly pay at all.

Mr. Rahimtoola.—That can only be done by experience.

Mr. Mody.—It would have to be introduced on a large scale.

Mr. Rahimtoola.—You have given us to understand that there is a good place where research work and experiments are conducted and which you are financing—the Victoria Jubilee Technical Institute.

Mr. Mody.—Yes.

Mr. Saklatvala.—Toyo Poddar Mill people brought out Japanese labour from Japan.

Mr. Rahimtoola.—They taught the Indian labour?

Mr. Saklatvala.—Yes, but it was no good.

Mr. Mehta.—They say that the climatic conditions are different in this country.

Mr. Rahimtoola.—The principal drawback is the labour?

Mr. Mehta.—Labour, climatic conditions and the construction of the machine.

President.—I suggest that the principal factor is that there is no country in the world where the demand for piece-goods is so variegated as it is in India?

Mr. Mehta.—Absolutely correct.

President.—Therefore standardised production is impossible.

Mr. Mehta.—Quite.

President.—If that is impossible, then the automatic loom becomes impossible.

Mr. Mehta.—Yes.

Sir Manmohandas.—It also depends on the kind of cotton used.

President.—Does that make very much difference?

Sir Manmohandas.—Yes. They are successful in America because they use fine American cotton even for coarser counts. We cannot use it in this country. The cost becomes prohibitive in India.

Mr. Rahimtoola.—Question 35 (v) deals with the question of amalgamation. You have circulated a confidential note in this connection but I want to ask you about the working of the Lancashire Cotton Corporation, which, as you yourself say, has not led to any definite results.

Mr. Mody.—As a matter of fact, the Corporation has been making losses in spite of the favourable terms of financing. I do not know whether my

impression is correct or not. I have an idea that the Lancashire Cotton Corporation has obtained money from Banks on terms that interest is to be paid only in the years in which profit is made.

President.—Is that so?

Mr. Mody.—I have read it somewhere.

President.—Where can one get the details about the financing of the Lancashire Cotton Corporation?

Mr. Saklatvala.—I shall send them to you later on. In England they say that the Banks are heavily involved in the textile industry and therefore rather than lose the whole thing by mills going into liquidation they try to give them all sorts of concessions and that is why they could be successful.

Mr. Rahimtoola.—Question 35 (x) deals with the steps to be taken to bring about co-operation in the purchase of raw cotton and closer touch with the consuming centres. Your reply is that your Association is not in a position to suggest any measures.

Mr. Mody.—It is extremely difficult. I have tried it in various directions myself in small matters.

Mr. Rahimtoola.—I personally think that this is one of the directions in which your Association can do a great deal of good.

Mr. Mody.—In no country in the world has it been found possible to do this sort of co-operative buying or selling. It is so difficult to work it. With individual mills producing various kinds of goods and the requirements of mills being so very different, each from the other, it is very very difficult to form a combination for any of these purposes.

Mr. Rahimtoola.—It is not feasible then?

Mr. Mody.—I tried to work it in just one or two small lines—distinct lines—of cloth where success I thought might be possible. But I was not able to do anything.

Mr. Rahimtoola.—Coming to the question (35 (xi)) regarding the relations between the mill management and the labour employed in the mills, you have been telling us in your replies to the questionnaire about the disastrous results of the strikes in 1928 and 1929. You have also given us to understand, as far as labour is concerned, that there is no organisation as such with whom you can deal or co-operate. I wonder whether you are aware of the conditions prevailing in Ahmedabad?

Mr. Mody.—Yes.

Mr. Rahimtoola.—There the co-operation between labour and the Mill-owners' Association is on a very sound footing I understand.

Mr. Mody.—It is very largely, if not almost entirely, due to the personality of the people in whose hands the movement is entrusted. I will only be too willing to put in similarly capable and reliable hands the fortunes of our industry so far as labour is concerned.

Mr. Rahimtoola.—Have you made any effort in that direction to secure somebody who can be of that much unility to you?

Mr. Mody.—We asked the same people to do it. As a matter of fact I have made various attempts in the last few years to try and get some Union formed which will be led in a responsible sort of way on Trade Union principles, and I have promised every sort of co-operation if one is formed. But the people who are capable of leading labour do not want to lead it in the right way and the people who can be trusted to handle labour in a responsible sort of way have not got the power to lead them. That is the unfortunate position. A modern labour leader who is experienced in labour problems can only mislead.

President.—He can only be led.

Mr. Rahimtoola.—You realise how difficult it is for the industry to carry on unless this question is satisfactorily settled.

Mr. Mody.—So far as we are concerned we have made every possible effort. It is not our business to form Trade Unions. It must be the business of Trade Union leaders. All that we can do is to promise our co-operation in the sense that whenever grievances are brought forward by Trade Union leaders or by labour through its leaders, they would be immediately looked into and set right as far as possible.

Mr. Rahimtoola.—It may not be your duty technically perhaps, but it is your duty as a Millowners' Association to see that as far as the strikes or questions of uneasiness and unrest are concerned they are avoided or of a very remote character.

Mr. Mody.—I entirely agree.

Mr. Rahimtoola.—In this direction it is up to the Millowners' Association as an organised body to see that better co-operation is offered from labourers.

Mr. Mody.—Apart from any formation of Trade Unions or any co-operation with existing Trade Unions whatever they are, we have done a great deal in the direction of establishing better contact with our work people. We have so far as welfare work is concerned tried even in times of financial stringency to do what we possibly can for the work people. We have established creches. We have improved them. We have improved the system of medical relief which obtains in most mills. We have got a very capable lady with a very considerable experience of work people in various parts of the world. We have engaged her services.

Mr. Rahimtoola.—Does she understand the language?

Mr. Mody.—I do not know, but she has been very successful.

Mr. Rahimtoola.—How does she make herself understood by the labour? She is expected to be in close touch with the labour?

Mr. Mody.—It is more welfare work that I am speaking of just now. She has got an Assistant who speaks Mahratti. We are issuing a monthly magazine which we are selling at a considerable loss to our work people. We don't give it away because whenever is given away for nothing is never valued; so we have fixed a nominal price. We have in certain mills introduced special officers for the purpose of trying to bring about better co-operation between the management and the employees. Meetings of Managers of all the mills are held on frequent occasions for the consideration of particular questions affecting labour. There is a Sub-Committee of Managers working on certain other problems and in these and other ways I think we have done a great deal. I think it is true to say that we understand our labour a little better and our labour understands us a little better than was the case in the past. With regard to dismissals and discharges, we have instituted a uniform system of discharge certificates and complaint books are kept in almost all mills. Then we introduced at a very considerable expense what is known as the Keith Robinson system of visual instruction. We have spent a considerable sum of money on posters. I think that our record—whether it has achieved anything or not, it is for other people to judge—I think that our record is one for which we can take legitimate pride so far as our efforts are concerned. Whether we have succeeded or failed is another matter.

Mr. Rahimtoola.—As far as we are concerned I may tell you that your results have proved successful because I find we have received no representation from the labouring classes and therefore it appears that, at any rate, labour is satisfied with the treatment which you have now accorded.

Mr. Mody.—I am very happy to hear that!

Mr. Rahimtoola.—Mr. Mody, I think we sent you a copy of a representation we received from the Madras Government regarding the handloom industry. We also sent a copy to the Ahmedabad Millowners' Association and the position as stated by them is rather interesting. They give us to understand that they do not weave counts below 18.

Mr. Mody.—I think they don't.

Mr. Rahimtoola.—And that is for the protection, they say, to the handloom industry.

Mr. Mody.—To put it more correctly it is protection to the hand spun khadi industry.

Mr. Rahimtoola.—You yourself have admitted in the representation that the great bulk of the goods manufactured by handlooms is of coarser counts; if that is so, not weaving counts below 18 is a sort of protection to the handloom industry.

Mr. Mody.—The Congress asked the millowners to stop making khadi and in some cases they stopped manufacturing of counts below 18s for weaving purposes some below 10s and so on. There was no uniformity about it and I think in Delhi they are producing very coarse counts. That was the object, but I don't think it was ever urged that it was for the protection of the handloom industry.

Mr. Rahimtoola.—They say this has been done definitely with a view to safeguard the handloom industry.

Mr. Saklatvala.—They have agreed that they won't spin and weave counts below 18s except that they are producing a certain amount of sheetings. It does not apply to bleached cloth; it does not apply to dyed cloth, so that the only thing they have stopped is producing khadi as such. Otherwise they have not stopped making cloth under 18s. In their original proposal the Congress asked us not to manufacture any cloth with average counts lower than 18s and with the exception specified above we wanted three or four more exceptions in Bombay and they did not agree to that and we said that if it is for the protection of hand spun and hand woven khadi we will not spin any cloth below the average count of 10. We do not manufacture any cloth below average count 10 and Ahmedabad does not manufacture below 18s with certain exceptions.

Mr. Rahimtoola.—The exceptions are not mentioned but they say they have undertaken not to weave cloths below 18s. Cloth as a general term has been used without giving us the kind of cloth exempted from the conditions imposed by the Congress.

Mr. Mody.—We are only speaking of such information as we have in our possession.

Mr. Rahimtoola.—I want to know whether you are prepared to consider this Congress demand not to weave cloth below 18s.

Mr. Mody.—We have agreed not to manufacture below 10s.

Mr. Rahimtoola.—Another point which arises about yarn is this. I understand that the yarn supplied by the Bombay mills to the handloom industry is inferior to that used by the mills themselves and that is the reason why they get a lower price.

Mr. Mody.—As a general proposition I think it may be stated that the yarn sold is coarser than the yarn used in the mills themselves.

Mr. Rahimtoola.—Why is it so?

Mr. Mody.—It depends on the requirements of the handloom weaver. He wants coarser counts. We ourselves manufacture two kinds of 20s; one is slightly inferior and the other is superior. The superior is used for warp and the inferior for weft.

President.—Is it strength or fineness?

Mr. Mody.—It is in the strength.

Sir Manmohandas.—And twist. When they buy yarn for warp they take it with a black tie to indicate that this is a stronger yarn.

President.—Warp yarn is stronger than the weft. Supposing you had weft yarn both for the purpose of being used at the mills and sold to the handlooms, how does the quality of the two things compare? 20s weft which is produced for being sold to handlooms, what precisely is the difference between the quality of that and the quality of 20s weft made in your mills to be used in the mills?

Sir Manmohandas.—No difference at all. If it is spun specially for warp there would be difference because it would be manufactured from long staple cotton.

President.—Do you accept the statement that yarn sold to handlooms is generally inferior to yarn of similar counts used by the mills?

Mr. Saklatvala.—No. Very often when we have accumulation of warp yarn and we do not know what to do with it, we sell these to the handloom weavers: it is just the same quality as used in the mills. What I want to point out is that as there is a difference between warp and weft in the mill there is a difference in the warp and weft in the handloom industry. It is not that because we are selling to the handloom weaver inferior yarn, the yarn is softer.

Mr. Rahimtoola.—My point is that the Bombay mills produce a certain amount of yarn out of which they consume a certain amount in their own mills and the rest is marketted, not actually sold to the weavers or the handloom industry as such, but marketted, and I understand what quality appears on the market is certainly inferior to what is used in the mills themselves for the manufacture of cloth.

Mr. Saklatvala.—In our mills we use 20s warp, and 30s warp and 36s warp; for handloom weaving they never use 30s warp or 32s warp. They want 12s, 14s or 16s and we make those counts from our 20s weft mixing.

President.—That is to say, it is inferior in the sense that what is used by the handloom industry is generally of a lower count?

Mr. Saklatvala.—Yes.

President.—Supposing it is of the same count, is there any difference in quality?

Mr. Saklatvala.—No.

Sir Manmohandas.—They have got to take precaution to see whether they are using warp yarn for weft purposes.

President.—Supposing, for example, you calculated the exact tensile strength of the yarn of 20s count, one lot used in the mill and the other lot which is sold to the handloom, would there be any difference?

Sir Manmohandas.—No.

President.—Supposing it was warp yarn in both cases?

Sir Manmohandas.—There will be no difference.

Mr. Rahimtoola.—The fact that has come to our notice is that in spite of the imported yarn being costlier they have to go in for it because of the tensile strength. They have got to pay a higher price for it which they say they are not justified in paying if they get the same quality from the Indian mills. They bitterly complain of the quality of the yarn that the mills supply. One of the reasons why they want the abolition of the duty on yarn is that you are not able to supply the quality they want.

Mr. Mody.—This complaint is made now: I am not aware of complaints made against mill-made yarn generally by any class of people—neither by Directors of Industries nor by weavers.

Mr. Currimbhoy.—I am selling about 25,000 to 30,000 bales a year to the handloom industry and I have so far never received a complaint that the yarn is less in tensile strength.

Mr. Saklatvala.—We are selling 18,000 bales in the Central Provinces and not only importers yarn but other Indian mills have tried their best to oust us but they won't take it; they won't have even imported yarn.

Mr. Rahimtoola.—I shall now take up question 35 (xii). With reference to paragraph 79 of the Tariff Board's Report, there are four paragraphs in that question to the first of which you reply in paragraph 58 of your representation. You have given reply in regard to the question of stores. I am coming now to paragraph 79 of your representation "Changes in the Managing Agency System". I don't think this point has been answered in this

paragraph. The point raised is that it is undesirable that the funds of one concern should be lent to another in the same managing agency. You have not dealt with that question at all; you have dealt with the remuneration of managing agents which is quite a different point.

Mr. Mody.—Our answer to that would be that each case would have to be considered on its merits.

Mr. Rahimtoola.—These are not cases presented by the Shareholders' Association; these are cases which the Board has found from the last Tariff Board Report and they have been put in the shape of questions for you to answer. If you are prepared to discuss it to-morrow I shall leave that question for the present.

Mr. Mody.—We shall discuss it to-morrow.

Mr. Rahimtoola.—I had better leave (xiii). Coming then to question 36 I find that you differ from the opinion expressed by the Ahmedabad Mill-owners' Association. They say "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". I understand your Association has given very careful thought to this matter and that you are not aware of any hindrance to the industry by the existence of the Company's Law. If anything further is brought to your notice you would be prepared to consider a modification?

Mr. Mody.—Yes, certainly.

Mr. Rahimtoola.—I will just take one or two questions which have been raised by the Indian Merchants Chamber. I think you should be aware of what their point of view is. If protection is granted we should enquire whether the Mill industry is in a position to purchase Indian coal, Indian stores and insure with Indian Companies.

Mr. Mody.—So far as insurance is concerned a great deal has been done in Bombay in the last two years. A considerable increase in the insurance with Indian Companies has taken place. It cannot be achieved all at once. We are prepared to put up the figures before the Board showing what insurance has been placed with Indian Companies 2 years ago and what it is to-day.

Mr. Rahimtoola.—It would be interesting.

Mr. Mody.—I have a figure 2 months old which I should be willing to place before the Board.

Mr. Rahimtoola.—What about the position of coal?

Mr. Mody.—Most of the mills are on liquid fuel. As regards electric power, we are using Tatas. We have made a recommendation to our members to use as much Indian coal as possible. We did some time ago.

Mr. Rahimtoola.—I would like to ask a question or two about the Managing Agency system. You are already aware of the criticism that is made by the public and it is necessary that we should get a clear idea as to how the system originated and what it stands for. As far as I understand in India at least when the Managing Agency system started, Indian capital at the very beginning was extremely shy—it is not confined to the mill industry, it is applicable to all the industries in India with the result that certain friends who took an interest had to put in a bulk of the capital, take the necessary risk involved in financing the whole show. Nearly 50 or 60 per cent. of that finance is put in by the Managing Agents themselves and after they have made it a success they are in a position to offer those shares to the public who may be willing to go in for them.

Mr. Mody.—It certainly did originate in the circumstances that capital was not forthcoming and that it was individual enterprise and individual capital that brought into existence many industries. I do not know quite what you mean.

Mr. Rahimtoola.—I want to know whether that position has in any way altered to-day. As a result of protection which the Board may give; just as

the Sugar Companies have been multiplied after the scheme of protection, it may be possible and to speak correctly, it is always the object of protection—that more mills may be put up in the country. Supposing protection is granted to the mill industry and as a result of protection 10 or 20 mills say within 5, 7 or 10 years may be started, is there any likelihood of their being started without the Managing Agents.

Mr. Mody.—I do not know whether that would come about. It is quite true that if the industry is in a more prosperous condition, more capital will be attracted to the industry and investors will not be shy. As a matter of fact it will mean increased confidence in the industry, not only new mills but also existing mills would benefit from that, but I do not know whether that would necessarily mean new mills being started with a new system altogether. Look at what is happening in Ahmedabad and other places where new mills are put up and yet they are under the same system.

Mr. Rahimtoola.—That is not exactly the point which I was asking you. I was asking you whether it is not a fact that the standing and position of the Managing Agents lends attraction to the capital and the confidence that is placed in the Managing Agents as such.

Mr. Mody.—It undoubtedly does.

Mr. Rahimtoola.—If that is the contention whether it would be possible after protection is given, that people would prefer to have a different system by which they would invest their capital and retain similar confidence.

Mr. Mody.—I doubt very much that in spite of the criticisms of the Managing Agency system, the investing public would have more confidence in a Board of Directors than in a good firm of Managing Agents. As you yourself have said a good firm of Managing Agents is an asset and it carries a certain amount of assurance to the investing public.

Mr. Rahimtoola.—Here the Managing Agents take a considerable risk at the start of a Company, but whether the investing public would find that capital which the Managing Agents have invested in the past and might invest in the future through the system of Directors.

Mr. Mody.—I doubt that very much.

Mr. Rahimtoola.—That means India has not come up to that position by which the Managing Agency system however much it may be criticised and there may be some justification in the criticism, cannot be done away with without impairing at present at least the good name of the industry.

Mr. Mody.—I agree with you. As things are at present it is difficult to conceive of circumstances under which the Managing Agency system could be done away with and Boards of Directors with Managing Directors substituted in its stead. Unfortunately the critics of the Managing Agency system instead of applying themselves to measures to mend it want to end it.

Mr. Rahimtoola.—I think they have given it a fair trial and that they are disgusted. That is their point of view.

Mr. Mody.—They have chosen altogether to ignore the enormous progress made by India and when I use the word 'enormous' I use it relatively, because I know that India is yet in the infancy stage of development. In spite of the handicaps, in spite of the indifference of Government, in spite of heavy taxation, in spite of the step-motherly treatment meted out to industries all these years, India has been able to achieve a substantial measure of industrial development, I think it is entirely due to the Managing Agency system.

Mr. Rahimtoola.—Their point of view I am afraid is that this Managing Agency system needs some drastic treatment.

Mr. Mody.—Let them apply the drastic treatment and we wish them joy.

Mr. Rahimtoola.—That is why I want to find out what would happen to the industry if something of that sort came about.

Mr. Mody.—The investing public have a chance. There are new industries springing up and let them apply the method of managing those new industries without Managing Agents.

Mr. Rahimtoola.—There is one company; The New India Insurance Company which is run on a system other than Managing Agency.

Mr. Mody.—Yes.

Mr. Rahimtoola.—I understand that that Company is doing very well.

Mr. Mody.—Very well.

Sir Manmohandas.—The question of managing an Insurance Company is quite different from managing a mill. I am myself managing an Insurance Company, the Mercantile Insurance Company. In a recent speech I said that it was much better that insurance companies should run without Managing Agents and that word was got hold of by the Shareholders' Association. They tried to mention it in the press too and said "here is a managing agent who himself says that the Managing Agency system is no good". Then I tried to correct that proposition. For insurance companies there is no capital required. Only a sound practical man is needed at the head as a Secretary or Manager. This is quite sufficient for the purpose of getting a sufficient quantity of work for insurance purposes. The Board of Directors may supervise the working of the whole thing, but there the finance, the purchase, the sale and lots of other things are not to be attended.

Mr. Rahimtoola.—The question about insurance is, not that they are started without Managing Agents but the allegation is, that the premium which is derived from an insurance company is not transferred to them. That is the allegation.

Mr. Mody.—We will deal with that. Insurance and mill management stand on a different footing.

Mr. Rahimtoola.—Banks are also started without Managing Agents.

Mr. Mody.—Almost all banks work without the Managing Agency system.

Mr. Saklatvala.—Mr. Fazal said that people in Bombay got disgusted with the Managing Agency system.

Mr. Mody.—We have agreed that this question should be debated to-morrow. The only reason why I desire these matters discussed to-morrow is because I want all these matters considered together and not from time to time. The reason is that the answers to some of these questions would involve matters of policy so far as the Association is concerned. There are certain things which are under the consideration of the Millowners' Association to-day. As regards those matters of policy I am not prepared to discuss them here. But that does not mean that so far as the shareholders' representation is concerned or so far as any other allegations are concerned which affect the Managing Agency system, that we shirk an enquiry or are not prepared to meet critics in the open. We are prepared to meet them at any time.

Mr. Rahimtoola.—That question will have to be decided after we have debated this question to-morrow.

President.—As a matter of fact neither the Board nor anybody else are in the least committed to any particular attitude towards the Managing Agency system or its actual working. We have not even raised these issues. What we shall probably do to-morrow is not so much to discuss the thing, but to define what the issues in relation to actual statement of costs and when we have done that, there will be heaps of opportunities for you and others and for everybody else to have the questions thrashed out.

Mr. Boag.—My colleagues have covered most of the ground and there is very little left for me to bring up. But there are one or two small points I would like to ask you about. In your answer to question 9 regarding the handloom industry you referred to Mr. R. D. Bell's pamphlet and from the fact that you say that you bring the statistics contained in the pamphlet

up to date, I gather that you consider the tables contained in that pamphlet are approximately accurate.

Mr. Mody.—We have no data for checking these things. It seems to us that Mr. Bell's presentment of the case is as about satisfactory as can be expected.

Mr. Boag.—You think that the figures are good enough to make it worth while to keeping the tables up to date.

Mr. Mody.—Yes. We are only thinking of yarn available for consumption.

Mr. Maloney.—We do not mean the actual takings of the handloom industry.

Mr. Boag.—I understand that. The importance of the figure that results is the quantity of yarn available for the handloom industry?

Mr. Mody.—Yes.

Mr. Boag.—There are one or two points. In paragraph 8 of his note, he explains that by deducting the mill consumption of yarn from the total amount of yarn available for consumption in India, we can arrive at the amount of yarn available for handlooms. He goes on to say that some allowance must be made for the yarn used for other purposes such as hosiery, ropes and so on. This amount is small and may be set off against the quantity of hand spun yarn which is still used on handlooms. Now have you any means of forming an estimate whether that is roughly correct, whether the quantity of yarn used for non-textile purposes is roughly equivalent to the quantity of handspun yarn which is used on handlooms?

Mr. Mody.—We have no accurate data. The quantity used for non-textile purposes is small and I think that it may be safely off-set by the quantity of handspun yarn that is produced.

Mr. Boag.—That is the position that Mr. Bell takes up.

Mr. Mehta.—Handspun yarn is increasing every day specially in the Punjab. I am told that the amount of Indian cotton of the lowest staple is used to such an extent that the handspun yarn derived therefrom is utilised for purposes like clothing for use in the cold weather in the Punjab.

President.—Have you any kind of estimate of the amount of handspun yarn in the country?

Mr. Mody.—These figures are published by the All-India Spinners' Association.

President.—I have seen this figure of 50 million lbs. over and over again.

Mr. Mody.—I think that the All-India Spinners' Association publish figures.

President.—We asked them but they have not been able to give us any figures. Various Directors of Industries have quoted figures compiled by the All-India Spinners' Association but I believe in every case they are three years old.

Mr. Mody.—I do not know why the All-India Spinners' Association are not able to supply figures. I think that they keep records for each district.

President.—There is a great deal of talk about the decline of consumption of piece-goods. It is impossible to come to any kind of conclusion about the decline which has taken place unless you know precisely how much the handloom industry has produced. You estimate the production of the handloom industry entirely with reference to the yarn available for consumption which of course is a very misleading basis. Suppose it happens that there is a large increase in the yarn used by the handloom industry. The whole position is altered. It is a pity that we have so few reliable figures on that important point.

Mr. Mody.—50 million lbs. seems to be on the high side.

President.—That figure has been on the market for the last 5 years,

Mr. Mody.—If that was so, the figure for the first three years must have been entirely wrong. It is rather a pity that no reliable data are available with regard to the handloom industry. It is only by rule of thumb that we estimate the production of this industry.

President.—The result is that, in estimating on that basis, the handloom production remains stationary right through. It is very amusing that if there is a decline in the production of the textile mills then there is a decline in the amount of yarn available for handloom and if there is an increase in the production of textile mills, then there is an increase in the amount of yarn available for handlooms. So, it looks that the ups and downs are exactly parallel.

Mr. Mody.—Our production rises and falls with that of the handloom weavers. With regard to handspun yarn there is this point to be taken into consideration. A good deal of it is used for the production of hand woven khadi and very little would be used for any other variety. After all, it is a cult, this spinning of yarn by hand, and it is largely used for the production of hand woven khadi. I should imagine so at any rate.

President.—That won't alter the position from this point of view.

Mr. Mody.—That would mean the quantity of handspun yarn available for the weaver and which would go to make an addition to the yarn available for consumption on our figure would be somewhat limited.

President.—I don't follow.

Mr. Mody.—If it were established that practically the whole of the yarn spun by hand was used for khadi

President.—Which is woven on handlooms?

Mr. Mody.—Hand woven and not used for handlooms.

President.—You are not thinking of knitting business?

Mr. Mody.—Hand weaving people I think are a different class of people from the hereditary handloom weaver class. That is my view.

Mr. Boag.—Are they?

President.—What we are trying to get at is this. Taking the handloom industry as composed of people who have been by heredity and profession handloom weavers, then the amount of handspun yarn would not necessarily be restricted by the production of this industry. I rather think that that assumption is wrong.

Sir Manmohandas.—Handspun yarn is produced in villages by females. Yarn is given to weavers for weaving into cloths for their own use. The cloth will be coarse and the people use it for themselves and pay for the labour of weaving. A large business is done on that principle. That does not constitute the regular trade of the handloom industry. The weavers are simply taking the yarn and giving it back in the form of cloth and charging for labour.

President.—It is production all the same.

Sir Manmohandas.—Yes, but you cannot have a record of that.

Mr. Saklatvala.—In regard to cotton forecasts, Government always give 7 to 10 lakhs of bales as extras which are either used by some people into yarn or for making quilts and other things. Seven to ten lakhs has also been more or less a constant figure. In the Government returns, they show 7½ lakhs.

President.—They have taken that figure for the past thirty years.

Mr. Boag.—There are one or two other points in this connection which I should like to know what you think about. Mr. Bell says that in the case of mill production one lb. of yarn is equal to 4.78 yards of cloth while for handloom production one lb of yarn is taken as equal to 4 yards.

Mr. Mehta.—That will depend upon the reed and pick.

Mr. Boag.—As a general average for the whole production will these figures be approximately correct?

President.—Supposing you took the reed and pick at the figures at which you find them, in typical classes of cloth, you could arrive at an estimate?

Mr. Boag.—What I mean is that if all these calculations are based on unsound assumptions the resulting figures will be unreliable.

Sir Manmohandas.—The quality of the yarn has got to be taken into consideration.

Mr. Maloney.—As far as mill made goods are concerned you have the weight and the length of the goods produced in the Indian mills and you have to divide one by the other.

Mr. Mody.—This is only intended for the purpose of showing that the cloth turned out by the handloom is coarser than the cloth produced by mills.

Mr. Boag.—This serves as a measure of the difference.

President.—In all the Indian mills, now the average number of yards to a pound is higher than it was some years ago as a result of their turning out finer cloths.

Mr. Maloney.—It was 4.25.

President.—Now it is much nearer 5 than 4, is it not?

Mr. Maloney.—Less than 4.5 for the whole of India.

Mr. Mody.—It is 4.728 for Bombay.

President.—Say 4.8.

Mr. Mody.—Yes.

Mr. Boag.—The other formula he uses is that 100 lbs. of yarn produce 112 lbs. of cloth.

Mr. Mody.—That again depends upon the sizing.

Mr. Boag.—In your answer to Question 27 when you are speaking of the capacity of a mill of reasonable size, you give 2,700,000 lbs. of yarn and 2,850,000 lbs. of cloth. That is about 100 to 106.

Mr. Maloney.—That is for dhoties.

Mr. Boag.—Is that for dhoties only?

Mr. Maloney.—If you take the average of all cloths it will be over that.

Mr. Boag.—Is 100 to 112 on the high side?

Mr. Maloney.—It is about right.

Mr. Saklatvala.—In our case it is 109 to 110.

President.—If you take 27 lbs. of yarn and 28.5 lbs. of cloth, I gather on that basis it is 5 per cent. wastage of yarn and 10 per cent. sizing.

Mr. Mody.—That was exactly what I was going to say. 112 would be for ordinary counts of say between 20s and 30s. As regards bleached goods and goods of higher counts, the retention will be much less. Therefore the average of 112 seems to me to be a trifle high. Taking the whole production, the average would be somewhere about 110.

Sir Manmohandas.—In the case of bleached goods, the amount of sizing put in is just sufficient to weave, but in the case of grey goods it may be 30 to 45 per cent. In some cases, as much as 75 per cent. is put on.

President.—I have seen as much as 100 per cent.

Mr. Mody.—In Ahmedabad they do 100 per cent.

Mr. Boag.—The other matter on which I should like to ask one or two questions is about the Appendix to your representation in which you note on the various recommendations made by the previous Tariff Board. I should like to ask you specially about labour. On page 60 you will find that the first point is the level of wages. The previous Tariff Board said that the only alternative to reduction of wages was increased efficiency. Now as far as I understand the position, you made up your minds to go for increased efficiency and in carrying out that intention you introduced various measures which led to the strikes of 1927 and 1928. In consequence of these

strikes, you had in a great part to abandon these measures. I understand the position now is that the level of wages remains where it was in 1926-27 and that the measures to secure increased efficiency have not been introduced except to a very small extent. Is that correct?

Mr. Mody.—Yes.

President.—The position is more or less what it was before the strike?

Mr. Mody.—Except that the efficiency schemes have been introduced partially in some mills.

Mr. Boag.—Efficiency schemes have been introduced in a certain number of mills. The point I want to ask you is this. If it is possible to introduce these efficiency schemes in a certain number of mills, what was the obstacle to introducing them throughout?

Mr. Mody.—They created such a lot of trouble and there was so much discontent in the labour world that the idea had to be abandoned.

Mr. Boag.—In spite of the fact that they continue to be worked in a certain number of mills?

Sir Manmohandas.—People won't submit.

Mr. Boag.—They have submitted in some cases.

Mr. Mody.—What was possible at a considerable sacrifice on the part of individual mills was not possible for the whole industry, and I think any attempt at introduction of large scale efficiency schemes would have met with absolute failure and ended in strikes. Special provision had to be made in those mills where the efficiency scheme was introduced and there was a good deal of friction before as well as after.

Mr. Boag.—The next point is absenteeism. You explain why you did not accept the recommendation made by the Tariff Board, but has there been any improvement in the matter of absenteeism?

Mr. Mody.—There has been some improvement. The old figure I think was something like 10 per cent. while it is 8·2 per cent. now.

Mr. Boag.—Could you let us have the latest figures?

Mr. Saklatvala.—In 1930 it was 8 per cent.

President.—Are there any figures which though they may not be quite accurate, may throw a certain amount of light on it?

Mr. Mody.—Last year's figure was 8·7 per cent.

Mr. Boag.—On page 66 of your representation you say that in most mills in Bombay the numbers employed per 1,000 spindles and per 100 looms have been reduced since 1927. Can you give us any idea of the extent of the reduction?

Mr. Mody.—It is very difficult to give an all round figure.

Mr. Boag.—I ask this question because the Tariff Board of 1926 did give an average figure per spindle.

Mr. Maloney.—I will give you the result of our discussion with our members to-morrow.

Mr. Boag.—The only other matter arising out of these paragraphs is the question of statistics. You say that your Association has all along held the view that in the first place the method of compiling the import statistics should be modified in certain respects. Have you put forward any definite suggestions for their improvement?

Mr. Mody.—We have.

Mr. Boag.—When did you do that?

Mr. Maloney.—In 1930.

Mr. Mody.—I have had several discussions with Dr. Meek un-officially. Then the Government of India put up a proposition that the production statistics should be altered. That was altogether a wrong way of doing things.

Mr. Boag.—What is the position then at present? Is the whole matter shelved?

Mr. Maloney.—Not exactly shelved. The matter has gone to the Collectors of Customs for their opinion. I discussed both with Dr. Meek and with Mr. Stewart and explained that it would be totally unacceptable to us if Government suggested the drastic amendment of the production statistics without previously amending the import statistics with which they should tally.

President.—On this question of statistics, it would be very useful for people like the Tariff Board to get much more statistical information about your industry. I have rather a troubled conscience because in the case of an industry which is exposed to very severe external competition the publication of detailed statistics will be of very great interest to the country.

Mr. Mody.—That is a point which we have taken up recently.

President.—It is so very difficult to get.

Mr. Mody.—A few philanthropic gentlemen who recently met at Geneva recently sent out a report with a view to finding out the conditions of labour, their wages, hour of work and so on. When those statistics are compiled without relation to the output or without relation to what our labour condition is in other industries in India, an entirely misleading picture will be presented.

President.—Are you aware whether any Japanese textile company publish profit and loss statements?

Mr. Mody.—Yes, they do.

President.—I have a sort of feeling that they publish balance sheets but very wisely do not publish profit and loss accounts.

Mr. Mody.—I would like to consider that.

President.—It would be rather an interesting point. As a matter of fact one of the charges made against you by the Bombay shareholders is that some of you do not publish profit and loss accounts.

Mr. Mody.—We publish a lot more than is published in other countries.

President.—You can publish a balance sheet without letting an outsider know about the current working, but if you publish a profit and loss statement you give him a fairly good idea of the current working.

Mr. Currimbhoy.—We give more details than anybody else.

Mr. Mehta.—Calcutta people never give detailed profit and loss accounts.

Mr. Boag.—What is the relation between your Association and the mills which do not belong to it?

Mr. Mody.—In Bombay?

Mr. Boag.—And outside too, because a certain number of mills outside Bombay belong to your Association.

Mr. Mody.—As a matter of fact we have no jurisdiction over non-member mills outside Bombay. In Bombay those who are non-members of our Association are very few and they generally follow the lines we lay down.

Mr. Boag.—They don't go in the opposite direction at all?

Mr. Mody.—No.

Mr. Boag.—And generally speaking the mills elsewhere?

Mr. Mody.—They go their own way. So far as Bombay mills are concerned there is a great deal of cohesion. I think it will be true to say that in matters of policy the views of the Millowners' Association of Bombay are paid great respect. On all large questions affecting labour legislation or the like our views are weighed before opinions are formed in other parts of the country and as far as tariffs are concerned, as a matter of fact we have always taken a leading part.

President.—There is a point that we raised in one of our questions to which you have given fairly detailed reply and that is the question of unfair competition from countries outside. I have not thought it necessary

to ask you any question about it but I would like you to explain this point: In this case you are applying for substantive protection and if the case for substantive protection is accepted, the question of unfair competition is merged in it. The general form of protection that you propose is a combination of *ad valorem* and specific duties.

Mr. Mody.—We lay considerable stress on the necessity of minimum specific duties.

President.—Your proposal, I gather, is this, that the specific duty should be calculated in such a way that it covers the whole difference between a reasonable fair selling price and the realised price. Our usual procedure in the Tariff Board has been to take the difference between the fair selling price and the c.i.f. price, but in this particular case in the questionnaire we decided to suggest the realised price rather than the c.i.f. price for the obvious reason that there are no two kinds of cloth which are comparable. Therefore we take the realised price as a sort of resultant product of various competitive forces.

Mr. Mody.—As reflecting the measure of protection.

President.—It may come from different kinds of cloth, it may come from different countries; all these are reflected in the kinds of price that you are able to get. Supposing we take the difference between the two and make a fair allowance for depreciation and profit and fix the specific duty at that level and that specific duty became the minimum duty, then it seems to me from the protective point of view that *ad valorem* duty ceases to be of any consequence.

Mr. Mody.—Yes, except in the case of a rising market.

President.—It gives you all the protection you want; the only thing you don't get is a surplus above your protection. As far as we are concerned in a period of economic crisis your specific duty covers the difference between your cost and the price you are likely to realise in a falling market, but a specific duty gives you more shelter than an *ad valorem* duty in a rising market. A specific duty does not give you a surplus but as a form of insurance specific duty is much better.

Mr. Mody.—If it were a matter of choice between *ad valorem* and specific duties I would certainly prefer to have a specific duty.

President.—Supposing your fair selling price including depreciation and profit was 16 annas; at present the realised price you are able to get, less duty, is 12 annas. We fix the specific duty at 4 annas and the market goes up, that is to say the realised price is not 12 but 14 annas. Then the difference between the fair selling price and the realised price is 2 annas. Therefore your position is quite safe. The only thing is that if the specific duty was fixed at 25 per cent. you might get a little more but then at that time you have got to take serious risks.

Mr. Mody.—Supposing prices go up double then what will happen? Cotton is at a very low level to-day; the cotton world is ruled by America and it is not very difficult to imagine cotton going up to 12 cents or even 14 cents at some period of time. It may go even higher than that. It is not coming immediately, not even the next year but it may happen at some time, and the price of cloth would naturally go up to a considerable extent and your fair selling price will certainly have to be a great deal more.

President.—My reading of the situation is this that when cotton goes up in that way, those of you who are in possession of sufficient stocks of cotton purchased at previous ruling prices, may make a profit; it is when you have to get fresh supplies of cotton that the trouble begins to arise.

Mr. Mody.—But it does not always happen that the rise in price is preceded by the possession of heavy stocks.

President.—What I am suggesting is this. The kind of inconvenience or hardship which may be experienced by manufacturers as a result of a rise or fall in the price of cotton is on the whole short-lived. When you are

considering the question of protection over a fairly long period you have got to assume that a rise or fall in the price of cotton affects you in the same way as it does other people in other countries.

Mr. Mody.—I am not thinking how it would hit the industry—whether the industry would be caught napping. I am thinking of the specific duty. What will be its effect?

President.—That doesn't arise. You are looking at it from the point of view of the Central Board of Revenue. You are not losing protection. You are getting the protection that you want all the same. We can leave the Central Board of Revenue to look after its interests.

Mr. Mody.—I take it that the specific duty would be coupled, with a sufficient *ad valorem* duty. If it was coupled with an adequate *ad valorem* duty with every rise in price, while the specific duty may not operate, the *ad valorem* duty will operate.

President.—The difficulty with regard to that is this. The specific duty with regard to each principal kinds of cloth will be different. What you require on one class of goods is different from what you require on some other class of goods. You cannot have different rates of *ad valorem* duty.

Mr. Mody.—No.

President.—If you have a uniform *ad valorem* duty and different rates of specific duty, obviously you cannot have the kind of assistance that you want.

Mr. Mody.—If that uniform *ad valorem* duty was adequate, it would be all right.

President.—It might be adequate in one case and it might not be adequate in another case.

Mr. Mody.—That might happen. It is conceivable, but we would not lose the whole advantage if the *ad valorem* duty was there and with every rise in the price of cloth that *ad valorem* duty worked.

President.—What I am thinking of is this. If it is possible for the Board to devise an effective system of minimum specific duties, then from a purely protective point of view you are safeguarded. From the point of the view of the consumer a specific duty in a period of rising prices would be an advantage. You are avoiding placing an unnecessary burden on the consumer. At the same time in a period of your real need you get sufficient insurance so that if you are going to balance both considerations, it looks to me that if you have a minimum specific duty and an *ad valorem* duty which may be fixed according to the revenue requirements of Government would be the most suitable way of devising it. Supposing we told the Finance Member we are going to devise a schedule of specific duties on plain grey, on bordered grey, bleached, white dyed printed or coloured on artificial silk and so in such a way as to cover in each case the difference between the fair selling price and the realised price and if the Government accept our proposal for these specific duties, then as far as the *ad valorem* duty is concerned, the Finance Member may fix it at whatever level he may fancy. If he thinks of putting the duty at 35 per cent. and the consumption is going to be so reduced that the aggregate revenue would be less, then it is for him to reduce it. If, on the other hand, he can raise more revenue than the taxation warrants, he can revise it. All the time this schedule of minimum specific duties safeguard the industry.

Mr. Mody.—It all depends on how the minimum duty will operate in both cases. Mr. Maloney was wondering how the minimum specific duties would operate in respect of the new type of cloths.

President.—As a matter of fact it is rather difficult for us to devise a separate specific duty for each minute class of cloth. You would need what the Bombay Millowners' Association have called a scientific tariff. You might have a detailed tariff like the American tariff or some other tariffs. But if you are going to have 5 or 6 or 8 classes, then the question of new

lines of cloth which may be introduced by the industry seems to me a matter which is not of sufficient importance. If it is, for example, a new line of coloured goods, it comes under the specific duty.

Mr. Maloney.—It is not very important.

Mr. Mody.—What would happen if exchange depreciated.

President.—When I raised this question of unfair competition, that was really the thing I wanted to drive at. If there was a case and if we decided to grant protection in the form of minimum specific duties, then it would be necessary to couple our proposals with a suggestion that the Cotton Textile Industry Protection Act must itself contain a provision for automatic offsetting duties. At present for example with regard to the recent enquiry we had, we had to go back to the General Tariff Act. Supposing we made it an essential part of our proposals that the Textile Industry Protection Act must contain a clause to the effect that if the price fell below the level of fair selling price that we have estimated for the industry, offsetting duties should be introduced and made operative automatically.

Mr. Mody.—As you know the Government of India was not prepared to accept that recommendation from you in the case of magnesium chloride.

President.—I expect that there will be sufficient vigilant members in the Legislative Assembly to remind the Government. It is impossible for us to do anything else. It is very difficult to forecast the kind of development which has taken place during the past few months, because the Japanese exchange has gone down from 137 to 100. We can't say straight-away that for the next 20 years the duty should be fixed at 37 per cent. above the fair selling price. That is quite impossible.

Mr. Mody.—Quite.

President.—We have got to make some kind of provision which is all that I think a Tariff Board can do.

Mr. Mody.—I am afraid there is nothing else.

President.—There is one thing which you have not suggested at all in your replies. Supposing it was decided to have specific duties, on what basis would your specific duty be assessed, would it be on the weight or the area or the value or the piece or reed and pick?

Mr. Mody.—It will have to be per weight.

President.—On the whole your Association would from a practical point of view be in favour of the least unsuitable kind of specific duty which would be the specific duty by weight.

Mr. Mody.—That is the only way.

President.—There is one matter which we have not referred to in our questionnaire and that is the question how far it is possible to establish a case for protection for the Indian Textile industry with reference to the conditions laid down by the Fiscal Commission. I understand the Millowners' Association do not consider it a valid document.

Mr. Mody.—We do. We have gone very far since the Fiscal Commission's report was published. I have great respect for that document and for the ability with which the case for Indian industrial development has been put in there. I am only saying that it is slightly out of date in the sense that India has become protectionist, since the Fiscal Commission's report was published.

President.—On the basis of the Fiscal Commission's report.

Mr. Mody.—Not altogether.

President.—What are you referring to? In every industry there has been no protective measure passed by the Indian Legislature except on the result of an enquiry by the Tariff Board and in every enquiry by the Tariff Board the first point that it considered was whether the conditions laid down by the Fiscal Commission were satisfied.

Mr. Mody.—I am looking at the future. In future it might be necessary to challenge that and to ask for protection to an industry on grounds somewhat different from those conditions laid down in the Fiscal Commission.

President.—In reply to the first point mentioned in our terms of reference whether the claim for protection is established by the Indian Textile industry, what answer are we to give? If you say, yes, what are the possible grounds at which we can give an opinion to the Government? You must have some kind of ground on which the claim for the industry should be established. There are two ways by which we can establish a case in accordance with the Fiscal Commission's Report. The first is with regard to the conditions laid down in paragraph 97 and the other is on the ground of national importance. If the latter is established, then we can ignore the conditions laid down in paragraph 97 we simply go forward and say irrespective of the conditions laid down by the Fiscal Commission the national importance is such that protection should be granted. On the other hand if the national importance is not sufficiently established, then the three conditions laid down in paragraph 97 will have to be satisfied. Now the best case which can be made out for protection is the case which can rest on both.

Mr. Mody.—Yes.

President.—Even if you did not accept that, if you adopted a policy of passive resistance with regard to the Fiscal Commission's Report?

Mr. Mody.—We have not done that.

President.—Supposing it is possible for you to base your case on national importance?

Mr. Mody.—We have placed it on both these grounds in one of our pamphlets which we issued some years ago. Mr. Saklatvala was the author of one of those pamphlets and would be able to give you a copy.

President.—I am glad you have urged both. If you are prepared to consider the application of the three conditions, then as far as the first condition is concerned, there is no difficulty. Cotton is on the spot. The second condition is that the industry cannot develop as rapidly as is desirable in the national interests unless protection is granted. That second condition is satisfied.

Mr. Mody.—Yes.

President.—The one condition that requires consideration is whether there is a possibility that the industry will at some reasonable time in the future be able to dispense with protection. That is the only condition that requires consideration.

Mr. Mody.—What I said about the Fiscal Commission has nothing to do with the case that the industry can establish. I was thinking of other industries, in other times when an industry without being able to satisfy those conditions, might be able to go to the Legislature and claim protection on the protectionist policy of the country. I am not saying that so far as this enquiry is concerned, so far as our industry is concerned we are not able to satisfy. I have every hope that we shall be able to stand on our own legs.

President.—I should like you to establish it on a statistical basis whether the third condition is satisfied or not.

Mr. Mody.—I am afraid the statistics will have to come after the protection.

President.—What I mean by statistical basis is this. We shall discuss it in detail to-morrow when we are examining your costs. But I suggest that if the level of prices goes back to the middle of 1929 and you are able by efficiency schemes to bring down your labour cost by 12 per cent. and you are able by amalgamation to bring down your overheads by 5 per cent., Bombay industry will not need more than 10 per cent. revenue duty. If that is established, the third condition is satisfied.

Mr. Mody.—I am afraid I would not be able to go as far as that.

President.—If that proposition is established, then since everybody is admitting the importance of raising the level of wholesale prices, the only thing that requires to be done is the introduction of efficiency schemes.

Mr. Mody.—We are passing through abnormal times due to Japanese competition and the economic depression coming upon us at the same time completely upset the equilibrium of the industry and threw out of gear its whole mechanism. It is impossible to say what will happen as a result of more propitious times when we are able to take shelter behind a modest tariff wall. Much will depend upon the circumstances. If we have enough money, if we are able to equip our mills and instal new machinery and introduce new methods of production? The efficiency of our labour also must go up. What will happen under those circumstances, it is very difficult to forecast.

President.—If you examine the figures you will find that the very important factor has been the fall in the general level of prices. If there is a rise in the general level of prices—supposing we went back to 1929, that would be about 33 per cent.—if you get increased price for your cloth to that extent, even assuming that cotton and stores went up in the same proportion, the margin that would be left for you would be considerable. I suggest that because it looks to me that there is no particular reason why you should be apprehensive of the conditions of the Fiscal Commission.

Mr. Mody.—I am not apprehensive at all.

President.—As a matter of fact, a reasonable amount of reorganisation of labour, a reasonable amount of reorganisation with regard to overheads and a rise in the level of wholesale prices would set Bombay on its feet again.

Mr. Mody.—They are fair assumptions to make.

President.—I think that they are fairly tenable propositions.

THE AHMEDABAD MILLOWNERS' ASSOCIATION.

Evidence of Sheth KASTURBHAI LALBHAI, Sheth NARSINHBHAI LALLUBHAI, Sheth SHANTILAL MANGALDAS and Mr. G. I. PATEL, recorded at Ahmedabad on Wednesday, the 31st August, 1932.

President.—Mr. Kathurbhai, you are Vice-President of the Ahmedabad Millowners' Association?

Mr. Kasturbhai.—Yes.

President.—And Mr. Patel is the Secretary?

Mr. Kasturbhai.—Yes.

President.—How many members are there in your association?

Mr. Kasturbhai.—56 are mill members; besides them there are other members who have got other factories.

President.—I take it that the members of your association are the mill companies, so that it may happen that one mill company may own more than one mill?

Mr. Kasturbhai.—No Sir.

President.—In Ahmedabad one mill company means one mill? In Bombay it is different; you have got mill companies there which sometimes own two or three and in some cases more than three mills.

Mr. Kasturbhai.—There are one or two instances in Ahmedabad also, but generally one mill company own one mill.

President.—So that the number of mill companies in Ahmedabad who are not members of your association are about 12?

Mr. Patel.—About 19, some of them being new ones, having started since 1929 or 1930-31.

President.—Have you on your membership any mills which are situated outside Ahmedabad?

Mr. Kasturbhai.—Yes there are four, one at Surat, one at Nadiad and two at Viramgaon.

President.—To what extent are you authorised to speak for these mills?

Mr. Kasturbhai.—To the fullest extent.

President.—What I propose to do this morning is to raise the points connected with this enquiry in the order in which we have set them out in our questionnaire and when we have discussed these points if we find there are any points left over then I propose to reserve them for discussion at the end of the general discussion.

Mr. Kasturbhai.—That will suit us.

President.—First I take the points arising out of Mr. Hardy's report. The first point that we have raised in connection with Mr. Hardy's report is the proportion of bleached goods made by your mills. We consider that a rather important point. Mr. Hardy came to the conclusion in 1929 that only a very negligible proportion of Indian mill made goods were bleached. We are in this enquiry asked to consider the precise extent and nature of the competition which the Indian mill industry has to face from Japan and from the United Kingdom and it is understood that a very large proportion of the goods which come into India from the United Kingdom are bleached goods and if the proportion of bleached goods is negligible, it will I suppose be possible to argue that to that extent competition between India and the United Kingdom is also negligible. Therefore, in order to determine that question with a fair measure of accuracy it is necessary to come to a reliable conclusion regarding the proportion of bleached goods.

The first thing I should like to do with regard to your reply as regards bleached goods is to refer to the statement made by the Tariff Board in 1926 on page 107 of their report. They give there two figures, one for 11 mills and another for 32 mills. If you take the proportion on the basis of the figures regarding the 11 mills the proportion of bleached goods to the total production is 60 per cent., whereas if you take the figures relating to the 32 mills the proportion is 39 per cent. I take it that when the Tariff Board gave these figures in 1926 they meant these figures to include not merely grey yarn bleached but also coloured yarn, that is to say bleached background with coloured pattern.

Mr. Kasturbhai.—That is so.

President.—Therefore, taking the two kinds of bleached together taking the figures relating to the larger number of mills the proportion was 39 per cent. On the figures that you give this time, if you take both coloured bleached and grey bleached, it will be 30 plus 65, altogether 95: that is including both coloured and grey 95 out of 135. We might take it approximately as the figure for the whole year. But if you take only bleached goods which for import purposes would be classed as bleached then the proportion is about 50 per cent.

Mr. Kasturbhai.—That is right.

President.—Therefore against the proportion of 39 per cent. of both bleached and coloured yarn in 1926 you have on bleached yarn alone to-day a proportion of 50 per cent. That measures the progress which has been made by the mills in this direction.

Mr. Kasturbhai.—Yes. I submit in this connection that it is very important from our point of view that instead of acting on these assumptions we do not understand why the Government of India which was so very keen at the time and on whom both the previous Tariff Board report and Mr. Hardy's report impressed the necessity of keeping proper statistics both of imported goods and Indian goods, has not acted up to these recommendations. It is not yet too late even now to do so as we have made out in our representation, so that assumptions may be laid aside completely and your report may be based entirely on facts. That is to say, if from the 1st October to 31st December or up to the end of November arrangements are made by Government to prepare schedule in such a manner that you have import statistics tallying with the statistics of mill production then it would be so much easier for you to come to a conclusion.

President.—It is a suggestion which you have made later on in your representation.

Mr. Kasturbhai.—We attached very great importance to it from this point of view that money and time have been spent on Mr. Hardy's report but some of the conclusion he has drawn are entirely erroneous simply because statistics are lacking, and from our point of view in order to make a proper comparison and find out what relation there is between British and Indian goods it is most important that there ought to be proper statistics.

President.—All that we are in a position to do in regard to that matter is that if we are satisfied we would record the suggestion you have made, but I am afraid that it is rather late for us to make a suggestion to the Government of India with a view to having that suggestion carried out before we draft our report.

Mr. Kasturbhai.—I take it that your report will not be out before November or December and if it is based on statistics instead of assumptions it will carry much weight both with the Government and the public. As a matter of fact we have a shrewd suspicion that there must be some ground for Government for not acting up to the recommendations of such a body as the previous Tariff Board as well as that of Mr. Hardy (both of whom) insisted on Government for keeping proper statistics.

President.—The trouble of the Tariff Board is this: we cannot make any suggestion to the Government of India except through our report; we

can't send up suggestions to Government now when our report is pending. If we waited till our report is ready to make this suggestion then I am afraid as far as this report is concerned it would be more or less necessary to go upon assumptions. I agree with you that in very important matters of this kind it is unsatisfactory that our conclusions should be based on assumptions, but the Tariff Board has been working upon various industries during the past 8 or 9 years and in all these cases it has been necessary to make such calculations on what we considered the least unreliable assumptions that we could make.

Mr. Kasturbhai.—May we hope that your Board will make a very strong recommendation to the Government of India? It is no use dilly-dallying in the way in which the import statistics are collected or the statistics of Indian made goods are kept, and they should be brought in line with the least possible delay.

President.—I am prepared to give your recommendation the fullest consideration. If these figures regarding Ahmedabad are correct then the progress as regards bleached goods is very great indeed. When you go on to make the suggestion that the proportion for the whole of India is 25 per cent., I take it you make the suggestion on assumptions of the kind which Mr. Hardy did. Have you any particular line of calculation by which you suggest 25 per cent.?

Mr. Kasturbhai.—We are in touch with many of the up-country mill-owners and on what we hear from them of what they are doing that assumption was based.

President.—We got similar figures from the Bombay Millowners' Association as regards the Bombay mills and I find from their figures that if we left out all the bleached goods containing coloured yarn, the total proportion of bleached to the total production is about 10 per cent. In your case it is 50 per cent.

Mr. Kasturbhai.—Yes.

President.—And you would say that if you took Ahmedabad, Bombay and all other centres together it would be somewhere about 25 per cent.?

Mr. Kasturbhai.—Yes. It has been found by the consumers that it is better for them to purchase bleached goods instead of grey goods because grey goods contain size to the extent of 10, 20 or even 25 per cent. and therefore if they were to buy the bleached kinds they save at least that much in the freight and not only do they save in railway freight, but it also saves the extra cost on bleaching the goods. As a matter of fact there was a time when Ahmedabad mills used to turn out good quantities of anything up to 100 per cent. sized cloth!

President.—One of the cloths for which you give particulars in your confidential statement has 100 per cent. size.

Mr. Kasturbhai.—That is so.

President.—Can you tell me how the prices work out? What is the amount of freight that the consumer has to pay at destination, what is the amount he will lose on account of extra size; what is the average amount of size in, say, coloured grey goods?

Mr. Kasturbhai.—About 30 to 35 per cent.

President.—You calculate the percentage on the finished weight of the cloth?

Mr. Kasturbhai.—On the warp it will be about 40 per cent.

President.—On the final weight it will be about 30 per cent.?

Mr. Kasturbhai.—Yes.

President.—It practically means that he is going to lose 30 per cent. on the freight.

Mr. Kasturbhai.—25 rather than 30 per cent. because there may be some dropping.

President.—Could you tell me straightaway approximately what is the freight from here to Calcutta per lb. of cloth?

Mr. Kasturbhai.—It comes to about Rs. 11 per bale. The freight from Ahmedabad to Calcutta is Rs. 2-4-0 per Bengal maund at O/R rate. Railway risk rate is much higher.

President.—Could you tell me approximately what range of counts of yarn is represented by bleached goods, that is to say are your 20s, for example, bleached?

Mr. Kasturbhai.—Yes. As we have said in our representation 75 per cent. of the looms in Ahmedabad manufacture cloth out of counts of about 20s warp and 30s weft, and 25 per cent. of the looms are on the fine side that is weaving cloth of counts 30s to 100s or 120s.

President.—I gathered from Bombay that there the lowest figure of fineness of bleached goods is 30s; below 30s they seldom bleach.

Mr. Kasturbhai.—That is not the case as far as Ahmedabad is concerned.

President.—Practically in Ahmedabad you have got bleached goods in all ranges.

Mr. Kasturbhai.—20s warp and 30s weft that is the minimum.

President.—You imagine a cloth, let us say, of counts 18s x 20s?

Mr. Kasturbhai.—That also is sometimes bleached; it would be in the form of khadi, probably bleached khadi.

President.—I understand you are not making very much of that now?

Mr. Kasturbhai.—No. We don't spin below 20s.

President.—May I take it that if both the warp and weft were below 20s according to the present practice it would not be bleached?

Mr. Kasturbhai.—Except jeans and drills.

President.—Now I come to the second point. That is the extent to which Calcutta is the market for grey goods. As far as I can understand, your position in this matter is the same as that of the Bombay mills. What they say is while Mr. Hardy's figures with regard to the absorption of grey goods by the Calcutta market are too high, all the same Calcutta does represent the largest market in India for grey goods.

Mr. Kasturbhai.—That is so.

President.—The Bombay Millowners' Association have rejected Mr. Hardy's figures, but they say that 70 per cent. of grey dhotis and 50 per cent. of other grey goods find their way into the Calcutta market. You don't give any definite figures.

Mr. Kasturbhai.—It is difficult to give figures on assumptions.

President.—Would you be prepared to say that somewhere about 70 per cent. of the grey goods is consumed in the Calcutta market.

Mr. Kasturbhai.—We are sending to different parts of India 100 per cent. of our production of grey dhotis out of which about 70 per cent. is going to Calcutta.

President.—Am I right in thinking that the great bulk of the grey goods sent from here to the Calcutta market are of finer counts?

Mr. Kasturbhai.—Not necessarily.

President.—But a great bulk of them above 30s.

Mr. Kasturbhai.—We are sending finer varieties to the Calcutta market as well as 20s and 30s.

President.—Speaking simply as a matter of general impression, would you say a little more than half of your consignments of grey goods to the Calcutta market would represent counts above 30s?

Mr. Kasturbhai.—No.

President.—Because I noticed from Bombay now an increasing portion of the grey goods shipped to Calcutta represented finer classes of dhotis. I

wonder if the position is more or less the same out here considering the fact that you have probably made as much progress or perhaps greater progress in the finer class of goods than Bombay in recent years.

Mr. Kasturbhai.—It is probable.

President.—I will raise that point later on in connection with the freight question, because a point that has been worrying us since we started this enquiry. I tell you precisely the point that I will raise in connection with this question. After all grey goods are the staple of Indian production as things stand at present.

Mr. Kasturbhai.—Yes.

President.—They represent the greater part of the output?

Mr. Kasturbhai.—Yes.

President.—And for the staple of our production the biggest market in India is Calcutta.

Mr. Kasturbhai.—Yes.

President.—In Calcutta the Bengal mills are making on the whole fairly rapid progress. Take the past two years since protection was granted and the question which has been puzzling us a great deal is, supposing as the result of continuing these duties, much greater progress is made in future by Bengal mills and they satisfy a much larger proportion of the Bengal market than they do now, then what is likely to be the relative position of Ahmedabad and Bombay in regard to what is admittedly the biggest piece-goods market for grey goods in India? You have got to pay the freight all the way from Ahmedabad or Bombay to Calcutta. They save that. At present their great danger is from imported goods. They are situated at a port centre. If we grant sufficient duties for a sufficiently long period and thus assure them against competition from imported goods, then they have considerable freight advantage in the Calcutta market as against Bombay and Ahmedabad.

Mr. Kasturbhai.—But they will have to pay freight for cotton.

President.—I was looking into that. The point there would be this: if we continue protection at an adequate level for a sufficiently long period, the rest of the Indian market that the Indian Textile industry can capture is the market in respect of finer classes of goods.

Mr. Kasturbhai.—Yes.

President.—Because that represents the import share of the Indian market.

Mr. Kasturbhai.—Yes.

President.—As far as those classes of goods are concerned you have got to depend at any rate for the time being on imported cotton.

Mr. Kasturbhai.—That is so.

President.—Calcutta can get imported cotton cheaper than you can get because they are situated in a port.

Mr. Kasturbhai.—Yes.

President.—Therefore they will save the freight as far as raw cotton is concerned. Therefore the position requires a certain amount of consideration. I cannot raise the details of it just now. I will raise it in connection with the freight question.

Mr. Santilal.—They can't save freight on imported cotton, because they have to pay a little extra for cotton which they are taking from Bombay to Calcutta. They are not getting at the same rate as Bombay.

President.—The only question is fumigation. If there is no fumigation?

Mr. Shantilal.—I think there is extra freight.

President.—No. The freight to all the Indian ports not merely on raw cotton, but on other things are the same. The difficulty in regard to Calcutta is there is no fumigation arrangement. Fumigation only applies

to American cotton. East African and Egyptian cotton are being directly shipped to Calcutta.

Mr. Santilal.—Yes.

President.—With regard to the percentage of import goods sold in the Calcutta market, you don't wish to make any statement?

Mr. Kasturbhai.—No.

President.—The only point that interested me as far as you are concerned is this. I notice taking your figures of coloured production in 1931-32 as compared with 1927-28, there is a very large increase.

Mr. Kasturbhai.—Yes.

President.—In Bombay, on the other hand, there is a very large decline and I was wondering whether that means it would be necessary for you to find a larger outlet for your coloured goods in more distant markets like Calcutta.

Mr. Kasturbhai.—As it is, at present, our coloured goods are being exported to the North Western Province, Punjab, Cawnpore and as regards those places we are certainly more favourably situated than any other centre in the Bombay Presidency. Particularly piece-goods are being exported there not in a grey condition, but though it is coloured they are bleached and therefore it is coloured bleached that is being exported to these districts. We do not suppose that for some time to come we will have any difficulty in finding a market.

President.—We come to a rather interesting question. That is the proportion of goods made of finer counts—Point No. 4 of Mr. Hardy's report. That is a very important point in connection with this enquiry. One of Mr. Hardy's main conclusion was as far as finer counts are concerned, the Indian industry is not in a position to undertake any considerable production and has not as a matter of fact undertaken considerable production. Therefore the question of competition from the United Kingdom is not so very important. As far as I can understand the figures the situation has altered a very great deal since Mr. Hardy reported and I have also some feeling that the figures on this point in Mr. Hardy's report are rather underestimated to the extent of competition from the United Kingdom in respect of counts less than 40s. I will tell you how the Bombay Millowners' Association put this point before us. They have urged very strongly that there has been a very considerable increase in India in the production of finer counts. They have given us the figures of production of fine counts in regard to 25 or 27 individual mills in Bombay, taking the year 1927-28 and the year 1931-32. The figures of these individual mills show a very large increase and then they give us the average count of yarn spun in India in 1925-26 and 1931-32. The average count of yarn spun in Bombay in 1925-26 was 17·2. It is 20·6 in 1931-32. But if you take the whole of India it was 18·4 and it is 20·5 now. Can you give me corresponding figures for Ahmedabad?

Mr. Patel.—We have submitted those figures in our representation and if you want these only for a few individual mills, we are prepared to give you. On page 6 of our first representation we have given the information.

President.—What that table gives you is the quantity of yarn spun. What I want to get at is this. I want you to give me for 1925-26 taking the whole of your production and averaging it, what was the average count of yarn that you used for your weaving mill and give me a similar average figure for 1931-32. If the average was 17 or 18 taking all classes of goods in Ahmedabad, it might be 21 or somewhere about that figure now. That is a very good barometer for measuring the progress made in respect of finer counts. If you could work out the figures on that basis, it would be rather helpful.

Mr. Kasturbhai.—We can work out the figures, but I am afraid it is likely to be a misleading proposition.

President.—If you will tell me what the qualifications are, myself and my colleagues will keep the qualifications in mind.

Mr. Kasturbhai.—For one thing the working out of the average count is different in different mills. I do not know what is the correct system of really arriving at a correct count. If 5,000 spindles are working in my mills on 20s, 5,000 on 30s and 5,000 on 40s, it is not correct to say that my average count is 30s.

President.—We have got in the Indian production figures both for yarn and counts. If we take the total quantity of yarn that you spin here in Ahmedabad, that will give you separate figures for each kind of yarn and you get also the quantity of each kind of yarn. If you take the weighted average, you get the figure without going into the individual mills.

Mr. Kasturbhai.—That is true.

President.—That would represent comprehensively the position in Ahmedabad. It is simply a matter of calculating the weighted averages.

Mr. Kasturbhai.—My submission is, that, to measure the progress by the averaging of the count is not the correct system, because the averaging of count is arrived at in a different manner by 2 or 3 systems.

President.—I will tell you what the difficulty is at the back of your mind. Supposing we get the average count for 1931-32 and we get a figure of 22, taking a considerable number of the better sort of mills in Ahmedabad, it will be very misleading to suggest that 22 will represent the average level of production in the more up to date mills.

Mr. Kasturbhai.—No. What I say is, if in my mill I have 10,000 spindles of 20s and 10,000 spindles of 30s to an ordinary man the average count will be 25s while if I give it to my spinner, he will bring it to 26.5 or 27. There is a way of working it.

President.—What is the difference?

Mr. Kasturbhai.—I will have to consult my technical man.

President.—Will you think it over and let me have a note.

Mr. Kasturbhai.—Yes.

President.—In addition to these matters which indicate the progress of the production of finer counts, I take it the increase in the quantities of imported yarn is an indication of the extent to which finer counts have been made in India.

Mr. Kasturbhai.—Yes.

President.—That is to say it is not merely a question of the increase in the quantities imported, but a difference in the distribution of the imports as regards countries of origin. What I mean is in 1926-27 out of about 474,000 bales imported, 379,000 came from America. In 1931-32 you again had a figure of 470,000. From America it was only 140,000. The bulk of the imports last year came from East Africa and Egypt.

Mr. Kasturbhai.—My submission is that as far as American imports are concerned, they should not be taken into consideration at all, because most of the American cotton that is being imported is for the replacement of Indian cotton.

President.—It has gone up in price relatively.

Mr. Kasturbhai.—Yes the price of the Indian cotton being higher than American cotton it has been found possible to import it into India and those two years that have been cited by you are abnormal years as far as the cotton growth in America is concerned or the cotton growth in India is concerned.

President.—But the parity in prices was upset in both years.

Mr. Kasturbhai.—I submit that most of the American cotton that is being imported is coming in for the use of the ordinary counts and not for fine counts.

President.—I would rather qualify that statement to this extent that the American cotton which is imported or the great bulk of it is cotton which corresponds not to Indian short staple but to Indian long staple.

Mr. Kasturbhai.—That is right.

President.—It is all above 1".

Mr. Kasturbhai.—Not necessarily. I have known several thousands of bales being sold in the Bombay market which had a staple of $1\frac{1}{2}$ " and $\frac{3}{4}$ ".

President.—I have suspected this all along. It is very likely.

Mr. Kasturbhai.—Yes and therefore we are not at all against the import duty being levied on American cotton because thereby we shall be protecting our cultivators. We are absolutely for it.

President.—As a matter of fact the Central Cotton Committee told us that 75 per cent. of the American cotton imported last year was comparable in quality with Indian long staple. That 25 per cent. of the American cotton imported last year was of slightly longer staple than the Indian long staple cotton, but I never got the impression from that that there were any quantities of American cotton imported into this country which were less than $\frac{3}{4}$ ". I think that not unlikely as you know there has been steady deterioration in the quality of American cotton recently. About 20 per cent. of their crop is below $\frac{3}{4}$ ". When parity prices are upset, that amount is also likely to go up.

Mr. Kasturbhai.—Yes.

President.—Therefore if your suggestion is correct, we should be justified in proposing the retention of this duty not merely on the ground that American cotton competes with Indian long staple, but also on the ground that American cotton might compete with Indian short staple cotton.

Mr. Kasturbhai.—Yes.

President.—Therefore the so-called virtual monopoly in respect of short staple cotton is to some extent a thing of the past?

Mr. Kasturbhai.—Yes.

President.—Where I don't agree with you is, you tell me that 1926-27 was an exceptional year and 1931-32 also an exceptional year because there had been a bumper crop in America and a short crop in India and the parity was upset. We find looking over the past ten years there were three occasions on which this disturbance of parity took place.

Mr. Kasturbhai.—The Indian Central Cotton Committee will be able to give you figures from which you will find that since 1912-13 we had only one year 1921-22, if I am not mistaken, in which we had large imports from America. But if you took from 1910 to 1926, during these 16 years there were only three years during which the American imports were considerably higher than normal.

President.—It is rather dangerous to take too long a period for an average in a matter of this kind because apparently natural conditions in regard to the growth of cotton in America have been changing a lot and they have been changing recently. If you take an average over a period, beginning as early as 1912, the result that you get may be out of tune with the realities of the present day.

Mr. Kasturbhai.—My only point is that American cotton has been imported into this country only when the parity has been upset. It has not been imported into this country in order to replace the Indian cotton if the parity of Indian cotton was in line with the American cotton.

President.—That is true. What worries us is this. Supposing we decide to accept your proposal and fix the period of protection as 10 years and we fix our rates of duty and our proposals regarding the duty on imported cotton for a period of ten years, supposing at the end of two or three years, parity gets upset again, we may seriously upset the cultivators' interests and mark you, our cotton is the most valuable crop?

Mr. Kasturbhai.—Therefore, as I think and as we have said in our representation, my Association is not at all averse to imposing a protective duty on the American cotton.

President.—There you are anticipating an issue which I wanted to raise later on. Since you have raised it we shall discuss it straightaway. The suggestion which the Central Cotton Committee has made to us in respect of imported cotton is this. They say that the duty may be made applicable to imported cotton with a staple of one inch and below but not more than one inch.

Mr. Kasturbhai.—We entirely agree.

President.—That is to say, not differentiating the country of export but differentiating according to the staple. The point that we made to them is that it is perfectly true that at present all Indian long staple cotton is between $\frac{3}{4}$ " and 1". There is practically no Indian long staple cotton above that. In respect of a thing like cotton you have to provide not merely against direct competition but you have also to provide against indirect competition. If for example as a result of the disturbance in parity you get cotton of staple slightly above one inch relatively becoming cheaper than cotton of 1" staple and you don't apply the duty to that, then that cotton will be imported in preference to the one inch staple cotton available in the country?

Mr. Kasturbhai.—It is true. My submission is that most of the cotton consumed in Indian mills is $\frac{3}{4}$ " to 1" staple and if the mill has to pay the difference in price between the $\frac{3}{4}$ " or 1" staple cotton of India and the $1\frac{1}{8}$ " staple American cotton, it would not be a paying proposition in spite of the variation in parity.

President.—Supposing you looked at it from the cloth end? I am in the habit of using cloth made in India of cotton with a staple of one inch. American cotton of $1\frac{1}{8}$ " or $1\frac{1}{4}$ " staple I don't say has become cheaper than one inch but relatively cheaper. Now a mill buys that cotton, produces cloth of slightly superior fineness to the Indian cloth made out of Indian one inch cotton. That finer class of cloth becomes cheaper than it was before. Now as a purchaser I will take the view "Look here, since that superior cloth is now cheaper by 2 annas, although the inferior cloth is still one anna cheaper, compared with the inferior cloth, the superior cloth has become relatively cheaper and I would rather buy that". You have that kind of indirect competition, haven't you?

Mr. Kasturbhai.—Cloth that is being manufactured from Indian cotton mostly goes for the masses; and the consumer is not in a position to offer a slightly higher price and take the better class of goods because his economic condition will not allow him to do so. It is all very well for an educated person who is capable of distinguishing the quality between the superior class of cloth and the inferior class of cloth and paying a bit higher price for the better class of goods. But as far as the masses are concerned, they are more concerned with the price than with a slight difference in the quality.

President.—When you are speaking of cotton of one inch staple, you are thinking of cloth ranging in counts between 30s and 40s which is not worn by masses of our people. That is the sort of cloth which you and I may wear.

Mr. Kasturbhai.—What I say is that most of the Indian mills are using cotton which is of $\frac{3}{4}$ " staple. If you are able to get from the Central Cotton Committee figures, you will find that relatively the quantity of one inch staple cotton grown in India is very small. Even that also is being exported.

President.—Very little?

Mr. Kasturbhai.—A major portion of it is exported. It is Cambodia cotton.

President.—Last year we produced a little over 800,000 bales of cotton which is not merely of more than $\frac{3}{4}$ " staple but actually usable in respect

of its fineness, tensile strength and so on, for the production of finer counts. Out of that 800,000 bales we exported from India not more than 100,000 bales and the rest was available for consumption in Indian mills. That is a question which I want to raise again. But in the meantime let me tell you this. I suggested to the Bombay Millowners' Association that in order to get a really vivid idea of the progress made in respect of the production of finer counts, the best way of presentation would be this. You take the total production of cloth in India in 1926-27 and in 1931-32. Now out of that, you deduct the quantities represented by goods other than piece-goods. Of these there are various kinds. You deduct from that also those classes of piece-goods which are invariably made out of coarser counts like chaddars, drills and so on. Then you get a certain quantity which is the quantity of those classes of goods which are generally made of counts above 20s. If out of that you can get the proportion of cloths made of counts, 30s and above, that gives you a very much better picture of what has happened in this matter?

Mr. Kasturbhai.—Yes.

President.—Calculating on that basis I find—I am taking all India figures—if you took the total quantity of piece-goods made of counts above 20s, 9 per cent. was made of counts above 30s in 1926-27 and if you took 1931-32 the corresponding percentage was very nearly 19 to 20. In other words the proportion has doubled. It was about 9 in 1926-27 and 19 and 20 in 1931-32.

Mr. Kasturbhai.—May I know whether this proportion is in regard to counts or the yardage?

President.—It is in regard to counts.

Mr. Kasturbhai.—I submit that it is a very misleading statement.

President.—Because the yardage per pound in respect of finer counts will be much greater?

Mr. Kasturbhai.—The yardage of finer counts per lb. will be considerably bigger than the yardage of coarser counts. It may actually show a difference of 4 to 10 yards per lb.

President.—If you make a calculation for that on an average basis. . .

Mr. Kasturbhai.—In order to find out that, it will be desirable to find out what is the yardage per pound of cloth made from 20s to 30s which have been the standards with most of the Indian mills and to find out the yardage from 30s to 100s and take the average.

President.—Can you give us a note on that?

Mr. Kasturbhai.—You want it per lb. That will be with regard to the bleached, not with regard to the coloured.

President.—If you will give us the number of yards per lb. in respect of various grades, it will be helpful.

Mr. Kasturbhai.—We propose to give it only in two grades. One will be cloth made from 20s to 30s, that is 20s warp and 30s weft and the other will be above 30s, all lumped together. We shall take a representative mill, as you have suggested in the other case, and take what counts they are spinning. They cannot spin one count; they must spin three or four counts. We will take three or four kinds of quality manufactured in that representative mill, find out the yardage per lb. and average it and give it to you as representing the yardage of cloth.

President.—Supposing, above 30s, you took 30s to 40s and 40s to 60s might that not give us nearer results instead of lumping everything above 30s?

Mr. Kasturbhai.—We will do like this, we will take 20s to 30s, 30s to 45s and 40s to 100s; that is to say we will have to give you yardage for 20s to 30s, 30s to 45s and 40s to 100s—all per pound.

President.—That is right. Personally I am inclined to think that the estimate that Mr. Hardy made in 1928-29 regarding the quantities of piece-

goods imported from the United Kingdom of counts below 40s was on the whole on the low side. Mr. Hardy's conclusion was that practically all the goods imported from the United Kingdom were above 40s and most of them above 50s. I notice from the Report of the Tariff Board in 1926 (page 40) that they got figures from the Manchester Chamber of Commerce according to which cloth containing warp or weft of counts between 30s and 40s forms about 40 to 45 per cent. of the total export from the United Kingdom.

Mr. Kasturbhai.—They are entirely right. Mr. Hardy's figure is wrong. There are two chief sections, as far as Lancashire cotton goods are concerned. One section deals with American cotton and another section deals with Egyptian cotton. It is well known that counts above 40s cannot be made from American cotton. That being so, it could not be that all the exports that are being made to India are from the Egyptian cotton. We therefore entirely agree with the suggestion made in the report of the Tariff Board that 40 to 50 per cent. of cloth that is coming to India is of counts below 40s and 50 per cent. is of counts above 40s.

President.—Anyway, the Manchester Chamber of Commerce might be expected to know what it does better than Mr. Hardy.

Mr. Kasturbhai.—We assume—we can only make a guess—that the class of cloth that is coming from Manchester is such that it would not pay them to make from Egyptian cotton.

President.—The inference that I draw from that is this. If you take the total quantity of goods imported from the United Kingdom in 1926-27, the figure was somewhere about 1,450 million yards. Out of that 550 million yards was bleached. I gather from various things mentioned in the report and also from suggestions by Mr. Hardy that all bleached goods are above 40s. If you deduct the yardage of bleached goods from the total you get a balance of 870 millions, the greater part of which is bordered grey. If 40 to 45 per cent. of the total export is between 30s and 40s, that would be very nearly 60 to 70 per cent. of bordered grey. Therefore in 1926-27 which is only a year earlier than Mr. Hardy's Report, very nearly 60 per cent. of the bordered grey goods imported into this country from the United Kingdom must have been 30s and 40s and therefore to say that there is no overlapping would be stretching the point. That is how I put the position?

Mr. Kasturbhai.—You are right.

President.—I cannot believe that the Manchester Chamber of Commerce would give figures on a point like this unless the figures were quite correct?

Mr. Kasturbhai.—Certainly you are right.

President.—I have been quite unable to get the data on which Mr. Hardy came to this conclusion. I suppose he must have made his own assumptions and in the absence of definite statistical data the best of us could be wrong in our assumptions?

Mr. Kasturbhai.—Yes.

President.—Now I come to the question of shirtings. What is your view? If you compare the imports of plain grey goods from Japan in 1931-32 with those of 1929-30, that is the year before the protective duties were imposed, there is a very substantial reduction in the imports. It was 320 million yards in 1929-30 and 127 million yards in 1931-32. Although there has been this very large decline in imports of plain grey goods, you still consider the position one of danger for the Indian industry as regards plain grey?

Mr. Kasturbhai.—Yes, as far as Japan is concerned.

President.—That is to say, although there has been a reduction of over 50 per cent., it still constitutes the largest single item of imports from anywhere in the world. The real point is that the standardised production gives advantage to Japan in regard to plain grey in a way which it does not in regard to any other line of goods.

Mr. Kasturbhai.—That is so.

President.—It is obvious that even this amount of reduction would not have taken place but for the fact that there is a specific duty.

Mr. Kasturbhai.—As a matter of fact to ascertain the facts would have been very important. The very fact that even with the specific duty Japan has been able to supply large quantities of grey goods speaks volumes about its method of production. Last time we had suggested that the Tariff Board should go to Japan and find out the facts. It is no use basing conclusions on assumptions.

President.—I wish you had made the suggestion to the Government of India since our terms of reference were published. Nothing would have pleased the Tariff Board better! But now I am afraid it is rather a difficult question. I wonder if it has occurred to you, as far as grey goods are concerned, to watch the manner in which Japan has been regulating its competition in the Indian market—they produce grey goods which are of rather better quality than the Indian goods but put them on the market at either the same price or a slightly lower price—as far as bleached goods are concerned their goods are not merely cheaper but also inferior, but in regard to grey goods their quality is, if anything, better.

Mr. Kasturbhai.—Yes.

President.—In other words, the basis on which they compete in these grey goods is the basis of quality and in bleached they compete on the basis of price. That is a very clever way of adjusting their trade to the economic conditions of the country.

Mr. Kasturbhai.—As far as plain grey are concerned we feel, and we have felt all along, that their sale policy is entirely different from the sale policy of the Indian mills. You go to any Japanese firm and it will be able to sell you straight off 1,000 or 2,000 bales of grey cloth in relation to the price of cotton. Though it has been stated in Mr. Pearce's Report that Japan does not do any hedging, it may be that these firms which are exporting cotton from this country and importing piece-goods are doing it on the hedge basis, otherwise they can't be in a position to sell piece-goods to-day at the particular price of cotton. If the price of cotton to-day is 250 and it comes down to 225, straightaway they are in a position to take advantage of the drop in the price of cotton in their sale of cloth which no Indian millowner will be in a position to do.

President.—That is because you have not got a sufficiently long forward market in piece-goods and your transactions are ill-balanced, though you have got a sufficiently long forward market in cotton. I don't know what the remedy is. What is your suggestion? Unless you develop a satisfactory form of marketing piece-goods you will not be able to balance your raw cotton transactions in relation to your piece-goods transactions in the way Japan does.

Mr. Kasturbhai.—Japan is able to do that because in their case there are only four or five big Japanese concerns, and even if anyone of them is smashed they would be prepared to do it. Instances have occurred in which a very big Japanese firm used to do this on a large scale but it came to grief. After all it is not an easy proposition.

President.—It is not an easy proposition but the point is this: what you are trying to do is to explain why Japan is able to carry out large forward transactions in piece-goods. They are able to do that because they are operating through very large units.

Mr. Kasturbhai.—Yes.

President.—And that is really the reason why you are not able to develop a satisfactory forward market here. The answer to that is that the Indian mills must undertake a scheme like the Lancashire Cotton Corporation which has failed.

Mr. Kasturbhai.—I don't think it is desirable to have such large combines, either in the interest of the consumer or in the interest of the industry.

President.—I will come to that point later. I certainly feel impressed by your argument that as far as large units are concerned it might easily result in lack of attention of the kind which would seriously affect the efficiency of production, but where amalgamations do help is in the matter of purchases and sales. I feel that in the actual process of production a small unit which ensures sufficient supervision may work better. However I will come to that point later. With regard to bleached goods I can't quite gather what your position is in this matter. I take it that in very important lines of white goods Japan is outstripping Lancashire, is it not?

Mr. Kasturbhai.—At least from the figures of imports it looks like that. The explanation may be that these white goods are being manufactured in automatic looms and it is a standard product and as such it can be produced cheaply so far as production cost is concerned. As regards bleaching, that also can be done on a mass scale.

President.—One of the kinds of white goods in which Japan is showing an increase is what I may call plain white.

Mr. Kasturbhai.—It has gone up from 2·1 to 6·9.

President.—That is the kind of goods that lends itself to standardised production?

Mr. Kasturbhai.—Yes.

President.—There is one other point and that is in regard to the hand printing industry. What is the population of hand printers?

Mr. Kasturbhai.—May be ten thousand.

President.—Supposing printed goods were sufficiently protected by an adequate scale of protection for an adequate period, have you any idea of the total capacity of hand print production in Ahmedabad?

Mr. Kasturbhai.—I have no idea.

President.—By how much can you increase your production of printed goods?

Mr. Kasturbhai.—We do feel that it could be extended as the mill industry has been extended.

President.—In Ahmedabad I understand you do most of your bleaching through *dhobies*: you do that not because you are not in a position to put up economical bleaching plants but you consider the present practice more economical and more satisfactory? The same thing applies to hand print?

Mr. Kasturbhai.—Yes to a large extent.

President.—If a sufficiently protective duty was levied on imports of printed goods and you thought it worth your while to increase your production, would you not go in for printing plants or would you do that by making use of the hand-printing industry: if you do that by how much can you increase your production?

Mr. Kasturbhai.—We dare say we can increase it by 300 to 400 per cent. 15 years back we started bleaching in one of my mills and we were only doing that to the tune of 30 to 35 per cent. but to-day there are four mills under my management and 95 per cent. of my goods are bleached. I have figures recording year by year how much I have progressed and I am prepared to submit those figures to the Board, and where we had six *dhobies* for bleaching we have now at least 600 men.

President.—What were these men doing before?

Mr. Kasturbhai.—They have been imported from the United Provinces and Marwar: they are by caste *dhobies* and they don't do any other work.

President.—They are not necessarily an original part of the Ahmedabad social economy, are they?

Mr. Kasturbhai.—No. We expect similar progress in hand-printing.

President.—What is your present production of printed goods?

Mr. Kasturbhai.—It would be very small compared to the total production.

Mr. Boag.—You say in answer to Question 15 that some mills have installed printing plants.

Mr. Kasturbhai.—Yes.

Mr. Boag.—Are they working?

Mr. Kasturbhai.—At least one of them have started work at the Calico mills: one at Bombay in the Currimbhoy mills and another at the Sassoon and Standard mills.

President.—You are referring to the whole of India?

Mr. Kasturbhai.—Yes.

President.—Would you say that one per cent. of your production now is hand-printed?

Mr. Kasturbhai.—I will take out the figures of my mills and give you. It will be a mere fraction.

President.—If you take a few of the largest mills or representative mills, it would be useful.

Mr. Kasturbhai.—Yes.

President.—I have seen reference to hand-printing so often but have not the least idea what part hand-printing plays in the production of Ahmedabad, and I should like to have that clarified.

Mr. Kasturbhai.—One great advantage in hand-printing against machine printing is that while in machine printing you can have two or three blocks of designs to turn out thousands of yards of one pattern here for every little piece you can have different designs and it is all in fast colour. I do not know whether you noticed during your inspection of the mills hand-printing being most beautifully done in one of the mills here.

President.—With regard to point 16 what is your opinion? At the time Mr. Hardy reported in 1929 he held the view that if there was a decline in the price of Japanese piece-goods that decline was completely accounted for by a decline in the price of raw cotton. I notice you have made no comment on that.

Mr. Kasturbhai.—We have made no comments wherever we felt it would be guess work. As far as the price of cotton is concerned we have figures, but as far as the quality is concerned whether the same qualities have been worked at or different qualities have been taken we have not the least idea.

President.—What has happened is that while the price of raw cotton, taking 1926 to 1931, has fallen by 50 per cent., cotton manufactures have fallen by 22½ per cent. This appears to me to be the correct proportion, but if you take representative kinds of Japanese goods during the same period they have not fallen by 22½ but very nearly 45 per cent. which appears to indicate that the fall in the price of Japanese piece-goods is greater than is indicated by the fall in the price of raw cotton.

Mr. Kasturbhai.—That is so.

President.—But that is true only since 1929. What that indicates is that Japan has been able to reduce its costs of production or Japan catering for a large number of export markets is able to arrive at these prices in the export markets according to the conditions of each market by some arrangement of that kind, and the result is that every time the duty has increased in India prices have fallen correspondingly.

Mr. Kasturbhai.—That is so.

President.—There appears to be no limit to the flexibility of Japanese production costs.

Mr. Kasturbhai.—Whether it is the flexibility of production costs or whether it is due to some kind of assistance. . . .

President.—Over a period of three or four years you can't get a mechanised Government like the Japanese Government to help in that way. Japan is in serious financial difficulties now.

Mr. Kasturbhai.—Immediately this protection was granted in 1930 they made some reduction in freight and gave some bounty.

President.—As a matter of fact I have heard various suggestions about this. Recently two people were in Japan, one of them a Dutch manufacturer and another I believe an American, and they tried to investigate every possible source of information in Japan and they came to the conclusion that reduction in Japanese prices could not be accounted for on the basis of State subsidies and it looks to me therefore that it is rather a far-fetched explanation.

Mr. Kasturbhai.—One great feature of the Japanese textile industry is that there has been great progress as far as the spinning and weaving sections are concerned; that is to say if a worker was minding two sides in 1929 he was minding three in 1930, four in 1931 and eight in 1932; that has been a regular feature of the Japanese textile industry. There has been reduction in labour costs by increased efficiency of the worker in minding more machines both in spinning and in weaving section.

Mr. Shantilal.—They introduced automatic looms.

President.—That is an ancient affair but these prices were reduced since 1930 steadily. Do you accept this statement of Mr. Hardy (No. XVIII)?

Mr. Kasturbhai.—That is absolutely correct.

President.—That area for area fine cloth is even cheaper than coarse cloth.

Mr. Kasturbhai.—Yes.

President.—I will tell you how I have been looking at it. If you look at page 85 of Mr. Hardy's Report, table at the top of that page, there you have grey dhutis, same dimensions, same reed and pick, same width coloured borders and the price is given there in pence per unit area. Do these prices substantiate the conclusion?

Mr. Kasturbhai.—Yes.

President.—It doesn't as far as I can make out.

Mr. Kasturbhai.—The difference is very slight except in the one case.

President.—Except in 3 cases out of 7.

Mr. Kasturbhai.—Yes.

President.—You take 70/110.

Mr. Kasturbhai.—That is a little higher, because that is very fine.

President.—Therefore it applies only within certain limits.

Mr. Kasturbhai.—As a substantive proposition it is a correct statement.

President.—Another point I should like to raise with regard to that is this: supposing you take a cloth 32/40 and you take a cloth 70/110, both having the same reed and pick, do you think you would be able to wear a cloth woven of 70s x 110s having the same reed and pick?

Mr. Kasturbhai.—No.

President.—Therefore the proposition is intensively theoretical.

Mr. Kasturbhai.—Not intensively theoretical. It has happened in the actual trade that the finer cloth has been many a time cheaper compared with the coarser cloth.

President.—Within certain limits.

Mr. Kasturbhai.—Yes.

President.—But to a very large extent the proposition is untrue. It applies only within certain narrow limits. If you take a cloth woven of superior counts, it would be necessary for you to have higher reed and pick.

Mr. Kasturbhai.—That is so.

President.—Otherwise the cloth would be unwearable. If you allowed higher reed and pick, the cost would go up.

Mr. Kasturbhai.—The difference that has been taken up in this case is very wide and counts of yarn 30s×40s when compared to 70s×110s have a very wide margin. If you take 20s×30s and 30s×40s, it will compare very favourably.

President.—Therefore I am right.

Mr. Kasturbhai.—If you take reasonably equal proportions.

President.—If you take a margin indicated by say about 15s to 20s, you might be right.

Mr. Kasturbhai.—The price of a pair with 20s 30s yarn and 40 reed and pick in my mill is the same as 40s 60s, 40—80 reed and pick. Area for area is the same; the price is the same and the counts vary. At the same time the reed and pick are heavier. No sooner you go to very fine yarn, the cost is more than proportionately high. That does not stand comparison with 30s×40s.

President.—What you save on your raw cotton is paid by the higher wages, in manufacturing costs. The real test to apply in this particular kind of cloth you are considering is to what extent do manufacturing charges above costs exceed the saving that you make on raw cotton. That is what it really amounts to.

Mr. Kasturbhai.—Yes.

President.—I should like to ask one question about artificial silk. May we deal with them entirely on the basis that they are a class of goods which compete generally with coloured cotton goods?

Mr. Kasturbhai.—Yes.

President.—Supposing we find on investigation that a particular rate of duty is necessary for coloured piece-goods, assume for the time being it is a specific duty and we apply the same specific duty to artificial silk goods, would that meet the situation? Take for instance the cotton fancies made in Indian mills. We take the prices that Indian mills are able to get for their cotton fancies. They are low for the reason that cotton fancies have to compete not merely with imported fancies but also against artificial silk. There the price realised for cotton fancies is a price which reflects in both directions. I take the difference between the Indian cost and the actual price that the Indian mills can get, fix that as the specific duty; apply that specific duty not merely to imported cotton fancies, but to artificial silk, would that meet the situation?

Mr. Kasturbhai.—It would very much depend on what is the cost of Japanese artificial silk yarn, because if that artificial silk yarn cost goes down, it is probable that in spite of the same duty being levied as on the fancy coloured cloths, they may be able to compete.

President.—We will provide against that. We can insert a provision to the effect that if the prices of any important imported piece-goods fall below the level which we take into account in fixing the scheme of protection, the duties can be adjusted. Assuming there is an offsetting provision of this kind, then would the scheme satisfy you?

Mr. Kasturbhai.—Yes.

Mr. Patel.—At present the duty is 50 per cent.

President.—Prices have come down. Supposing we put it on the specific duty?

Mr. Kasturbhai.—Artificial silk must be specifically separate.

President.—On what basis are you going to fix it?

Mr. Kasturbhai.—Why not fix it on an *ad valorem* basis.

President.—Prices at present I suppose are about 4 annas. You make it 100 per cent. The duty would be 4 annas. To-morrow the price would be 3 annas. 100 per cent. would give you 3 annas. If you fix it as a specific

duty, you get 4 annas in spite of the fall in price. If you want me to fix a different rate of duty for artificial silk goods, on what basis do you suggest that I should make my calculations?

Mr. Kasturbhai.—It depends upon the particular portion where the artificial silk is used. It all depends whether it is fully artificial or 50 per cent. artificial or less than 50 per cent. artificial.

President.—The only way in which you can fix it is by taking what I may call a fair selling price to the Indian industry and an important price. The difference between the two is the measure of protection. It is only on that basis I can fix a duty even on artificial silk goods. Since artificial silk goods are not made in this country we can't get a fair selling price for Indian goods.

Mr. Kasturbhai.—The only thing to be done is to take the rates for fancy goods.

President.—In reply to Question 2 you have not given us any information. You are not in a position to give it.

Mr. Kasturbhai.—That is so.

President.—The prices of comparable classes of goods imported from United Kingdom and from Japan. I should like very much to get detailed information from you in the markets with which you are familiar.

Mr. Kasturbhai.—If you like we shall submit samples of cloth that are being imported with the cost of production.

President.—We don't want samples. We are not in a position to judge whether one class of cloth is comparable to another cloth. I want you to tell me from your experience and knowledge, "these are United Kingdom's and these are Japanese goods. From our experience and knowledge of the market we consider that these may be taken approximately as comparable classes. The wholesale market price of the Japanese cloth is so much. The wholesale market price of the Lancashire cloth is so much. Therefore the price of the Lancashire is 10 per cent., 15 per cent., 20 per cent. higher than the Japanese price". Could you give us for dozen important varieties of cloths? Find out from your experience comparable classes of imports from United Kingdom and imports from Japan and give the margin of difference between the imported Japanese and the United Kingdom. That is what I would like to have. Could you do that?

Mr. Kasturbhai.—It is very difficult. As it has been said in Mr. Hardy's Report, it is not merely the same class of goods that come in competition with each other.

President.—It is very difficult for you to fix precisely the comparable prices. That is perfectly true. The market has a certain accumulated knowledge of these things on which it operates. There must be big dealers with whom your industry must be dealing.

Mr. Kasturbhai.—The class of goods that are competing with each other are not identically the same in all cases.

President.—I admit that.

Mr. Kasturbhai.—Mr. Hardy has pointed that out. He says:

"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".

President.—It is all very well to make that suggestion. He was not asked to consider protective duties.

Mr. Kasturbhai.—Read from Mr. Hardy's Report:

"Nor must it be forgotten that a general movement of prices over any considerable part of the total range of piece-goods is apt to reverberate over the most distant parts of the range".

President.—That is a general economic proposition which is probably sound. I want you to tell us by looking at the samples and from your experience of the market these may be taken for practical purpose as comparable kinds of cloth and the difference in prices are so and so.

Mr. Kasturbhai.—How do we indicate?

President.—I will tell you how to do it. You give me the United Kingdom cloth and give me the dimensions and the wholesale market price. You take a Japanese cloth, give me the dimensions. The dimensions may be different, but for practical purposes the market considers them comparable. You give me about 12 cases of that kind. That is all I want. No. 1 United Kingdom and A Japanese may be regarded as comparable. You would have to commit yourself to that extent.

Mr. Kasturbhai.—Even if the counts differ, it doesn't matter.

President.—If the market accepts it as a probable substitute?

Mr. Kasturbhai.—Yes. With regard to artificial silk goods, do I understand that it covers the artificial silk yarn or it does not?

President.—What is your proposal about artificial silk yarn? Do you want a duty?

Mr. Kasturbhai.—Absolutely because it is the most important proposition from this point of view that there is a big silk industry which can only grow if it is protected from the competition of foreign countries.

President.—Silk industry is not included in our terms of reference.

Mr. Kasturbhai.—Some of us are using at present in our finer varieties of goods genuine silk in place of artificial silk. Handloom weavers have been included in the terms of reference.

President.—This would be rather a hardship on the handloom weaver, because I notice that handloom weavers use a good deal of the artificial silk yarn.

Mr. Kasturbhai.—When we come to the handloom weavers whether it will be a hardship, we will consider.

President.—As a matter of fact the Mysore Chamber of Commerce have sent an application to the Government of India asking for protection. I think that question might stand over till then.

President.—With regard to Question 3, I should like the Ahmedabad Millowners' Association to give me some information on this question too, because it is very important from our point of view. I want to know how during the past few years prices of various classes of goods move in relation to one another. If you take coarser kinds of cloth, if you take medium classes and if you take the superior finer classes, how have prices varied as between these different classes? If it becomes necessary for us to fix the protective duties on a specific basis and not on an *ad valorem* basis, then the only way in which we can calculate the rates of specific duties for various kinds of cloth is this. We can take the Indian cost of manufacture of some representative class of cloth, 30s x 40s or whatever it is. It is that class of cloth in which competition is keenest. You calculate an Indian fair selling price for that. Let us assume that it is somewhere above 40s. We try to see what is the price according to present conditions of competition from imported goods that particular class of cloth fetches. The difference between the two is the measure of protection. Supposing it is plain bleached goods, you get a figure of 5 annas per lb. it will be necessary for us for the simplification of Customs Administration to apply that 5 annas to the whole range of cloths included in that category plain white.

Mr. Kasturbhai.—Without any difference in counts?

President.—That would be very difficult to determine for customs purposes. Therefore whatever duty we find is applicable according to our method of calculation to a cloth round about 40s, that would apply to the whole range of cloths. There the Tariff Board would be up against a serious difficulty. Supposing that duty of 5 annas is applied to say 20s, it would

bear on an *ad valorem* basis a very very high proportion. 20s are the kinds of cloth worn by the poorer classes of the country. The Legislature and the Government would ask us if you applied a duty of 5 annas, it might be 100 per cent. Are you going to place such a heavy burden on those classes which are least able to bear it? One line on which we can make a reply to that question is this. Though we apply the duty of 5 annas to those coarser kinds of cloth since the Indian mills are at present manufacturing the whole of the Indian demand for that kind of cloth, the internal competition will keep prices down to a level lower than that indicated by the duty. Is not that so?

Mr. Kasturbhai.—Yes.

President.—Theoretically it is a very valid argument but I find in the textile industry you will have to be careful about theoretical maxims. Therefore I am anxious to know how exactly prices have moved in the past 4 or 5 years? That to my mind is a very important point.

Mr. Kasturbhai.—Shall we give it for 3 years?

President.—If you give for 5 years, we shall be obliged.

Mr. Kasturbhai.—For two kinds or more?

President.—You can see Question 3 for that. Take four kinds—15s to 20s, 21s to 30s, 31s to 40s and 41s to 60s?

Mr. Kasturbhai.—It would only be possible for us to supply for two kinds?

President.—Which are they?

Mr. Kasturbhai.—20s to 30s, 30s to 45s and 45s to 60s.

President.—They will do.

Mr. Kasturbhai.—If you want to know how the price of these kinds has moved with the price of cotton from which those kinds are made, you will have to find that out from the price of Broach cotton.

President.—Can you not eliminate the raw cotton factor?

Mr. Kasturbhai.—No.

President.—I will tell you why. You have 20s to 30s, 30s to 40s and say 45s to 60s. Supposing there are three classes of cloth, you take 10 different dates during the past three or four years and give me the prices on those dates of each of these classes of cloth. I know how 20s to 30s has moved; I know how 30s to 40s has moved and also how 45s to 60s has moved, the cotton prices being the same in regard to each of these classes of cloth. I am looking at the question entirely in relation to the way in which each class of cloth has reacted upon the other?

Mr. Kasturbhai.—That won't be right. The price of cotton would not move in the same ratio as far as these different kinds are concerned. As far as 20s are concerned you are right, because that kind will mostly be made from Indian cotton, but as regards those kinds which are made from imported cotton, the premium on the imported cotton varies during the course of the year to such an extent that it may differ to the tune of about Rs. 100 to Rs. 150 per candy, that is 4 annas per lb. Take for instance the East African cotton, Kampala. The premium was only Rs. 90 over Broach about three months ago. To-day it is Rs. 115. That is a difference of Rs. 25. That is only a very small fluctuation which has taken place. But sometimes it varies from 100 to Rs. 250 over the Broach prices that is to say if the Broach price is Rs. 250, the premium of the Kampala is Rs. 115. The same remarks apply to cloth made from Egyptian cotton. As you know, there being a very huge crop of Egyptian cotton during the last two years, the premium has come down by a crash as it were. The difference ordinarily would be between Rs. 200 to Rs. 250 over Broach or Surat cotton. It went down as much as Rs. 100 for particular varieties.

President.—That is going to be rather a difficult point.

Mr. Kasturbhai.—We do not wish to give it considering from this point of view that it will not be in the same ratio as the Broach. I quite

understand as far as local Indian cotton is concerned because the variation in the premium is only to a very slight extent—Rs. 10 to Rs. 20 here or there.

President.—There is also another difficulty in that. The point that you are raising is with regard to the variations in the premia of different classes of cotton. There is another point also in it. Supposing we get all the cotton prices during the period for which you are giving the prices of piece-goods, it is not merely the differences in the premia that we have to take into account but also the proportion that the raw cotton cost bears to the total cost in regard to each of these different classes?

Mr. Kasturbhai.—Yes.

President.—That would differ?

Mr. Kasturbhai.—Very much. Not only that, but it cannot be compared again with the imported class because the cloth that may be imported in the month of May may have been manufactured in the month of December when the premium of that Egyptian or Kampala cotton may be only Rs. 100 or Rs. 150 while when the cloth is being imported, the premium may have been raised to Rs. 250. Therefore my cost might differ.

President.—If you give me 10 or 12 different dates, I average them out and say that these differences are smoothed out in that way. Will the Association apply their minds to this question because I am anxious to get some kind of figure; otherwise it would be very difficult for me.

Mr. Kasturbhai.—What we have felt all along is that we do not desire to submit figures which may be questioned afterwards. Whatever figures we have submitted to you in our memorandum and in our replies to the questionnaire are based upon facts which we can substantiate whenever we may be called upon to do so. A responsible body like ours would not like to give figures which may be questioned by some other body afterwards saying that these figures were merely given off-hand to the Tariff Board.

President.—The Tariff Board is also a responsible body and we generally have to make statements which are not exactly based on facts. I had better make this point clear. If I cannot prove that a specific duty calculated on the basis of the cost of superior counts will not prove burdensome on the coarser counts, then I am afraid the case for protection on the basis of specific duty would greatly be hampered.

Mr. Kasturbhai.—As far as coarser counts are concerned, it is India which is supplying practically 100 per cent. of its requirements, and in spite of the protective duty, for the last two years, it has been proved to the hilt that there has been no profiteering by any of the Indian concerns.

President.—It is not a question of profiteering?

Mr. Kasturbhai.—Because the protective duty is there, naturally the result will be that Indian mills will demand a higher price from the consumer than they would have obtained under normal circumstances, that is, without the protective duty. If with the protective duty for the last two years the Indian mills have not been able to raise their prices, it very conclusively proves. . . .

President.—That is what I want you to prove?

Mr. Kasturbhai.—From the profit that has been earned, it can be seen.

President.—That won't do. Your point is this. In the course of your argument you stated that although the protective duties had been raised, the Indian mills were not able to increase their prices of the great bulk of their goods. Is that not what you said?

Mr. Kasturbhai.—That is right.

President.—I am asking you to give me figures which will show that in the case of certain classes of cloth of coarser counts, prices have not been raised?

Mr. Kasturbhai.—That is to say, our prices of coarser counts have moved with the prices of cotton.

President.—And that the duty has had no reaction?

Mr. Kasturbhai.—That can be done very easily in the case of coarser counts.

President.—Confine your attention to coarser counts?

Mr. Kasturbhai.—We will take 20s and 30s and give for 10 or 12 varieties such as bleached, striped shirting, longcloth, etc., for the last 5 years—“These are the dimensions of cloth and these are the prices at which they have been sold”.

President.—Leave out the classes which are woven out of superior counts of yarn.

Mr. Kasturbhai.—I understand. You will find from the balance sheets of two or three mills that after the protective duties have been raised, their profits have not appreciated.

President.—That might cut both ways.

Mr. Boag.—It might be due to mismanagement.

President.—That would lend itself to the conclusion that even on the superior class of cloth, your organisation is so bad that you cannot take advantage of the protective duty.

Mr. Kasturbhai.—As regards organisation, you have seen it for yourself.

President.—Balance sheets are dangerous weapons. They cut both ways. I shall tell you what the Bombay Millowners' Association did. They gave us prices of 4 or 5 classes of cloth of counts between 31s and 40s for a period of years which suggest the conclusion that they have been able to make a better use of the protective duty on the higher counts than on the lower counts. If we could get some figures from you, it might help in making the argument stronger.

Mr. Kasturbhai.—Yes.

President.—With reference to your reply to Question 6, the point I want to put to you is this. Supposing as a result of our investigation in this enquiry we come to the conclusion that the need for protection is confined to Bombay; Ahmedabad is prosperous, Cawnpore is prosperous, Calcutta is prosperous and so on but the need for assistance is confined to the Bombay section of the industry where it is particularly great, in that case are we justified in suggesting to the Legislature that protection should be granted on a general scale or a general case for protection has been established? The Tariff Board in 1926 did not definitely commit themselves to any particular view, but from various things they said in the course of their report I gather they took the line that the case for protection rose entirely out of the particular circumstances of Bombay and there was no general case for protection. Supposing on the facts under investigation we came to the same conclusion, on what ground are we justified in saying that a general case for protection has been established? That is the whole issue that we are raising in Question 6. There is one point straightaway which may be made. Bombay represents in spite of the decline 40 per cent. of the total Indian production and prices of Bombay therefore are bound to have a very definite reaction on prices throughout the country. Supposing we withdrew protection, Bombay, being situated in a port centre, is directly open to external competition and as a result of that Bombay prices are depressed, the result would be a definite reaction on prices in other parts of the country because Bombay still represents the biggest single centre of production. That is one point that you accept?

Mr. Kasturbhai.—Yes.

President.—The other point is this. Supposing Bombay production declined as a result of protection being withdrawn, would that deficiency be made up in the main by other centres of production like Ahmedabad or by countries like Japan and the United Kingdom? Supposing you are in a position to meet competition even without the assistance of protection, say with simply a revenue duty of 20 per cent., and Bombay is not in a position to do so, the result will be that when protective duties are withdrawn

the production in Bombay will be considerably reduced. Would that deficiency be made up in the main by increased production at centres like Ahmedabad, Cawnpore, etc., or would it be made up in the main from imports from the United Kingdom and Japan?

Mr. Kasturbhai.—It goes without saying that the deficiency will be made up by imports from countries like Japan and United Kingdom because after all, as far as these imports are concerned, they have the experience behind them of past so many years. They are technically much better equipped, as far as finer varieties of goods are concerned, than any of the Indian concerns. Our imports to-day are in the vicinity of 800 million yards.

President.—I understand from Mr. Arno S. Pearse that some of the Ahmedabad mills are more efficiently organised than many other mills.

Mr. Kasturbhai.—It is very good of him to pay us that compliment. But whatever organisation we may have, with regard to machinery or the men, you will concede that before an industry can establish itself on a sound basis, what is most important is that it should have a grasp of the technique and that it should have experience behind it. If America which is the home of American cotton cannot stand in competition with Lancashire which by importing its cotton from America used to export cotton goods to America, it can easily be said that India is certainly in much less position to stand in competition with Lancashire. If I have not made myself clear, I shall explain my point. America has been obliged to levy a heavy import duty against imports from Lancashire merely because, though it can find its cotton at its very door and though it is as well equipped if one may say so—as far as technical equipment is concerned, perhaps in certain lines America is far ahead of Lancashire—as far as cotton goods are concerned, America could not withstand the competition from Lancashire which used to import cotton from America, manufacture it and export it back to America. It has been obliged, as you know, to levy a heavy import duty in order to stop the imports from Lancashire. I submit that if the protective duty is withdrawn, India will be faced with an enormous price reduction both in respect of British imports and in respect of Japanese imports. As far as Japan is concerned, you yourself have conceded that it is managing to export its surplus in a way which baffles imagination of calculation.

President.—We will leave it at that. Now I come to the question of freights. The suggestion that I want you to consider is that if duties at a sufficiently high level are introduced then the Bengal mills are going to get practically the whole of the Calcutta market in the near future and Ahmedabad and Bombay will get progressively diminishing share of the market in Calcutta. It is based on this: if you take finer classes of goods woven out of imported cotton Calcutta can get imported cotton cheaper than Ahmedabad. Calcutta has got to bear no freights as far as the Calcutta market is concerned and in all respects Calcutta has an advantage over Ahmedabad. The future, therefore, under a system of import duties is not bright for Ahmedabad?

Mr. Kasturbhai.—No one will be more pleased to see Bengal producing and supplying its own needs—

President.—A greater part of the Indian market.

Mr. Kasturbhai.—We feel that the same remarks apply to this proposition as the remarks I made with regard to Lancashire that Lancashire by its experience and by its technique is in a position for many years to come to compete with the recently growing industry in other centres. Similarly we think Ahmedabad should be able by its technique and experience to compete in those markets.

President.—That is one way of looking at it.

Mr. Kasturbhai.—As you know, India has not expanded its requirements of cloth for the past so many years: economic condition of the country has remained very bad for many years but it can't remain stagnant for ever. Days are coming when we expect that India will be able to

consume much larger quantities of cloth than it is consuming at present, so that if there is an expansion of production in Calcutta or any other centre, I dare say it will be taken up by the expanding cloth markets in various centres.

President.—There the point is that the local market which is open to Ahmedabad may expand but with regard to the first point you have referred, namely Lancashire's advantage as a result of having been long in the field and so on, I suggest that the real relation between Ahmedabad and Bombay mills on the one hand and the new Calcutta mills on the other is the relation which exists at present between Japan and Lancashire: that is to say, the Calcutta mills being able to learn from the past mistakes committed in Southern India are going to organise their business with further efficiency and therefore you will be in the position of Lancashire and they will be in the position of Japan.

Mr. Kasturbhai.—My point is this: If Lancashire is in its present position to-day it is because of its orthodoxy and not keeping up with up-to-date methods of production as well as marketing. If Ahmedabad mills remain in the same state, let that end be met by them, but if Ahmedabad is at all alive to its duties it will keep abreast of the times and will see that it does not get into the stagnant position in which Lancashire finds itself to-day.

President.—That is all we can say about it. There was some suggestion made to us in Bombay that the railway freights from this part of India to Calcutta should be reconsidered. Are you making any definite proposals with regard to that?

Mr. Patel.—We made representations to Government and it was reduced from Rs. 2-12-0 to Rs. 2-4-0 on the strength of our representation.

President.—If you take the most direct route what is the lowest rate that you get from Ahmedabad to Howrah?

Mr. Patel.—Rs. 2-4-0 per Bengal maund; formerly it was Rs. 2-12-0. Ahmedabad mills subsequently began to send their goods through Bhavnagar, thereafter it was represented to the Railway Company that if they did not reduce the rates the traffic would be diverted to that line. Thereupon a special rate of Rs. 2-4-0 was fixed by them. It was going to be reduced to Rs. 1-12-0 but as I understand, the Bombay, Baroda and Central India Railway Company intervened.

President.—It comes to about 5 pies per lb.?

Mr. Kasturbhai.—Yes.

President.—You have no idea what is the per-mile-maund-rate? This is below the lowest ordinary class rate?

Mr. Kasturbhai.—We are not sure of that.

President.—What is the actual distance from Ahmedabad to Howrah?

Mr. Patel.—1,300 miles and odd.

President.—This I think is probably the lowest class rate. If it is .3 then without waiting for a report from the Tariff Board can't you make out a case? Because I notice rates as low as .24 have been kept.

Mr. Kasturbhai.—From Bombay to Calcutta they have direct competition and therefore the rate is cheaper.

President.—The steamer route takes about 30 days?

Mr. Kasturbhai.—Yes.

Mr. Shantilal.—The rate from Bombay is Rs. 1-9-9.

President.—Bombay would be .255 and you are above .36.

Mr. Shantilal.—They are not prepared to grant us any further reduction, because we can't produce competitive rates against this.

President.—That I think is a case for the Railway Rates Advisory Committee.

Mr. Shantilal.—I saw the Traffic Manager at Calcutta. He told me that the East Indian Railway was also a limited company and unless we could

only produce direct competition and show that the traffic can be diverted through another route which would result in a loss to the East Indian Railway he could not move in the matter. Then we actually produced figures of several hundreds of bales going *via* Bhavnagar and then only the rate was reduced.

President.—Who are the people you are concerned with?

Mr. Shantilal.—Bombay, Baroda and Central India, Great Indian Peninsular and East Indian Railways. The East Indian Railway were prepared to consider a further reduction but the Bombay, Baroda and Central India people took objection.

Mr. Boag.—On the first page of your Appendix A you quote rates by rail—sea route to Madras, Calcutta and Rangoon and say that this route is not yet in working order.

Mr. Kasturbhai.—This information was obtained from the steamship company.

Mr. Boag.—Is it likely to come into force?

Mr. Kasturbhai.—When we addressed them that was the remark they made. I think it was some time in June.

Mr. Boag.—Have you ever had these rates?

Mr. Kasturbhai.—It is not the practice of our members to send goods by sea if we can get reasonable rate by rail because what happens in the case of the sea route is that we are not at the port and therefore in any case we have got to go a certain distance by the rail route, for which the rate would be high, and then transport the goods to the ship and send it to destination. That takes much longer time and that is the most important factor in the sale of goods. That being so we have to rely on the railways instead of the sea route.

President.—It is simply a question of whether this Rs. 50 a ton from Ahmedabad to Calcutta which is considerably lower than the railway rate is enough to compensate for the additional time taken.

Mr. Kasturbhai.—It does not pay.

Mr. Patel.—We have to pay wharfage, insurance charges and so on, and all that make it more expensive. From Ahmedabad to Bombay it is Rs. 1-1-5; the saving is Rs. 1-3-0 and for that we have to pay loading and unloading, wharfage, insurance and further freight from Bombay to Calcutta.

President.—These rates do not cover transshipment?

Mr. Patel.—It does not. Rs. 1-1-5 is for 300 miles. If the special rate is given for Bombay then perhaps we should be able to compete by the sea route.

President.—Probably it is a little more than simply the question of cost of transport: you have got to perform your contract within the specified time.

Mr. Shantilal.—Yes, delivery will be late.

President.—Now I come to the question of handlooms. We have received suggestions from a large number of individuals and associations interested in handloom industry that the present system of protective duties has proved a serious handicap to the handloom industry and therefore it is suggested that the protective part of the duty on yarn should be either abolished or considerably reduced. We are seriously considering that question and I should like to know very much the views of your association in the matter. Before you answer me, let me tell you how exactly I presented the case. The way in which I put the case to the Bombay Millowners' Association was that if you take the coarser counts of yarn, say 20s and below, there the mills are obviously at a considerable advantage in the matter of manufacturing costs over exporting countries for this reason that in regard to coarser counts of either yarn or cloth the margin above the raw material costs is relatively small: economies of large scale production are entirely

confined to the margin above raw material costs and therefore where that margin is small to that extent the advantage to countries like Japan is limited. That is a general consideration. My point therefore is that on those counts of yarn the Indian industry requires no particular assistance. That is confirmed by the import figures with regard to coarser counts of yarn before 1927-28 when the duty was imposed and afterwards. There is no perceptible difference. It appears to have made no difference to the quantities imported and therefore that general consideration seems to be substantiated by the actual figures of trade. Now, with regard to medium counts, from what the Directors of Industries in different parts of the country have told us we find that it is in cases of cloth manufactured from medium counts of yarn that the handloom weaver finds it difficult to compete with the mills. On the coarser counts he can compete precisely for this reason that economies of large scale production in a textile mill are rather limited when we come to coarser counts. In regard to finer counts where you require artistic designs there the handloom weaver is at an advantage because it can't get it produced by machine. Therefore it is on the medium counts that the handloom weaver finds it difficult to compete. If on purely general considerations of that kind we find that it is difficult for the handloom weaver to produce cloth from medium counts and then on top of that we place a handicap in the shape of additional duty on yarn we make it difficult for him to produce this kind of cloth. The only market for yarn produced by the Indian mills is the handloom and therefore if the handloom industry is going to perish as a result of this duty on yarn you are killing your market for yarn, therefore neither on the low counts nor on the medium counts is there a case for retaining the duty. That is the case for the abolition of the duty. Are you very keen that this specific duty should be retained?

Mr. Kasturbhai.—Absolutely, and the reason is this: for one thing I don't suppose that any Director of Industries has got statistics in his possession as to the number of looms that are working in different centres on different counts of yarn.

President.—There are pretty good statistics; they are not assumptions.

Mr. Kasturbhai.—Those are assumptions derived from the figures of production of Indian yarn and the quantity of imported yarn. As far as Indian yarns are concerned it is not known at all as to what is the quantity that goes into the weaving and what is the quantity that is marketed.

President.—If you look at Mr. Hardy's report, page 36, that table gives you a fairly complete statement of production of the Bombay mills—warp, weft and reeling. Practically the whole of reeling is yarn sold to the handloom weavers. Very little is used now. Therefore that gives you so far as the Bombay mills are concerned, the proportion of yarn taken by the handlooms.

Mr. Kasturbhai.—Bombay is only 40 per cent. of the total production in India. It may not be taken as a guide for the total consumption figure. Again as far as the imported yarns are concerned, as it is well known large quantities thereof used to come to weaving mills. Up to recently there have been more than 6 mills in Ahmedabad which had nothing but weaving sheds which used to weave cloth from imported yarn from time to time of finer counts. I submit the view of my Association. What happened in the case of the Match Industry? In the case of Matches there was a heavy import duty for revenue purposes. What happened was as there was a heavy duty and as there was a good deal of margin in the manufacture of matches locally, instead of putting up a proper match factory, people went in for small factories with practically no capital, imported splinters, imported veneers and made or coined money in that factory at the cost of the public at large. Similarly if you take off the duty on imported yarn because the difference will be great, there is no knowing that instead of helping the handloom weaver, in any manner it may not help a small investor to put

up a weaving factory, use the imported yarn and market it as the handloom made stuff.

President.—I cannot give you the details of my data, because all the costs have been given to us in confidence, but I said to you that as far as yarns of counts 40s and below are concerned, even if the specific duty were removed, no Indian mills speaking generally will find it worth while to import the yarn required for use in the weaving departments of their mills.

Mr. Kasturbhai.—It is entirely wrong, because I am prepared to submit to you figures that during the last 10 years 6 or 7 mills in Ahmedabad consumed good quantities of yarn.

President.—Below 40s.

Mr. Kasturbhai.—Certainly 30s, 40s, 50s, but mainly 32s, 40s and 60s.

President.—Would you give me figures?

Mr. Kasturbhai.—Not only will I give you figures of yarn consumed by the mills, but their balance sheets to show that they did well with the imported yarn.

President.—I should like to get a statement.

Mr. Kasturbhai.—There were half a dozen or more weaving factories in Ahmedabad alone not to speak of other parts of India with 500 or 300 looms which went on weaving and to-day there is one factory—I do not know whether it is using foreign yarn.

President.—Is it your suggestion that since the duty is levied, all these mills which were simply weaving sheds have also begun to spin their yarn?

Mr. Kasturbhai.—I will submit to you the names of the mills which were mere weaving sheds for the last 8 years, were weaving cloth from imported yarns of counts varying from 30s to 50s and which were obliged to put in spinning plants after the import duty came in.

President.—I should like to get the figures.

Mr. Kasturbhai.—Yes.

President.—We want to know the number of mills, the quantities of yarn used and the different counts of yarn used.

Mr. Kasturbhai.—Yes.

President.—Accepting your statement for the time being as correct, supposing the specific duty was applicable to yarn up to 50s, but not beyond that, would you accept that?

Mr. Kasturbhai.—That is reasonable. What I submit is this that the real remedy of the handloom weaver does not lie in doing away with the import duty, but by reforms in other directions.

President.—I am coming to that question later on. We have got to report a finding on this question. Taking your statement for argument's sake to be correct, we drop the idea of abolishing the duty, but consider the question of revising the duty in some form; suppose the specific duty on yarn was made applicable to counts up to 50s but not above, as far as your Association is concerned, you would accept it.

Mr. Kasturbhai.—It would perhaps meet the situation.

President.—But your preference is that the duty should be continued on all counts of yarn, but the necessary assistance should be provided to the handloom weaver in other forms.

Mr. Kasturbhai.—Yes.

President.—What other forms?

Mr. Kasturbhai.—Take only the imported yarn, as we are dealing with imported yarn, and let us find how to replace the imported yarn without any handicap to the handloom weaver. I find on an average the imports are 43 million lbs., or 40 million lbs. To produce that 40 million lbs. of yarn is a very easy proposition for the Indian mill industry. 40 million lbs. of yarn whether of coarser, medium or finer counts could easily be produced

on 450,000 spindles. It is not even 5 per cent. of the present strength of the spinning industry in this country as such.

President.—For producing the present quantity of imported yarn?

Mr. Kasturbhai.—Yes. My proposal is this: let there be a sufficient protective duty to stop the imports of foreign yarn.

President.—You mean the duty on yarn?

Mr. Kasturbhai.—Yes, because the real difficulty from which the handloom weaver is suffering to-day is not 5 per cent. or 7 per cent. or 10 per cent. import duty, but because of the swadeshi movement, nobody is prepared to handle the stuff or to purchase the stuff made from foreign yarn. This is not a bogey that is being raised by Ahmedabad Millowners as such and if you will take the trouble to get witnesses from the districts where the handloom weaving is going on on a large scale—I know of towns where there are as many as 5,000 looms running on handloom industry—those representatives will tell you that the real difficulties that are being met with by the handloom weaver are that because of the swadeshi movement, he cannot market the stuff made from foreign yarn and therefore in our view the most important factor is that the handloom weaver should be assisted not by lowering the duty on foreign yarn but by giving him facilities to get the mill yarn of the required counts that he wants.

President.—Supposing we accepted your suggestion and maintained the duty on yarn at a fairly high level, so as to prevent the use of imported yarn in this country by handloom weavers, the result of that would be that the handloom weaver would be paying a higher price for his yarn unless you assume that the duty is inoperative. If he pays a higher price for his yarn, then obviously he is going to be in a position of greater disadvantage because of the competition with the textile mills in this country. I had better tell you precisely what I have in my mind. I am looking at the question historically. Till the end of 1925 there was an excise duty in this country. That excise duty provided a certain amount of assistance to the handloom weaver as against the mills. That was removed in 1925 and on top of that there is this additional handicap placed on the handloom weaver in the shape of a duty on yarn. While therefore the Government of India have been assisting the Textile mill industry all these 5 or 6 years, they have been neglecting the interests of the handloom weaver and we are concerned with the question of equities in this matter, is it right? My point is this: if you want to place the handloom weaver in the same position as the mills which he held before 1924 or 1925, it is necessary that the price that he pays for his raw material is made a little lower than it is now which you cannot give if you retain this duty and certainly not if you increase the duty. That is how I look at it. I believe the handloom weaver has been neglected during the past 5 or 6 years of legislation.

Mr. Patel.—Has not the handloom industry prospered?

President.—I feel they have been unfairly treated.

Mr. Kasturbhai.—There is no difference of opinion as regards the treatment to the handloom weaver. I don't suppose there is any other section of the public which has been very fairly treated by the Government of India as such.

President.—The mills have not been better treated than handloom weavers.

Mr. Kasturbhai.—We had to pay this 3½ per cent. for 30 years in spite of our protests. I would not like to go into the politics of that question. What I submit is that, as you yourself say, it seems to me from the point of view of the mill industry that the handloom weaver is the handmaid of the mill industry as such. There are certain varieties of cloth as we have indicated in our reply which cannot be made on a power loom and which can be easily and profitably made and marketed with a handloom. That being so, I am in a position to submit to you a scheme whereby it will be assisting both the handloom weaving industry and the textile industry.

President.—Are you going to begin with this point? You gave me this figure of 450,000 spindles. That point that you wish to make in that connec-

tion, is it a very easy matter to put up the spindles required for spinning the yarn that is now imported?

Mr. Kasturbhai.—Yes.

President.—That will be done only if there is a sufficient duty on imported yarn.

Mr. Kasturbhai.—My point is this: in order that he may have it without any loss of time and have it at a competitive price in your scheme there should be a bounty given to those who spin and market beyond a particular number of counts, say 30s for the handloom weaver.

President.—If there is a protective duty on yarn, the result of the bounty would be ineffective in keeping down prices, because prices would go up to the level of import duty.

Mr. Kasturbhai.—If the bounty is there, naturally the internal competition will be such that in spite of the 25 per cent. duty in the case of piece-goods, the millowner could not raise his price for the cloth. Similarly in the case of yarn with the bounty there will be so much internal competition that the handloom weaver will get his product cheaper than he gets it from any foreign country. The weaver who imports yarns is to-day paying in addition to freight, commission to two or three commission houses which will easily amount to something like 10 per cent.

President.—As far as the question of internal competition is concerned, I cannot accept your statement till you give me actual figures for proving that internal competition does tend to keep prices down. I will tell you why. I looked into the prices of coarser yarns of 20s and below. The result of the specific duty in 1927 was to put up the prices of the coarser counts of yarn to an extent which cannot be accounted for on the basis of raw cotton prices. They have made use of the duty in order to put up the prices of coarser counts of yarn. It is all very well to generalise about internal competition, but sometimes the figures are rather staggering. If it is a fact that, as a result of the duty in spite of the internal competition, you can put up prices to some extent, the man who has got to bear the burden is the handloom weaver and he cannot afford. From the point of view of national importance, I would say that the handloom weaver is of far greater importance than the textile mill.

Mr. Kasturbhai.—There is no difference of opinion.

President.—Therefore if this duty is going to place a burden on the handloom weaver, it is a serious matter for us.

Mr. Kasturbhai.—If you are diagnosing that the ills of the handloom weaver are in the import duty, then we submit that it is a wrong diagnosis that you are making. As has been pointed out by the Madras Director of Industries, his ills are in the great swadeshi movement which has come over the country and which hampers him from marketing his goods made from the imported yarn.

President.—Let me put the other concrete case. It has been suggested to us that there should be an excise duty and the Indian Merchants' Chamber object to an excise duty, because the name has its association. We suggest that we would call it a cess—we don't call it excise—a cess of one pie, two pies or three pies per lb. of cloth—and the proceeds of that cess are constituted as a central fund for the development of the handloom industry. What would be your Association's objection to that?

Mr. Kasturbhai.—My Association will have to consider that and submit a note.

President.—You need not bother about the rate.

Mr. Kasturbhai.—I quite appreciate the point.

President.—The idea being as a result of a handloom cess there will be created for the whole of India a central fund out of which allotments could be made to the various provinces for the development of the handloom industry. The other suggestion which has been made is, there ought to be

some arrangement for adjusting the counts of production as between textile mills and handlooms.

Mr. Kasturbhai.—As we have submitted in our replies it is an absurd proposition.

President.—You won't consider that at all.

Mr. Kasturbhai.—As we have said in our replies, as far as the coarser counts are concerned, it can easily be made out that mills should not go into particular counts of yarn either for spinning or for weaving. That is a feasible proposition. But to demarcate the varieties of cloth is next to impossible, because as you yourself have come across various varieties of cloth, they must be ranging to the tune of about thousands and to demarcate them and say that this variety constitutes for the handloom weaver and the other one for the textile manufacturer will be a task which could not be easily undertaken.

President.—As far as you are concerned, your Association is prepared to consider a proposal for limiting the specific duty to yarn of 50s.

Mr. Kasturbhai.—Yes.

President.—You are prepared to put before the Association this proposal about a cess for the development of the handloom industry. The other proposals you are not prepared to consider at all?

Mr. Kasturbhai.—They are impracticable.

President.—The question of adjusting production that is impossible and the question of entirely abolishing the specific duty on yarn that you consider would be undesirable?

Mr. Kasturbhai.—Yes.

President.—May I take it with regard to limiting the duty to yarn of 50s, you will communicate your considered views?

Mr. Kasturbhai.—Yes.

President.—There was something you wanted to tell us.

Mr. Patel.—Would it not be possible for the Government to earmark a portion of the revenues from the import duty for the handloom industry?

President.—You mean the protective duty. The revenues will disappear completely. The result of this protective duty will be that the Government of India will have to raise fresh taxes to meet the shortage.

Mr. Kasturbhai.—We are most anxious that there should not be even a single thread of imported cotton yarn coming into this country.

President.—There was some point that you wanted to raise in connection with artificial silk yarn.

Mr. Kasturbhai.—As far as artificial silk yarn is concerned, we submit that there is real silk from which the mills are manufacturing or using silk which is of an inferior variety in the textile industry.

President.—You want a higher rate of duty on artificial silk yarn?

Mr. Kasturbhai.—That is so, because it is very important both from the point of view of the handloom weaver as well as the textile manufacturer that instead of using the foreign article he may use the genuine swadeshi article which has to be had in abundance in this country and there is no reason why they should not use it.

President.—That is to say you are looking at the question from the point of view of the Indian Silk Industry?

Mr. Kasturbhai.—Yes, both from the point of view of the Indian Silk industry as well as Indian Textile industry or handloom industry as such, because, as I say, our difficulties have been manifold.

President.—You don't suggest that artificial silk yarn competes in any sense with Indian cotton yarn?

Mr. Kasturbhai.—It does.

President.—It is really used for borders, for definite purposes, for which cotton yarn would not be suitable?

Mr. Kasturbhai.—It is not merely used for borders; it is also used for other things.

President.—That could be met by applying the duty on artificial silk goods to silk mixtures. If you applied the duty to mixtures, would that meet the situation?

Mr. Kasturbhai.—If you apply it to mixture, it will be in the woven form. It will not be in the case of the artificial silk yarn as such.

President.—No.

Mr. Kasturbhai.—If these artificial silk yarns are allowed to be imported, then not only will the genuine silk industry suffer, but also the textile and handloom weaving industry will suffer.

President.—How?

Mr. Kasturbhai.—Because of the swadeshi movement, if any manufacturer to-day is known to manufacture a cloth with a mixture of foreign stuff, then his goods become unmarketable.

President.—They are not saleable?

Mr. Kasturbhai.—Yes. Therefore it is important that he should have the assistance of the silk yarn in such varieties where it is needed. That could only be developed and be had cheaper if the artificial silk yarn is banned as far as imports are concerned.

President.—If there is such a definite unwillingness to buy goods which contain artificial silk yarn, cannot we trust to that for checking the imports of artificial silk yarn? Is it necessary on top of that to have this restriction?

Mr. Kasturbhai.—If we can trust to that, then there would not be any necessity for this Tariff Board to be sitting here to-day and considering the question of imposing an import duty on the foreign stuff that is being imported. As you know, the imports have fallen from 1,400 to 800 million yards and this reduction has taken place not merely because of the import duty but because of the swadeshi movement. It is because that swadeshi spirit cannot be taken to be permanent, and there are bound to be ups and downs in the public spirit of the people, the import duties have to be there.

President.—But I thought that your argument was this. If you allowed the handloom weaver to use imported artificial silk yarn, then that placed him in a handicap for this reason that his goods which contained artificial silk yarn would be rendered unsaleable.

Mr. Kasturbhai.—Yes.

President.—That is the beginning of the argument. If that is so, if it is rendered unsaleable in the market, then obviously that is going to set matters right by itself. It is unnecessary for you on top of that to have this restriction?

Mr. Kasturbhai.—He will never take to using the genuine stuff. After all the handloom weaver is an uneducated person and you don't expect him to diagnose the evils or the difficulties with which he is faced. When he goes to the merchant, he will say "I don't want to buy it". The handloom weaver will not be able to find out whether it is because of the foreign mixture that is there or because of the texture not being of the kind that is required that he cannot find a sale. He will merely attribute it to something which is an unknown entity. That being the position, it is most important.

President.—Your argument is stronger from the point of view of the interests of the Indian silk industry.

Mr. Kasturbhai.—If you look at it, the argument is stronger from the reaction of the Indian silk industry, and I submit that it will help the textile industry and the handloom industry to considerable extent if the silk industry prospers. If we can get the genuine stuff cheaper than the artificial silk yarn, we will be using the genuine stuff. Is it not open to us to find

out what our requirements are? We find that our requirement is some substitute with which we can replace the artificial silk yarn.

President.—I believe this is precisely one of the grounds on which the Mysore Silk Industry is seeking assistance?

Mr. Kasturbhai.—As a matter of fact some of the mills in Ahmedabad have been experimenting with the genuine silk as such, because they would not agree to use artificial silk yarn. They are handicapped because of the price.

President.—I wonder if your Association can give us reliable figures in regard to the quantity of handspun yarn in the country?

Mr. Kasturbhai.—I don't suppose there will be any authority which will be able to give you that information.

President.—We have been trying hard to get some figures.

Mr. Kasturbhai.—It may be said that it has extended considerably during the last two years?

President.—There is a conventional figure of 50 million pounds which is given in the reports.

Mr. Kasturbhai.—700 or 750 thousand bales have been adopted in many reports for the last so many years.

President.—50 million lbs. is derived out of 750 thousand bales. 750 thousand bales is the quantity of cotton used for non-textile purposes.

Mr. Kasturbhai.—Yes, including the manufacture of handspun yarn.

President.—It is very difficult to calculate from that?

Mr. Kasturbhai.—As far as the stuffing purpose is concerned.....

President.—If you multiply it by 400, what do you get? You get 300,000,000 lbs. The usual figure is 50,000,000 lbs. I do not know what is the basis of that figure.

Mr. Kasturbhai.—That quantity cannot go in hand spinning.

President.—Much the greater quantity of it is used for various other purposes.

Mr. Kasturbhai.—If we get statistics from the ginning factories, of the cotton produced, it would be easier to calculate the probable quantity that is being used for purposes like hand spinning.

President.—Your Association has never tried to estimate it?

Mr. Kasturbhai.—No.

President.—I am afraid there are a great many things which are really within your possibility but which you suppose are outside. Have you really applied your minds to this question of estimating the amount of yarn? Why don't you get hold of a young economist and ask him to do the research? It is a sort of thing that I would expect a body like the Ahmedabad Mill-owners' Association to do. He can go and visit the representative centres.

Mr. Kasturbhai.—It will only be possible if the statistics that are being called upon by the Government of India are reliable. As long as these statistics are not reliable, I do not know what purpose will be served by doing what you suggest.

President.—When they are not reliable, voluntary associations ought to supplement.

Mr. Kasturbhai.—How can they do it? I doubt whether the Indian Central Cotton Committee are getting figures of cotton ginned from all the factories in India. If a statutory body like the Indian Central Cotton Committee is not in a position to get the figures that are required, I doubt very much whether any private Association or public Association as such, can get hold of figures.

President.—Governments are, as you know, distracted bodies. They find it difficult to concentrate.

Mr. Kasturbhai.—As far as Indian statistics are concerned, we are lagging very much behind. It is most important to have up-to-date statistics.

President.—I should like to know precisely, with regard to the import duty on raw cotton, whether you are prepared to accept the Indian Central Cotton Committee's suggestion?

Mr. Kasturbhai.—Yes.

President.—That is up to one inch in length?

Mr. Kasturbhai.—If you merely put down one inch, then what about the East African cotton which is being imported into this country on a very extensive scale?

President.—Some of it may be one inch or below?

Mr. Kasturbhai.—It has deteriorated in staple from year to year.

President.—Therefore you would distinguish between countries of origin.

Mr. Kasturbhai.—Yes, or bring down the staple to the staple that is in competition with the Indian cotton.

President.—I do not know if there is an Indo-American Trade Convention?

Mr. Kasturbhai.—No, there is none to our knowledge.

President.—The questions relating to costs I do not want to discuss in a public sitting. We propose to discuss them to-morrow in an *in camera* sitting. So I propose to discuss the later questions from 25. There is just one point before we adjourn, that is with regard to hosiery yarn. The Hosiery Industry has definitely put in an application for assistance and the ground on which we can make out a case for assisting the hosiery industry is that it is an industry which uses semi-finished material produced by a protected industry. If your industry is protected, then as the yarn is produced by a protected industry, to find an increased outlet for products made by a protected industry is a logical thing to do because it helps the cause of protection?

Mr. Kasturbhai.—Yes.

President.—From that point of view, to what extent are your mills in a position to supply the hosiery yarn?

Mr. Kasturbhai.—As far as some hosiery factories are concerned in Ahmedabad and round about Ahmedabad, they have their own spinning plant from which they get their yarn because their requirements are bound to vary from time to time.

President.—I suppose that the only difference in the case of hosiery yarn is that it has to be wound on a cone?

Mr. Kasturbhai.—That is an easy matter.

President.—Is there any other difference?

Mr. Kasturbhai.—The difficulty is twist and the quality of cotton that is used for hosiery yarn.

President.—Supposing a hosiery factory wants 30 counts, apart from the fact that yarn is wound on a cone, is there anything in the intrinsic quality that makes a difference?

Mr. Kasturbhai.—The amount of twist.

President.—What is the difference in the twist?

Mr. Kasturbhai.—There must be less twist and strength must be much greater. It is generally made from superior mixings.

President.—If as a result of protecting the hosiery industry there is a definite market in this country, say, for 10 million lbs. of hosiery yarn, it would be worth while for you to consider the question of making it?

Mr. Kasturbhai.—Certainly. We are most anxious not only to supply the hosiery industry but also the handloom industry. The only question is whether such a spinning concern which may be put up, can see its way to make both ends meet.

President.—One of the difficulties of the hosiery industry is precisely this yarn. They have to pay the duty. They are up against a severe competition just now from Japan and in this recent enquiry—the emergent enquiry—

we have not been able to assist them because their goods are outside our terms of reference. I am worried about this question of duty on yarn also from their point of view. In my opinion, it is a very promising cottage industry?

Mr. Kasturbhai.—There is no reason why India should not produce all the hosiery goods that she wants.

President.—The bulk of the hosiery yarn is 30s to 40s. Don't you think that we can altogether remove the duty on yarn? Would you like to think it over?

Mr. Kasturbhai.—From the national point of view, it is most important that not a pound of yarn should be allowed to enter into this country and whatever sacrifice may be demanded we are prepared to make.

President.—If your industry were in a sufficiently organised position to tell us that the manufacturers would not put up prices if there was a protective duty on yarn, then the position would be different. But you will put up prices.

Mr. Shantilal.—The moment the supply is greater than the demand, the prices are bound to come down.

President.—It may take 15 years.

Mr. Kasturbhai.—The amount of imported yarn is so small that it only forms 4 or 5 per cent. of the capacity of the total number of spindles in the spinning mills which can easily be increased in a year's time or at the most two.

President.—You would not like to put this point before your Association and consider it again?

Mr. Kasturbhai.—No. We feel very strongly that it is most important.

President.—The trouble is that the Tariff Board feels equally strongly the other way. I should like you to place such suggestions as may strike your Association before the Board.

Mr. Kasturbhai.—What I submit is that even if you assist the handloom weaver or the hosiery manufacturer by taking off the duty and allowing him to make use of the imported yarn, he will immediately come against the ban of foreign made article and will not be able to market his goods successfully.

President.—As far as the hosiery manufactures are concerned, we have had various representations from various Hosiery Associations in this country and none of them has told us that the use of the imported hosiery yarn has made their goods unsaleable.

Mr. Kasturbhai.—That is so up to now, but who knows there may not be a movement to stop the use of imported yarn?

President.—It will be time to consider the situation then. Now we come to your answer to question 27. Your opinion of a reasonably economical size for a combined spinning and weaving mill is 25,000 spindles and 600 looms and that is taking a little over 40 spindles to a loom?

Mr. Kasturbhai.—Yes.

President.—Are you allowing for any surplus spindle capacity or are you assuming that all the yarn produced in the mill is woven into cloth?

Mr. Kasturbhai.—It all depends on the width of looms and spinning production from mill to mill. Spinning production is bound to differ according to the cotton used and also as regards weaving capacity according to the width of loom and attachment of dobbie or drop box.

President.—I want to know what are precisely the factors that you have taken into account in basing your estimate?

Mr. Kasturbhai.—That is an approximate.

President.—I thought that probably your reason for fixing the spindleage per loom at a little over 40 is that you assumed that your mill would be engaged in the production of cloth of medium and finer counts.

Mr. Kasturbhai.—No.

Mr. Shantilal.—We have stated 20s and 30s.

President.—I assumed if it was 20s we might take an average spindling of 30s, but if it was 30s or above we must take some figure above 40s.

Mr. Kasturbhai.—As I said, loom or spindle is likely to differ due to the variation in the width of loom or cotton used in spinning. This size of 25,000 spindles and 600 looms has been fixed on the basis that the mill will have some margin for changing over from coarser counts to medium counts, that is, from 20s to 30s and 30s to 40s if necessary.

President.—In the main the mills that you have in view will be engaged in the production of cloth ranging from 20s to 30s?

Mr. Kasturbhai.—Yes.

President.—There would, at the same time, be a margin for weaving higher counts if it became necessary?

Mr. Kasturbhai.—That is so. At the time while laying down a mill one has to consider whether it is going in for medium or coarser qualities of cloth and the quantity of cloth they are going to produce.

President.—If the demand for higher counts happened to increase it would be necessary to provide for more spindles?

Mr. Kasturbhai.—Yes.

President.—On the figures that you have given here may I take it that the total production of cloth that you estimate for a mill of this size is about 2,700,000 lbs.?

Mr. Kasturbhai.—It will depend entirely, as I said, on the counts spun.

President.—I must commit you to a particular figure because you have given 9,000 lbs. Whatever the assumption, you have to stick to 9,000 lbs. In that case may I assume 300 working days in the year? that means 27 lakhs of pounds.

Mr. Kasturbhai.—That is so.

President.—The total capitalisation that you give is Rs. 24,75,000. That does not include working capital?

Mr. Kasturbhai.—That is right.

President.—If you have a capitalisation of 24.75 lakhs and a total production of 27 lakhs lbs., may I take it that your idea of capitalisation is about 14 annas per pound of cloth?

Mr. Kasturbhai.—Yes, it works out to that.

President.—We have figures given to us by the Bombay Millowners' Association and their estimate works out to about Rs. 46 lakhs and their total production of cloth is 28½ lakhs of pounds. Taking their figures I get an approximate capitalisation of a rupee and half per pound of cloth whereas your figures work out to 14 annas per pound. You are basing your figures on 20s and 30s and they are basing their figures on 30s and 40s. Allowing for that difference in the plant and machinery required for 20s and 30s as compared to 30s and 40s would you accept the difference between Re. 1-8 and As. 14 as normal?

Mr. Kasturbhai.—That will have to be worked out. After all the difference comes in because of the coarser and finer counts. If the deficiency works out at such a high figure it is because there is less production in finer counts than in coarser counts.

President.—We told the Bombay Millowners' Association definitely to give us a capital estimate for a mill of economic size producing 30s to 40s. You will admit that if we are going to continue protection hereafter it would be definitely on the basis that the industry must be in a position to capture that part of the market which is now catered for by imports and those imports generally are imports of finer counts. Therefore, we have got to base our figures on a capitalisation required for higher counts so that your figures have got to be translated into terms of 30s and 40s counts. I should like you to re-consider it.

Mr. Kasturbhai.—We shall prepare an estimate for 30s and 40s counts for that size of mill and submit it to you later.

President.—If you are going to estimate your capital charges for the purpose of protection you must base that on a capitalisation for higher counts.

Mr. Shantilal.—In the Bombay figures they have included Rs. 3 lakhs for land and Rs. 3 lakhs for dyeing and bleaching; we have not added these so that will make a difference.

President.—Let us take these figures out. If you take these two figures out their capitalisation would come down to Rs. 40 lakhs.

Mr. Shantilal.—Yes, then you can compare.

President.—You don't want to give your opinion now whether their 40 lakhs would approximately correspond to your 25 lakhs?

Mr. Kasturbhai.—We shall make our statement on that basis.

President.—I hope you will make your estimate entirely independent of the Bombay estimate.

Mr. Kasturbhai.—Entirely.

President.—They give 1,000 looms as the normal economic size; you give 600 looms. That makes a little difference and I should like to be in a position to make up our minds on this question. If you take the average mill capacity of the Bombay mills now and strike an average that comes to 1,000 looms; am I justified in thinking that if you strike a similar average for Ahmedabad, the average will come to 600?

Mr. Kasturbhai.—It comes to 560.

President.—It will be roughly 600; that is rather a big difference. This is a matter in respect of which we as a body of laymen are entirely in the hands of the industry. But the difference between 600 and 1,000 is rather considerable and we would like you to consider it more fully and state your views on this question.

Mr. Kasturbhai.—The position is this: with reference to the bigger or smaller size of mills the difference that will come in will be in the overhead charges, that is to say, as far as the workers are concerned the number will be exactly in proportion to the number of looms or spindles that there may be in a particular mill.

President.—I should like to put it rather differently. The way in which costs are estimated in textile mills, the labour cost, say, per loom or the labour cost per certain number of spindles would be more or less the same, whatever the number of looms or number of spindles. Am I right?

Mr. Kasturbhai.—Yes.

President.—Therefore as far as that is concerned there is going to be no reduction per unit of cloth; as far as materials are concerned there is going to be no difference—

Mr. Kasturbhai.—As far as interest charges are concerned there would be no difference; as far as power charges are concerned there would be no difference.

President.—I am not so sure about that. I will tell you why. As far as interest charges, insurance charges, supervision and office establishment are concerned—

Mr. Kasturbhai.—That I am keeping separate.

President.—I do not know exactly how you allocate your overheads. The way I have understood it is this: you take your total interest charges and your total insurance charges over the whole factory in a particular period, say a year: you divide that among the number of looms so that it works out to so much per loom. Is that right?

Mr. Kasturbhai.—Yes.

President.—If you are able to waive a larger quantity of cloth per loom, if the count of cloth is such.....

Mr. Kasturbhai.—For cloth I won't be able to weave a larger quantity per loom; the quantity woven will be the same. The only difference that can come into play is the supervision and establishment charges, but barring that item there cannot be any difference between a smaller sized mill and a bigger sized mill in the proportion of 25,000 spindles and 40,000 spindles.

President.—Suppose you were considering the question of insuring your mill and you went to an insurance company, if your mill was a mill with 600 looms and supposing there was another mill with 1,000 looms.

Mr. Kasturbhai.—There will be a difference of not even one per cent. The same rates will have to be paid and are being paid to-day for a mill of 50,000 spindles. After all you insure your block.

President.—Supposing you had a mill of 600 looms and you go to an insurance man; he allows you, let us say for argument's sake, Rs. 5,000 premium; if your mill consisted of 1,000 looms is it your suggestion that you will be able to insure it for Rs. 5,000?

Mr. Kasturbhai.—No. I would have to pay proportionately. What we do is this. We insure our machinery, buildings and process. Machinery and buildings will cost Rs. 25 lakhs in one case and Rs. 40 lakhs in the other case, so insurance will have to be taken as far as the block is concerned on 25 lakhs in one case and 40 lakhs in the other case. Insurance has got to be paid so much per 100— $\frac{1}{4}$ per cent. or $\frac{1}{2}$ per cent.—so it goes up *pro rata*. It works out in the same ratio. Similarly with regard to interest, working capital and everything it is in the same proportion, and as I said the difference in the cost will not come in anything else but supervision and establishment charges.

President.—May I put it the other way: why not make it 300 looms?

Mr. Kasturbhai.—Then the unit will be much smaller and the supervision charges will work out at a much higher ratio. If I am engaging, say, one head jobber drawing Rs. 150 for 30,000 spindles, even if I have only 10,000 spindles I have got to pay him Rs. 150. If the unit becomes small supervision charges become higher. Apart from that take power: if I have a reasonably proper plant then my costs will rise up or come down in proportion. If the plant is smaller the cost of power will be considerably higher: a smaller unit also costs more to operate.

President.—Therefore the power charges on a 1,000 loom plant will be lower.

Mr. Kasturbhai.—Not necessarily. If you have got a plant of 25,000 spindles and 600 looms you will still be in a position to have a plant which can operate 40,000 spindles and 1,000 looms and it will work a mill of 25,000 spindles and 1,000 looms as economically as it will in the case of the fullest load. I have recently purchased a plant in which the unit is 1,800 B.H.P. It will consume 8.2 of steam: at 900 it will go up to, say, 9, but at 1,200 to 1,300 B.H.P it will come to only 8.4. I will give you the exact figures.

President.—I should like to get these: it would be very interesting.

Mr. Kasturbhai.—You want the consumption of power per loom per different plant per horse power?

President.—What I was thinking of is this: you take a plant of 400 looms, another mill of 600 looms and another mill of 1,000 looms and then you give me the charges required for a power plant corresponding to each of these.

Mr. Kasturbhai.—What I am submitting is this, that the power plant in the case of 25,000 spindles mill can work up to 40,000 spindles just as our Secretary explained it to you. The position is this that in Ahmedabad the system is that we start with a small unit and then we slowly increase as we find the finance and find the market. That being the position we cannot throw over the power plant and replace the power plant, because it is the most difficult job. Once the power plant is installed, it must be there for a number of years. Therefore what we do is that if we are starting with

25,000 spindles and 600 looms, we buy with a margin of 25 to 30 per cent. That has been done in the case of Aruna mills.

President.—You leave a margin?

Mr. Kasturbhai.—Yes. We find actually from our experience that there is no loss of power which will work out for so many thousand spindles and looms a year.

President.—You mean there is no loss on account of power if you are working on a smaller number of looms.

Mr. Kasturbhai.—The loss is there, but it is small. I will give you the figure, 8·2 per lb. and 8·4 per lb.

President.—The difference in looms in the two cases.

Mr. Kasturbhai.—The difference in horse power, the steam consumption per horse power.

President.—These two figures relate to what capacity?

Mr. Kasturbhai.—I am working 1,800 B.H.P. My consumption will be 8·4. If I am working only 900, my consumption will go up.

President.—That is the sort of figures I want.

Mr. Kasturbhai.—Yes.

President.—You know the difficulty I am trying to put.

Mr. Kasturbhai.—My point is this: as far as the size of the mill is concerned it is immaterial whether it is 25,600 or 40,000. As far as the rest of the charges are concerned they will rise or fall exactly in proportion to the size of the mill. The only difference that will have to be accounted for will be in the supervision charges and in the establishment charges. Have I made myself clear?

President.—I think I understand the position with regard to supervision, establishment and insurance charges, but still there is a question as far as power is concerned. I understand your position to be this. There is a certain minimum capacity which is 600. If you increase your capacity to more than 600, 800, 900 or 1,000, then what you save in respect of power is on the whole a negligible factor as compared with your expenditure on power on 600 looms. On the other hand supposing your capacity was less than 600, say 300, then the increase in expenditure on power will be considerably greater than what it would be on 1,000 looms.

Mr. Kasturbhai.—Yes.

President.—I would like you to illustrate it by actual figures.

Mr. Kasturbhai.—I will send you the figures.

President.—With regard to question 29 about depreciation I understand you would like us to recommend that special rates of depreciation should be allowed for double shift working.

Mr. Kasturbhai.—Yes.

President.—That I think is a matter between you and the Central Board of Revenue. As far as we are concerned our primary concern is for the purpose of protection to allow you a fair selling price which makes a reasonable allowance for depreciation charges. That is what we are concerned with.

Mr. Kasturbhai.—Yes.

President.—If we calculate depreciation on single shift rate not per mill, but per unit of cloth whether there is a special rate for double shift or not, you are safeguarded, isn't that so? It is unnecessary for us to go into that question as far as we are concerned. Do you agree?

Mr. Kasturbhai.—It is all right. Your main concern is to protect the industry. At the same time it is your concern that the consumer should be protected. If the mills are allowed to work double shift by making this allowance, then there will be more cloth on the market and therefore the consumer will not stand a chance of the mills taking at all any higher price. That being the position it is very essential that the depreciation allowed for the night shift should be recommended by the Tariff Board.

President.—If we gave you single rate of depreciation per unit of cloth, and on every lb. of cloth that you sell you realise a rate of depreciation corresponding to the single shift rate, then whether the Income-tax Department grants you sufficient allowance or not, you will be able to cover your charge under depreciation.

Mr. Kasturbhai.—For single shift it would be all right. For double shift we won't be able to cover.

President.—I will tell you how I am looking at it. Let us assume a capitalisation of Rs. 100 for 50 lbs. of cloth.

President.—Let us take a flat rate for the time being of 4 per cent., single shift rate on the whole block. That is to say you will be allowed Rs. 4 on single shift rate for 50 lbs. of cloth. That would be 4/50 per lb. of cloth. You would like to have the double shift rate, exactly double of that, that is to say Rs. 8. Your output increases to 100 lbs. On our calculation you would get per unit of cloth Rs. 8. What you require is 8/100 which is exactly 4/50.

Mr. Kasturbhai.—But then because of the double shift working there will be more cloth on the market and therefore the price at which the consumer can buy is bound to be cheaper. If you keep the position of the mills as it is under the present law, then there is little incentive to the millowners to work a double shift.

President.—You are not going to undertake double shift production unless there is sufficient market for it. At present there are about 800 million yards imported into this country. We want to rule this out and give the Indian mills a chance of working up to its capacity. If you undertake double shift production, you are undertaking it for the purpose of raising your production to the level indicated by the imports.

Mr. Kasturbhai.—Yes.

President.—Therefore there won't be overproduction. There is no question of being able to lower the prices in the interests of the consumer. I don't think the consumer comes in very much.

Mr. Kasturbhai.—Why not?

President.—Because you are producing only such an amount as would be required in the existing market conditions.

Mr. Kasturbhai.—We are at present producing 3,000 million yards.

President.—If you get protection you will raise it to 4,000 million yards, so that there is no overproduction. You are simply taking the place of imports.

Mr. Kasturbhai.—Why not? Instead of 4,000 million yards, if we begin to produce 4,500 million yards, would not the consumer come into play?

President.—If you produce more than 4,000, more than the market is prepared to absorb, then my suggestion to you is if you do it on that basis, you throw away the protective duty.

Mr. Kasturbhai.—That is true.

President.—If you are going to overproduce, the result will be you will cut each other's throat to such an extent as to make the protective duty inoperative.

Mr. Kasturbhai.—As we have stated in our replies, we look at it from this point of view, that the industry must be efficiently run and if there be overproduction the result will be that weaker concerns will stop. The position will be that those which are inefficient concerns will have to go to the wall and the country will get the cloth at the price which it is entitled to.

President.—Even from that point of view, if you increase your production it is either because the imports have been ruled out or because inefficient mills have been ruled out. In either case you are producing what the country requires and if as a result of the lack of organisation among the Indian textile mills there is production in excess of what the market requires, I

suppose it is in a sense a short-sighted policy. It is an advantage to the consumer, but in the long run it is not. The only way in which the consumer can be benefited under this system is by your being able to reduce the costs but not being able to cut one another's throat.

Mr. Kasturbhai.—That is true. My point of view is that, that the progress which has been made in the line of machinery is so great in recent years that it is very important and desirable that the Millowners or the Managers should be able to throw out their old machinery as fast as they can. If I can afford to throw out my machinery installed in 1923, I would only be too willing to have it done because the progress that has been made is so great in the textile industry particularly, that it doesn't pay to stick on to the old machines. That could only be done if the fullest advantage is taken of the machinery that has been installed and the fullest advantage of the machinery that has been installed could only be taken if it is allowed to work two shifts instead of one shift.

President.—You don't think on our method of calculation you would be safeguarded. Supposing we allowed you single shift depreciation on every lb. of cloth that you sell in the market, then your realisation will cover all your reasonable charges under depreciation.

Mr. Kasturbhai.—That is so. As I have been saying if Japan has made its advance.....

President.—There I agree with you. I don't want to dispute that proposition. Supposing we based our estimated cost of production on 30s to 40s?

Mr. Kasturbhai.—We will have to classify.

President.—We base our duty on what it costs you to produce 30s to 40s. and we apply that to all your counts?

Mr. Kasturbhai.—It would be an injustice to those spinning higher counts and also to those spinning lower counts.

President.—It won't be an injustice to higher counts people but to lower counts people. By means of internal competition your lower counts would remain low in price. On that you are going to give us figures. As far as the other question is concerned, the Central Board of Revenue has given a definite ruling and I have not been able to get facts which I could produce to counteract.

Mr. Kasturbhai.—The position is this, that we wrote to the Japanese Consul and we got a statement from him that the depreciation allowed in Japanese mills is $7\frac{1}{2}$ per cent.

President.—On double shift?

Mr. Kasturbhai.—Whether it is double shift or single shift, it is $7\frac{1}{2}$ per cent. on textile machinery.

President.—That is a point which I am not able to understand. Looking into the income-tax rate of depreciation, for practically every other industry that we have inquired into, the rate without any exception is $7\frac{1}{2}$ per cent. I don't understand why on the textile machinery depreciation should be charged at 5 per cent.

Mr. Kasturbhai.—It was all very well in the old time when it was considered that stouter the machinery the longer it lasts, but the rules of economy have undergone a complete change of late years, and it is a paying proposition for a mill agent to throw off his old machinery as soon as he can afford. I would like to throw off the machinery which I had purchased 4 or 5 years ago, because in working out my cost of production it will pay me.

President.—What the rates of depreciation do not allow for is obsolescence.

Mr. Kasturbhai.—Though they say they do allow for obsolescence they are not actually doing it in practice.

President.—Most of the Associations from whom we have received representations seem to be satisfied with the rates of depreciation.

Mr. Kasturbhai.—They are satisfied?

President.—Yes.

Mr. Kasturbhai.—They may be, because they may not be in the same position to work double shift.

President.—In the face of that admission from the majority of manufacturers in this country I am not prepared to make any suggestion on that point.

President.—I come to the question of working capital, questions 30 and 31. Can you tell me approximately what is the proportion of working capital locked up in your industry? I will tell you precisely what my point is.

Mr. Kasturbhai.—Block is Rs. 15 crores.

President.—Not with reference to the block account. The whole purpose of working capital is to provide finance against your works expenditure.

Mr. Kasturbhai.—Yes.

President.—There is a constant flow. You must have finance to meet them. You don't want working capital for the purpose of meeting depreciation?

Mr. Kasturbhai.—No.

President.—If you take the total works expenditure of a mill in Ahmedabad, supposing for example the total works expenditure is about Rs. 15 lakhs on raw cotton, stores, etc., and if I suggest that about half of that is the average amount of working capital that will be required, would I be more or less correct?

Mr. Kasturbhai.—If my turnover during the year in a particular mill is Rs. 36 lakhs, I should not be requiring more than Rs. 9 to Rs. 12 lakhs as working capital.

President.—That is very interesting. I will tell you why I consider that as very interesting. I consider that a very good test of the efficiency of current management of a mill is the proportion of working capital to the mill's total works expenditure and the lowest figure that I have been able to get is somewhere little more than half, between 50 to 60 per cent. of the works expenditure. We have enquired into various industries and often they asked us for 75 per cent. of the works expenditure in a year. In the one case they asked for 100 per cent. As a result of varied experience we now apply 50 per cent. of the year's expenditure. That we consider a normally reasonable rate in India. If you are able to do it on 25 per cent. or 30 per cent., I should say it reflects great credit. I think that is the rate that we ought to apply in fixing our fair selling price for the industry. If your total works expenditure is Rs. 15 lakhs in allowing you for the interest on working capital in the fair selling price, we calculate the interest on the working capital of one-third of Rs. 15 lakhs. That, as far as Ahmedabad is concerned, would suffice.

Mr. Kasturbhai.—Certainly.

President.—There has been a great deal said about the extent to which the Ahmedabad mill industry finances its capital expenditure by means of short term funds and I should like very much to know the views of the Association. I will tell you precisely what I have heard about it and what I have been able to get by the examination of published statistics. The Banking Enquiry Committee has a statement of figures showing the proportions in which various kinds of funds are used by the Ahmedabad Millowners.

Mr. Kasturbhai.—Yes.

President.—From those proportions those figures were collected for about 56 mills. 24 per cent. of the capital was loaned by the Managing Agents; 4 per cent. was loaned by banks; 39 per cent. by public deposits, 32 per cent. by share capital and 1 per cent. by debentures. Those figures are more or less correct. On these figures taking your capitalisation and your working capital on the basis you have suggested if a mill were financed on that basis in respect of fixed capital expenditure and working capital expenditure, on these figures I should say about 50 per cent. of your capital is provided by short term funds. That is correct.

Mr. Kasturbhai.—Yes.

President.—That theoretically is considered a very unsatisfactory arrangement because short term funds by their very nature are capable of being recalled, whereas capital expenditure has to be incurred over a long period or returns on them have to be spread over a long period and therefore there is a lack of balance.

Mr. Kasturbhai.—We agree that it is not a desirable way of financing the industry, but I beg to differ with you in this that it is not correct to say that the finance employed is all short term loans because even if you refer to the Banking circle you will find that the deposits that they take for a year and over are termed as "long term deposits". As far as the question of financing the Ahmedabad mill industry is concerned, except in rare cases here and there, practically 95 or 98 per cent. of the mills are financed by yearly deposits. These yearly deposits are taken not at a particular period but all the year round.

President.—Is the deposit placed with the Company for a year and then renewed? Is that the position?

Mr. Kasturbhai.—Yes. It is not a short term loan as it is termed because even in the Banking circle, loans which are of a longer duration than six months are termed as "long term".

President.—That is simply a matter of terminology.

Mr. Kasturbhai.—Apart from that, as I say, these deposits are for yearly periods generally speaking; that is to say, they run for full 12 months and they are taken all the year round, so that if any Company is in difficulties and funds begin to be withdrawn, the Company does not get a notice of a week or a fortnight or a month but practically gets 6, 8 or 9 months to arrange for finance and to settle upon a fixed basis.

President.—Would you say as a statement of the normal position that the Company would get on an average 6 months' notice?

Mr. Kasturbhai.—No. I am only pointing out that the deposits are placed with the Company at various periods during the year. Every day of the year, the Company will receive big or small deposits.

Mr. Shantilal.—Day to day the deposits are accepted and day to day they mature. I may say that if the Company is in difficulties, the Agent will get notice from the first drawer, then from the second and so on. He will find that everybody is withdrawing the money. Because all the deposits are not due on any particular date, he will be able to manage from other sources.

President.—They are not lump deposits?

Mr. Kasturbhai.—No. The Company will be in a much worse position if it had to go to a Bank. If it had been obliged to go to a Bank, very naturally and very probably, the entire loan would be due on one particular date—2, 3 or 5 lakhs or whatever the amount may be. Even if the Bank were to give three months' notice, the Agent will find it certainly ten times more difficult to find the money than under the system of deposits. In spite of that—it is my personal opinion—I agree entirely with you that it is not the soundest system of financing the mills. But as far as Ahmedabad is concerned, it has stood the test of time during the last 30 or 40 years and if the Agents are as vigilant as they have been in the past, there is no reason why it should not continue in the future.

President.—In the absence of a regular system of industrial finance, probably the best system that can be arranged under present conditions is the system that you have been used to. Is that your position?

Mr. Kasturbhai.—Not only that, but I will have to tell you more when you proceed further with the managing agency system. You will find that the confidence in the mills is not derived merely from the status of the Company but considerably derived from the honesty and integrity of the mill agent. That being so, as long as that is not impaired, there is no reason why it should not continue.

President.—These deposits are placed with the Mill Company?

Mr. Kasturbhai.—Yes. The Mill Company receives deposits which are generally speaking for a year.

President.—What precisely is it that attracts deposits to a Mill Company? Which is the more important factor—is it the earning capacity of the Mill Company or is it the personal credit of the managing agent?

Mr. Kasturbhai.—There could not be any individual distinction like that. The Ahmedabad depositor is much more shrewd than the depositor in any other part of the world. I am not paying him any idle compliment when I say that he is always shrewd. As I stated in my evidence before the Banking Enquiry Committee, even though there were two serious crashes in the year 1923 when three or four mills were liquidated, the deposits of none of the other mills were affected in the least—not because every one was in a position to pay but because the Ahmedabad depositor generally—and the depositor in Ahmedabad Mills particularly—recognised that those concerns which had failed or those managing agents who had failed had very little to do in common with the rest of the Mill Agents. The deposits are renewed as I said on the integrity and honesty of the Managing Agents.

President.—What is the general position in Ahmedabad? I will raise that question later. Does the managing agent in Ahmedabad control as many mills as he does in Bombay or is the number of mills under a single managing agent smaller in Ahmedabad than in Bombay?

Mr. Kasturbhai.—That is a difficult question to answer.

President.—Supposing you put it simply on the basis of arithmetical average? If you took the number of managing agents and also the number of mills and divided one by the other, what you get as the result would be higher or lower here than the corresponding figure in Bombay?

Mr. Kasturbhai.—I have not tried it.

President.—You can do it now.

Mr. Kasturbhai.—Yes.

President.—Can we do it?

Mr. Kasturbhai.—But the position in Ahmedabad is this. A Mill Agent in Ahmedabad will not take up a burden which he cannot carry. If my finance will not allow me to take up more than 3 concerns, I will be too cautious before I think of the fourth. That is exactly the position in Ahmedabad. Before I launch out another concern I will make it absolutely sure that the finances regarding my three existing concerns are absolutely on the pucca basis, that is to say, no extra burden is taken over by the Ahmedabad Mill Agent than he can carry easily. That has been the position up to now.

President.—If the number of mills under a managing agent in Ahmedabad is not more than two or three mills, then obviously the extent to which you can commit yourself is very much less.

Mr. Kasturbhai.—The Ahmedabad mill agent has no other iron in the fire like the managing agents in some other parts of India.

President.—After all, in Bombay, too, although they have many irons in the fire, all these irons are textile irons?

Mr. Kasturbhai.—Not necessarily.

President.—It is not like Bengal where they have Jute and Iron.

Mr. Kasturbhai.—I don't like to name them. There are concerns which are interested in other industries.

President.—After all, the only industry in Western India is the textile mill industry and most of your managing agents are interested in textile mills. Therefore all their interests are confined to that industry. Apart from periods of general depression, you find that the depression in one industry does not necessarily coincide with the depression in another industry?

Mr. Kasturbhai.—As far as the Ahmedabad mill agent is concerned, he is confining himself to the textile industry only.

President.—Is it more economical for you to get your funds in the form of deposits—I am thinking of the rate that you have to pay—or in the form of loans from managing agents?

Mr. Kasturbhai.—It works out to practically the same rate because the position is this. If we get the deposits, as we have stated, the rate varies from 5 to 5½ per cent. That is the average. I know that there are several concerns in Ahmedabad which can get deposits at 4½ per cent. There are also concerns which have to pay 6 per cent. 6 is the outside limit and 4½ is the minimum. But we have stated that 5 to 5½ per cent. on an average is the rate that has been paid by the mills in Ahmedabad. If the managing agents were to advance loans to mills, the rate that he will charge will be 6 per cent. generally speaking. Though he advances money at 6 per cent., he does not realise more than 5 or 5½ per cent. because the advances that he makes are not for a period of a year. Whenever the mill requires money, he has to advance and whenever the mill has any surplus, he will have to take it back; thus he is at a disadvantage. He cannot deposit his money with the Bank.

President.—What in your opinion is the rate of interest that we ought to take into account in fixing the fair selling price for the Indian industry? In the fair selling price that we are going to fix for the Indian textile industry, we have to allow for the interest on working capital. Supposing we accept your view that the working capital required is one-third of a year's expenditure, what exactly is the rate of interest that you would like us to take? If you take the average of the past 5 years, don't you think that the average rate at which you have been able to get your deposits is between 5 and 5½ per cent.?

Mr. Kasturbhai.—No.

President.—Don't you think that it would be a fair rate to take?

Mr. Kasturbhai.—No.

President.—Why not?

Mr. Kasturbhai.—Because there are several other concerns which have to pay more than 5½ per cent.

President.—We have to provide for the normal year. You are prepared to concede that it need not be above 6 per cent.?

Mr. Kasturbhai.—Yes, as far as the working capital is concerned.

President.—6 per cent. on the working capital would be a fair allowance?

Mr. Kasturbhai.—Yes.

President.—There is a small proportion of your funds derived in the form of loans from Banks? What are the rules here about signatures? In every case, have you got to give two signatures?

Mr. Kasturbhai.—Yes.

President.—Even where you are able to pledge?

Mr. Kasturbhai.—Not in that case. But Ahmedabadi will never go and pledge.

President.—He will never do it?

Mr. Kasturbhai.—No. because the whole system depends on the confidence reposed in him by the public. That confidence will be rudely shaken if he were to give up this system and hypothecate his goods. He generally does not agree to hypothecate his goods.

President.—If he does, his deposits will fall off?

Mr. Kasturbhai.—He is finished.

President.—So, it is no use considering it?

Mr. Kasturbhai.—No.

President.—As regards the share capital which is about 32 per cent. of the total capital, have you any idea what proportion of that is held by managing agents? Is it possible to say?

Mr. Kasturbhai.—It will vary between 33 to 50 per cent.

President.—33 to 50 per cent. of the total capital is held by managing agents?

Mr. Kasturbhai.—Yes, that is a very rough estimate.

President.—I come to the next question of managing agents. We discussed this a great deal in Bombay. What I should like to do is to get a correct idea of the system of managing agents as it prevails in Ahmedabad. What I have done is I have looked through a number of managing agency agreements in Ahmedabad and I have formed my own ideas of the normal position in regard to managing agency in Ahmedabad. My ideas on the subject are these. You may correct me as I go along. As far as the period of agreement is concerned, the general feature of Ahmedabad agreements is that the managing agent shall be a permanent and non-changeable agent?

Mr. Kasturbhai.—Yes.

President.—That is more or less a normal feature?

Mr. Kasturbhai.—Yes.

President.—As regards remuneration, there is no office allowance.

Mr. Kasturbhai.—No.

President.—Generally he is remunerated in the form of a percentage on sales? It is generally about 3 per cent.?

Mr. Kasturbhai.—That is correct.

President.—I have seen quite a number of cases where instead of applying the percentage to sales you charge so many pies per lb.?

Mr. Kasturbhai.—Yes, 3 pies per lb.

President.—Whether it is charged one way or the other depends upon the option of the managing agent?

Mr. Kasturbhai.—Yes.

President.—Now in addition to this percentage on sales, there is also a certain percentage on profit derived from various transactions?

Mr. Kasturbhai.—No. It is included in the Articles of Association but it is more or less nominal.

President.—It is never actual?

Mr. Kasturbhai.—No, because the position is this that in order to get the Articles of Association drafted, one has to go to his legal adviser, who puts in all sorts of things which are not essential in a way. The managing agent, as far as Ahmedabad is concerned, is merely dealing with the spinning and weaving, cotton yarn and cotton cloth, and his sole and only remuneration is from the sales of the cloth or yarn.

President.—If, for example, he does ginning?

Mr. Kasturbhai.—He may get 10 per cent., but it will not be any big sum.

President.—Are there any mills which carry out ginning?

Mr. Kasturbhai.—No.

President.—There is generally a provision to this effect that if the Company does not earn enough in any year to pay 6 per cent. dividend, then the managing agent foregoes one-third of his commission. That is a normal feature?

Mr. Kasturbhai.—Yes. The normal practice is that he gives up half—in some instances full.

President.—Even more than one-third?

Mr. Kasturbhai.—As far as the legal obligation is concerned, it is one-third, but I can cite you a number of instances where, though the legal obligation is one-third, he has not hesitated to give up half or full whatever the circumstances demanded of him.

President.—The managing agency, as far as commission is concerned, is a kind of joint stock arrangement?

Mr. Kasturbhai.—Yes, but not always.

President.—Normally, you get a large number of people interested?

Mr. Kasturbhai.—Right from the beginning the managing agency system is worked on this principle that except two or three mill agents the first started their concerns in partnership with other financiers. It is only recently that they have taken those partners into a limited liability concern, that is to say the whole finance is arranged not only by himself but in company with his partners; that is to say he will share the commission with his partners. I dare say none of the mill agents in Ahmedabad is earning more than 50 to 65 per cent. of the commission.

President.—The rest is given to the people who help in floating the concern?

Mr. Kasturbhai.—And goes to the shareholders.

President.—Is the managing agency generally an individual, or a partnership or a limited liability company?

Mr. Kasturbhai.—All the three. As I said, if you take the whole of Ahmedabad there are not more than four people who own agencies in their own right entirely.

President.—When these other people begin to have interest in the commission are they generally related—I am not speaking of family relations—are they related on the basis of partners or on the basis of full members of the limited liability company?

Mr. Kasturbhai.—Both.

President.—Which is the more normal?

Mr. Kasturbhai.—Ever since 1885 the concerns that we started were started in partnership with private partners, that is to say the agency remuneration was being shared by the managing agent himself with several others. That lasted till 1921, when it was found that by having private partnership alone sufficient capital was not forthcoming and therefore in order to interest more people in the textile industry it was found desirable to put it on a wider basis, and the managing agency was turned into a limited liability company. Shares were made out of the commission and one who brought in so much capital was given one commission share or so many commission shares as the case might be.

President.—Supposing you had half a dozen people interested in varying proportions in the commission derived from a particular company, the fact that these other people besides the managing agent are interested in the commission, does that imply that these people have a voice in the management?

Mr. Kasturbhai.—None at all. As far as the management of the mill company is concerned they have a voice as far as the giving of commission is concerned but even that right has been exercised in favour of the company because they are not only partners in the commission but also shareholders.

President.—But since your commission is charged on sales and not on profit if I were a big shareholder in your company and you are managing agent and I am also a partner and in a particular year I find you are proposing to surrender your commission I should naturally be inclined to question that and that may take the form of some sort of inquisitorial investigation of your management. To that extent I should be interfering with your management. It does not make for the healthy development of the industry.

Mr. Kasturbhai.—It has not happened so far. So far as Ahmedabad is concerned somehow or other we have been able to manage the partners so nicely that this difficulty has not arisen.

President.—Am I right in thinking that taking the majority of managing agents in Ahmedabad they represent the first generation whereas in Bombay there is a larger number representing the third or fourth generation, therefore the habits of the man who built up the industry would take

the whole of his life time to change; when a managing agent is succeeded by his son or his grandson there is no necessary guarantee that the habits of the older generation will proceed.

Mr. Kasturbhai.—If the mills as such are taken they are more in the hands of the second generation to-day than in the first so far as Ahmedabad is concerned. The second generation which has come out is equipped with much greater knowledge than the first generation.

President.—The next point is the extent to which the managing agent performs for his company services other than those pertaining to his position as managing agent, that is to say to the extent to which he makes purchases, arranges sales, insurance and various services of that kind. In your managing agency agreements taking them as a whole the managing agent is given the right to do all these things?

Mr. Kasturbhai.—Yes.

President.—The suggestion which has been made is that when you have a system under which the managing agent is allowed to render these various services his interest comes in conflict with the interest of the shareholders. What is your view about it?

Mr. Kasturbhai.—How can there be differentiation of interest between the mill agent performing the various services

President.—Let us take the question of insurance. You are a managing agent; you are also an agent for a large insurance company.

Mr. Kasturbhai.—That is not the custom in Ahmedabad. There may be one or two isolated instances here or there but generally speaking the managing agent has nothing to do with insurance business.

President.—Take mill stores.

Mr. Kasturbhai.—You will rarely find instances in which managing agents of a mill are interested in this business.

President.—What about purchase of cotton?

Mr. Kasturbhai.—I dare say there is not one firm which is interested in the commission agency business in cotton. All the cotton that is purchased is through people who are specialising as cotton commission agents but no mill managing agent has got anything to do with purchase of cotton.

President.—You pass your orders to him and he places the orders wherever he thinks the best bargain can be made?

Mr. Kasturbhai.—No. All the powers are reserved by the managing agents. If I want to buy, say, 500 candies of Surat cotton, I won't let him know that I want 500 candies; I will merely tell him to get me 100 candies at such and such a rate. If he is able to obtain it he will telephone to me that this bargain has been closed at such and such a price. Then if I feel that it is an attractive price I will ask him to buy further stocks. As he goes on operating he goes on informing me on the telephone or by telegram. Suppose I am buying at Lyallpur: I send a telegram to my cotton commission agent to buy 100 candies at a particular price; if he is able to obtain cotton within that price he purchases and when the goods come here I pay for it. There he functions not only as a purchaser but finances it to the extent of paying the cultivator or the merchant from whom he buys cotton. No mill agent in Ahmedabad will pay him at that centre; he will only be paid when the goods arrive here and he does all this work for a commission of $\frac{1}{4}$ per cent.

President.—The idea is that the managing agent and the commission agent are entirely independent parties?

Mr. Kasturbhai.—Exactly.

President.—How exactly are your sales arranged? I understand you have got guaranteed brokers system. What precisely is this system?

Mr. Kasturbhai.—The duties that have devolved on guaranteed brokers are manifold. As far as Ahmedabad is concerned not only has he got to make sales of goods that are manufactured by the mills: but he guarantees

the financial liability of the merchants to whom the goods are sold; not only that, but the responsibility of finding what are the kinds of goods that are in demand in particular districts and what are the qualities of cloth that should be manufactured by that mill company also falls on him.

President.—To a large extent the varieties of cloth that you produce are determined in consultation with him?

Mr. Kasturbhai.—Yes, and not only that: if the realisation is less than also he is responsible for it. He has got to satisfy the mill agent that the price at which he effects sales for him will yield the largest aggregate sale and if he fails to do that he is asked to go.

President.—I should like to know if there is any legal obligation.

Mr. Kasturbhai.—Legally he is not responsible, except in so far as the financial aspect is concerned.

President.—You know the selling agency system in Bombay. I was told what the selling agent in Bombay does: he not merely guarantees the financial liability but the contract, but here your guaranteed broker is not responsible for the performance of the contract?

Mr. Kasturbhai.—No.

President.—Are managing agents as a rule interested in guaranteed brokers?

Mr. Kasturbhai.—Not as a rule. There may be instances here and there.

President.—The objection which has been raised that when the managing agent is interested in sales in that way outstandings tend to accumulate.

Mr. Kasturbhai.—Very naturally he will not in his own selfish interest because his interest in the capital will be anything from 33 to 50 per cent. and unless he is prepared to lose that capital he would not get into partnership with a commission agent who will not be able to carry out the duties of a guaranteed broker.

President.—That is a very interesting statement. If in a particular year there is no chance of earning a dividend on the capital then is it not worth while to get something out of the guaranteed broker?

Mr. Kasturbhai.—No, because the commission on which the guaranteed broker works is as low as half a per cent.

President.—How exactly is the price determined for the purposes of this commission?

Mr. Kasturbhai.—Ex: mill. It is so low that I doubt whether in the whole world you would find a commission agent guaranteeing your capital and working at so low a commission. Out of that $\frac{1}{2}$ per cent. he has got to meet expenses. Take for instance my own guaranteed broker: I sell goods worth about Rs. 36 lakhs, he will get Rs. 18,000 commission out of which income-tax will take away about Rs. 3,000 to 4,000. It will leave him Rs. 14,000. He has got to keep a car; he has got to keep at least three or four clerks, leaving a bare sum of Rs. 7,000 or Rs. 8,000 to dispose of goods worth Rs. 36 lakhs. For a net profit of Rs. 8,000 to guarantee Rs. 36,00,000 is a job which no man in any part of the world will be inclined to do. It is only in Ahmedabad that they do it.

President.—With regard to the question of control it has been said that the terms of managing agency agreements are such that it is impossible for those who have placed money in the industry to make their wishes properly respected by the managing agents. If your managing agent is a permanent feature of the business and if the shareholders as a body are not satisfied with the way in which the management is carried on, then even assuming that the shareholders have a voice in the election of directors, the directors have so little voice in the control of the management that practically the system works without effective control from outside.

Mr. Kasturbhai.—It is not true.

President.—I should like to understand the position clearly. As far as I am able to understand the criticism made on the managing agency system, it is this. There are two aspects to the question of control; there

is the control by the directors directly upon the managing agents and there is the control of the shareholders upon the directors. There are a certain number of directors in every concern who are nominated by the managing agents. As far as the other directors are concerned each year a certain number of vacancies occur: you don't get all the seats falling vacant at the same time and therefore the extent to which a shareholder can exercise his privilege of removing an undesirable managing agent is restricted to one-third of the total directors. Then again he gets notice of an annual meeting only seven days before the meeting is to take place: he has got to send in his nominations about the fresh election of directors I believe 7 or 8 days before the meeting. The result is that he has not sufficient time to send in his nominations and therefore although there is provision for the election of directors by shareholders, that provision is ineffective for all practical purposes. That is generally the position as I understand it. The managing agent is therefore liable to have his own way and the whole object of the Companies Act, that those who have put money in the industry must have an effective voice in the control of the industry, is defeated to the extent the managing agent comes in between the company and the shareholders. Therefore the managing agents must be brought under control by a suitable modification of the Companies Act.

Mr. Kasturbhai.—The position is this. It is true that as far as directors are concerned they do not exercise effective control which may be desirable in the interest both of the concern and the managing agent, but as far as Ahmedabad is concerned, as I explained to you, the position of the managing agent entirely depends on the confidence that is reposed in him by the public. The allegation that is being made by the shareholders that the Managing Agents are having their own way would not stand scrutiny as far as Ahmedabad is concerned. As far as Ahmedabad is concerned, the position will be that he will lose the good faith of the public at large and will not be in a position to attract the deposits or to run his concern as he likes. The technical position, as I explained, is that in other places it is the shareholders who are having an effective control on the management. I do not know how far that is true. If I may cite the instance of the P. and O. Company. Lord Inchape had been its President. I daresay no one dared to be on the Board of the P. and O. Co., without the willing co-operation of Lord Inchape as such. Though he may be a holder of only 15 or 20 per cent. of the shares, it will not be possible for the shareholders to change over the Board as they liked. At least the experience that we have got of many Companies in Western countries is that after all the shareholders can exercise a certain amount of control over their Directors; otherwise it may become a nuisance. After all the management must vest in a person or a few persons. Then and then alone it can be managed effectively. Certainly if there are some defects which are very apparent and which must be remedied, the shareholders must voice their feelings in the general meetings when they are called and they should be set right either by the Directors or the Agent, but to expect that by giving wider powers to the shareholders a greater control will be exercised on Directors or the Agents may all very well look on paper, but in practice we doubt it very much.

President.—Even if you are in a position to make suitable modifications, even then the extent to which the shareholders make their wishes felt is very limited. Lord Inchape is rather a misleading analogy: I will tell you why. If you have a very successful man who has built up business as a result of his own personal merits ability and so on and people are prepared to place their funds in the industry by reason of his position in industry, then so long as he is alive, the shareholders are satisfied with the position. There is personal confidence in the man, but as against one case of that kind you can cite two or three cases where the management is in the hands of people who once inspired personal confidence but who have not been able to sustain their confidence and therefore the shareholders begin to feel that the original confidence is now misplaced. When situations of that kind arise, is it not the duty of the State to provide machinery by which the shareholders may bring the management under control?

Mr. Kasturbhai.—Yes.

President.—As against Lord Inchcape take a man like Kreuger. To the extent that the Managing Agency system is not mentioned at all in the Companies Act, which is a factor of which the law has taken no note, don't you think it is in the public interest even if the abuses are confined to individual cases that some attempt should be made to regularise the position?

Mr. Kasturbhai.—We have said in so many words in our representation that Indian Companies Act may be modified. We are all for it.

President.—With a view to regularising the position of the Managing Agents in our industrial system.

Mr. Kasturbhai.—That is to say there should be an effective control of the Directors over the Managing Agents.

President.—Yes and shareholders over the Directors. You are quite prepared to face that.

Mr. Kasturbhai.—Yes.

President.—If a suggestion of that kind was made, the suggestion would take this form that at the earliest possible opportunity the Government of India should institute an *ad hoc* enquiry into the working of the Managing Agency system with a view to making, if necessary, suitable modifications in the Company law. If a suggestion was made on those lines, you would accept the suggestion?

Mr. Kasturbhai.—Provided, that Committee is also empowered to look into the facts and figures of other countries where the Managing Agency system is not in vogue and then to form conclusions.

President.—It must be a fully representative Committee.

Mr. Kasturbhai.—As it is, the Managing Agents have their part of the abuse from the public. After all in fairness to the Managing Agents, if any Committee is to be appointed, it should look not merely into the working of the Managing Agency system in India but in other parts of the world and from that if conclusions were drawn, our Association would only be too pleased to accept.

President.—Your point is that it must be a part of the terms of reference.

Mr. Kasturbhai.—It is wrong to go on abusing in season and out of season without there being grounds for it. After all just as there has been Kreuger and other instances in Western countries there may be instances here in India of a Managing Agent defrauding the public or doing things for which other Managing Agents are accused. If such instances are there, conclusions must not be drawn that it is only in India that Managing Agents are behaving in this way and wherever there are Boards of Directors, these instances are not in existence. After making proper enquiries, if conclusions are arrived at and if the Managing Agents are given the opportunity

President.—They would of course be represented on that Committee.

Mr. Kasturbhai.—Then I don't think our Association would have any objection.

President.—There are one or two points in connection with the Managing Agency system. What is the normal number of Directors nominated by Managing Agents?

Mr. Kasturbhai.—One.

President.—On transfer of a Company's business most of the agreements provide that the Managing Agents right should continue.

Mr. Kasturbhai.—Yes.

President.—With regard to assignment I understand the position of Ahmedabad is that the Managing Agent can assign the interest of the whole agreement.

Mr. Kasturbhai.—Yes, that is only in recent agreements.

President.—It is not in the public interests?

Mr. Kasturbhai.—It is not.

President.—What is your view about the assignment of interest? You can transfer to some other person the commission that you get from your business.

Mr. Kasturbhai.—Yes.

President.—Do you think there is any harm in that?

Mr. Kasturbhai.—It is not desirable.

President.—What is the undesirable feature of it?

Mr. Kasturbhai.—The undesirable feature is this: what has happened in the case of Tatas. A portion of what was a national industry was assigned to the American Company. After all they would not have got the public support had it not been an Indian concern in the beginning. I am not instancing Tatas merely for the sake of naming them.

President.—Leaving out that case, supposing it was assigned to an Indian Corporation, then what is the undesirable feature?

Mr. Kasturbhai.—I think they ought to have gone to the shareholders because those shareholders who may have subscribed capital for their requirements must have done it on the assurance of ability.

President.—What I am thinking of is this: when you assign the interest, you are not assigning the management. You are simply assigning the interests.

Mr. Kasturbhai.—Assigning interests will be different. If a large portion of the interest is assigned, then the interest that will remain for the Managing Agent in that concern will certainly be less.

President.—So that it will not stimulate him to do his best.

Mr. Kasturbhai.—That is possible.

President.—That applies to your partnership concern. Supposing your Managing Agent has only 3 annas right, then the extent to which he will put his whole heart into the business is somewhat limited.

Mr. Kasturbhai.—Yes.

President.—Your objection to the assignment of interests applies also to cases where interest is partitioned off.

Mr. Kasturbhai.—It will not where his interests are partitioned out. Those shareholders who take a share in it know from the very beginning that this is the interest of so and so knowing full well if they come to invest their money in that concern, they should not blame any one. Instances are numerous where the Managing Agents have got only 3 or 4 annas commission.

President.—Take a case like this. When we started this concern I had 4 annas and you had 2 annas. After a few years it was so arranged for some reason that I am the Managing Agent and I reduced my share from 4 annas to 3 annas and increased your share say from 2 annas to 3 annas, would you agree to that.

Mr. Kasturbhai.—It should be done in consultation with the shareholder.

President.—Any change as compared with the initial position must be undertaken with the consent of the shareholders.

Mr. Kasturbhai.—Yes.

President.—That is how you put it.

Mr. Kasturbhai.—Yes, but that is my personal view.

President.—As far as the assignment of agreement is concerned, it is entirely against the public interests. There is no question about that.

Mr. Kasturbhai.—Quite.

President.—I understand that when a Company is wound up, the Managing Agent is entitled to compensation. As far as Ahmedabad is concerned the compensation is calculated at 5 times.

Mr. Kasturbhai.—5 years average. Generally speaking 5 times.

President.—It is 5 times the average of the past 5 years.

Mr. Kasturbhai.—Yes 5 times the average of the past 3 or 5 years.

President.—You get the benefit of the pre-depression period. Have there been any recent cases?

Mr. Kasturbhai.—None. I submit (if it is possible for you, after examining us on this point about the Managing Agency system, because it has been thrown at us time and again), we would like you to examine us and cross-examine us at full length and give us your verdict once for all. The Managing Agent is not so bad as he is painted in the press and in the public. Some of the conclusions that were arrived at by the previous Tariff Board did indicate opinion in our favour, but still as they were not very specific, again this time when the Tariff Board has been appointed, you hear everywhere that the sufferings of the whole Cotton Textile industry are entirely due to the action of the Managing Agents and you will find in your enquiry, that it is not so.

President.—If we are going to have an *ad hoc* Committee we may leave the question to them. As a matter of fact as far as one can speak on the evidence that we have received so far, the extent to which the Managing Agency system—admitting all that has been said against—results in increasing the costs—is on the whole not much. Even assuming that abuses of the kind that have actually occurred in individual cases, the extent to which it has put up the costs of the industry is, I think, on the whole relatively small. What I say is the way in which the Managing Agency system reacts on the industry is not in the direction of costs, but in other directions.

Mr. Kasturbhai.—It doesn't raise the cost of production.

President.—I will tell you precisely what I am thinking of. There are two ways of looking at this question from the point of view of the industry. The Managing Agency system is a bad system of management and any bad system of management must increase the cost. Therefore one reason at any rate why the costs of the Indian textile industry are high is that the Managing Agency system provides a bad system of management. The second line of attack that is the Managing Agent by reason of putting up the costs of the Indian industry is losing the confidence he used to get from investors. If the object of protection is to develop the industry, it can do so only by stimulating further investments. If the investor has lost confidence in the Managing Agency system, then to that extent the continuance of the system is going to prevent the object of protection being fulfilled. It is not a question of cost, but simply a question of feeling entertained by the investor towards the Managing Agency system. These are the two points of view from which you have to look at it. Probably the more important point of view which would be justified if at all would be the second and not the first. Do you agree?

Mr. Kasturbhai.—I don't agree.

President.—Why?

Mr. Kasturbhai.—To say that the Managing Agency system is losing the confidence of the public is not true at all in the case of the Ahmedabad mills.

President.—Take the first. From your general knowledge of the position, do you think that we could get rid of the Managing Agency system?

Mr. Kasturbhai.—We would be much worse off than we are.

President.—In point of costs?

Mr. Kasturbhai.—Yes, because to-day the identification with the concern that you get of the Managing Agent will not be had from any number of Directors howsoever well qualified they may be and howsoever competent they may be to look after the interests of the Company. Let me see a concern started in Ahmedabad or in any part of India by an economist or a technologist. Let him show to the investing public that he can take care of the public money in a better way than the Managing Agents in Ahmedabad have done. That will be the real test of the whole thing. There are

numerous technologists in Ahmedabad and there may be a few economists too in Ahmedabad. I dare say if some one were to float a concern to-day, he would not get 1/5th of the capital that has to be had without the Managing Agent of Ahmedabad.

President.—I can understand in respect of economists. He would never raise capital.

Mr. Kasturbhai.—If half a dozen persons who are well versed in the theory and in the technical side of the industry were to meet together and start a concern, I doubt whether they will be able to attract the capital that has been attracted by the Ahmedabad Managing Agents as such.

President.—You don't accept either of these points?

Mr. Kasturbhai.—Not only that. I am only confining my remarks to Ahmedabad. I submit Managing Agents have not only run the concerns very efficiently but the economies that they have effected in running the concerns are such that no other way of running the concerns will result in those economies that have been effected by the Ahmedabad agents. Take an instance: A packet of pins that is coming into the mill which is only worth 8 annas. It is looked after by the mill agent before it is allowed to enter the mill. I dare say that no Board of Directors will take 1/10th the care that has been taken by the mill agent of Ahmedabad as such and if you desire you may look into the working of any Ahmedabad concern, do not take the efficient concerns that are running, go to any other mill and see the working of it before you pass any final ruling on the good or bad management of the Managing Agency system and find out for yourself whether these mills are run not only efficiently and economically but also with the genuine interest in the business which will be lacking in any Board of Directors that you may appoint to take charge of the concern.

President.—If I suggested or if somebody suggested that one reason why the Indian textile industry was in need of protection was the inefficiency of the managing agency system you would refute that as a definite lie?

Mr. Kasturbhai.—Certainly.

President.—That is an entirely untrue proposition?

Mr. Kasturbhai.—Yes. There are also some Japanese exporters who have been saying that it is due to the managing agency system that the Indian textile industry is in need of protection. We do not subscribe to that view. If they are able, it is entirely due to the far-sighted policy which they have adopted in regard to their labour. As far as the technical side of the question is concerned, I daresay we can stand in competition with any Lancashire man or any Japanese who may be there.

President.—I am not in a position to contradict that.

Mr. Kasturbhai.—What I want you to find out is this: as far as the managing agent in Ahmedabad is concerned, whether he has taken charge of the concern and run it efficiently, economically and in the best interests of the shareholders as such or not?

President.—There is only one other question arising out of that which I want to put to you. There has been a great deal of talk about the amalgamation of textile concerns. You are definitely against it.

Mr. Kasturbhai.—Yes, and I shall explain it to you in a second if you will permit me. There can be advantage in amalgamation of concerns only if we are put on a mass production basis. There can be advantage in an amalgamation if it is possible to take out the concern from where it may have been located and amalgamate it with other concerns wherever they may be. That is not possible because after all the economies that are to be had by amalgamation are either in the supervision charges or establishment charges or the power house. I concede that there will be an appreciable saving if there can be amalgamation with regard to power costs. That is not practicable inasmuch as the concerns are located where they are. Regarding the question of mass production, we are definitely against it.

as far as Ahmedabad is concerned, we have always catered for markets in all parts of the country.

President.—That is the essential point in my opinion. The real advantage of amalgamation comes in only if you are able to amalgamate, that is to say if various mills are brought together into a single financial and administrative system. If all the mills work as a single entity, then you can rearrange your plant and machinery in such a way that particular mills can manufacture principal lines of goods. That means that you have a market which admits of standardised production. On the other hand if the demand in your market is so varied that it is not sufficiently large for particular lines of goods, then to that extent the whole amalgamation scheme becomes difficult to operate?

Mr. Kasturbhai.—Yes.

President.—May I ask you this as against that: after all the great hold which Japan has been able to have on the market is by means of standardisation, and if it is possible for Japan in the Indian market to get this hold by means of standardisation, why should it not be possible for you?

Mr. Kasturbhai.—It is not because of standardisation that Japan has got a hold on the Indian market but because of the way in which she has been able to handle her labour. She has handled it in a much better way than any other country in the world in this respect. While we did not look after the housing of our work people, while we did not look after the welfare of our work people, their education, their sanitation, etc., the Japanese manufacturers did all that right from the beginning. They housed their labour on the mill premises where they paid certain wages and exacted certain amount of work. If those figures are gone into, it will be at once seen that the great advantage which Japan is having to-day over any other country in the production of piecegoods is in its labour charges.

President.—That is one side of it but you cannot get away from the fact that the largest single item of imports that come into the country is precisely the class of goods that admits of standardised production. If Japan can put its plain grey at such low rates, partly at any rate, as the result of standardised production, I want to know why the Indian mills cannot do it?

Mr. Kasturbhai.—If I can reduce my cost of labour to the extent that Japan has been able to do it, I daresay that I won't allow the Japanese cloth to be imported into India, but also I should be in a position to market it at a competitive price. I am not able to do it not because I have no standardised production but because my labour costs are so high that they will not allow me any margin to market my goods at such prices at which Japan is able to do.

President.—What is the point about labour that you are trying to bring home to us! Is it the general conditions affecting labour that you are referring to or are you thinking primarily of the general standard of education?

Mr. Kasturbhai.—Both. What I say is that they housed their labour in particular localities, gave them better sanitation, etc., costing about 6d. per day. What we did was instead of spending 6d. in looking after the sanitation, education, etc., and other amenities, we paid them higher wages with the result that we could not get the hold on our labour which the Japanese manufacturers could get on their labour. They did get the hold because their work people were so enchanted by these various little things that were done by the employers, that they were prepared to do any extra work which was demanded of them. If a frame tenter was looking after two sides, because of the amenities that were being provided in Japan in an increasing measure, he went on to look after 3 sides, 4 sides, 6 sides and even 8 sides. He may be paid 10 or 20 per cent. higher wages. But if the wages that are being paid for the kind of work that the Japanese worker does are compared with the wages of the Indian workman for the kind of work that he does, you will find that in India or even in Ahmedabad, we are paying considerably higher wages.

President.—Is it your point that if you dispense your wages to your workmen not entirely in the form of money wages but in the form of various amenities and so on

Mr. Kasturbhai.—Now it is not possible. It is too late.

President.—I am trying to get your point. If you are able to dispense your wages in the form not merely of money wages but partly also in the form of services or amenities, then for the money that you spend on your labour you get a more than proportionate return from your labour?

Mr. Kasturbhai.—Decidedly. Not only that but also they would not have had any occasion to go to outsiders and form Labour Unions or anything of that nature, wherein they are put up against the extra amount of work that has to be done. It is only in England and in India that you find these Labour Unions in the position in which they are. Both in Japan and in America, the progress that is being made in the textile industry is absolutely in ratio to the extra amenities that the labourer gets. In 1923 if the worker was minding two sides, in 1931 you will find the same man minding 4 sides.

President.—America and Japan are not models from the point of view of labour movement.

Mr. Kasturbhai.—That may be. As far as the interests of labour are concerned, I don't suppose that they are not well looked after. On the other hand to my mind they are better off in Japan than either in England or in India.

President.—There is only one other point that I want to raise and that is the point to which I made a reference this morning. You agree, don't you, with the Bombay Millowners' Association's suggestion that the most suitable form in which assistance may be given to the textile industry is a system of minimum specific duties. After all if you are going to have a period either of general or partial depression, any fall in price would straightaway reduce the measure of protection derived by the industry if you had *ad valorem* duties.

Mr. Kasturbhai.—Yes.

President.—Therefore it is important that protection should take the form of specific duties?

Mr. Kasturbhai.—Yes.

President.—Are you agreeable to that?

Mr. Kasturbhai.—Yes. If you will permit me, I will consider the question and let you know.

President.—I will tell you precisely. Do you think all things considered that an extension of the present tariff system would be a better way of protecting the Indian industry than the system under which only *ad valorem* duties are levied? Before 1930, all the duties were *ad valorem* duties. In 1930 they had *ad valorem* duties subject to a minimum specific duty on plain grey. I want to know whether in your opinion the best thing is to extend the system to all classes of goods?

Mr. Kasturbhai.—I would consider that point and let you know.

(Continued on Wednesday, 1st September, 1932.)

Mr. Rahimtoola.—Mr. Kasturbhai, regarding the membership you told us yesterday that it is a different system from what it is in Bombay, namely that mill companies are members of your Association and it is not the managing agents?

Mr. Kasturbhai.—It is so.

Mr. Rahimtoola.—If that is so, suppose one mill company is a member of your Association then the managing agent generally represents that company on the Association?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—And if the managing agent is connected with four or five mills then he need not make his other mills members of the Association?

Mr. Kasturbhai.—He does because the benefits that are derived from becoming members of our Association can only go to such of the mills as are members of the Association. There are several things in which individual mills will be interested and therefore they become members. Take for instance holidays. We come to an agreement with the local labour unions that such and such days should be fixed as holidays and those will apply to such mills as are members; then if there be any labour dispute the Association will handle such dispute if the mill is a member. If it is not a member then it will have to be settled by the labour union with the individual mill but if it is our member the mill will abide by the decision of the Association in coming to an amicable settlement.

Mr. Rahimtoola.—You consider not becoming a member a disadvantage?

Mr. Kasturbhai.—Yes. We derive benefits in various matters. There are communications from Government: whenever there is any important communication our members are informed. If any member has any difficulty regarding, say, double shift we take the necessary steps to see that he gets allowance from the income-tax authorities for working double shift. Unless the mill is a member of our Association it will not get the benefit of our assistance. There is an instance where one mill is a member of our Association but another under the same managing agency is not a member. That mill wrote to us about some trouble with the municipality and asked us to take notice of it. We said that as the mill was not a member of our Association we were not in a position to take any action until it became a member of our Association.

Mr. Rahimtoola.—I will come now to the question which I did not understand very clearly: that is the question regarding the duty on imported cotton. As far as I know, you gave us to understand that your Association would favour a duty on imported cotton provided it was exclusively reserved for cotton imported from America of $\frac{1}{4}$ inch to 1 inch staple. I want to know exactly how it would benefit the cultivator?

Mr. Kasturbhai.—I think there has been some misunderstanding in what I said. We don't mind duty being levied on imported cotton which comes in direct competition with Indian cotton irrespective of place of origin. But if you specify the staple as one inch it will be very difficult for certain classes of cotton to be specified according to the length of the staple. Take for instance Kampala; there is no organisation which gives a certificate whether the cotton is 1", 1 $\frac{1}{4}$ " or 1 $\frac{1}{8}$ " and the differentiation is so small that it will be extremely difficult for Customs purposes to find out the difference in Bombay, Calcutta or any other port.

Mr. Rahimtoola.—We discussed this question at some length with the Central Cotton Committee and they gave us the number of bales that are brought into the market available for the mills and the total production. You have laid down a broad principle that whatever cotton comes into India which competes with Indian cotton it should be protected?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Then you are differentiating the staple. Our information is that if we are to protect the Indian cotton up to one inch that will be adequate protection to the cultivator. I suppose that if after investigation we arrive at that conclusion then you would have no objection?

Mr. Kasturbhai.—No.

Mr. Rahimtoola.—And you would not object to the country of origin but the staple?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—There is one point I want to be clear about. What is the advantage which Ahmedabad has over Bombay? One of the points that arose was that as far as taxation was concerned—levy of municipal

cess, water tax and so on—a mill in Bombay we were told was paying Rs. 28,000 as against Rs. 8,000 in Ahmedabad.

Mr. Kasturbhai.—That is not a correct statement. First of all you have got to consider the size of the mill: if a mill has got 100,000 and another mill 30,000 spindles taxation is bound to differ. I submit that the size of an average Bombay mill is at least 30 to 50 per cent. bigger than an average sized mill in Ahmedabad. There is another point. I suppose in giving the figure of Rs. 8,000 as taxation for one of the Ahmedabad mills they have erred in not calculating the tremendous figure of over Rs. 8 lakhs that are paid by the Ahmedabad mills as tax to the local municipality.

Mr. Rahimtoola.—I would draw your attention to paragraph 79 of their representation in which they state "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".

Mr. Kasturbhai.—That is entirely a wrong statement.

President.—It is wrong in the sense that it does not make allowance for the difference in size?

Mr. Kasturbhai.—Not only that but taxes that are paid by Ahmedabad indirectly are not included. Take the terminal tax: all the cotton that is imported into Ahmedabad for the manufacture of yarn and cloth is being taxed by the municipality. Surely that goes out of the pockets of the mills.

President.—Your point is that though they have taken the town duty in Bombay they have not taken the terminal tax in Ahmedabad?

Mr. Kasturbhai.—Exactly, and the terminal tax of all the Ahmedabad mills amount to about 4 lakhs of rupees.

President.—Could you give me the rate of this terminal tax?

Mr. Patel.—Eleven annas per ton on coal: even the mills outside the municipal limits have to pay that. Then on cotton one anna per Bengal maund: it is going to be now increased to 0-1-3. Then there are machinery and all other articles of mill stores. There is a special schedule of so many annas per maund, so many rupees per ton, so many pies per thousand and so on. In addition to this we have got to pay water rate of two types: compulsory and metre charges which comes to over 4 lakhs.

President.—In the case of the mill which happens to be outside the municipal limits?

Mr. Kasturbhai.—It is called upon to pay all these taxes except the water tax.

President.—That is to say coal, stores, machinery and cotton are being taken from the railway station past the municipal area. Is no refund made?

Mr. Kasturbhai.—No. Not only that: piecegoods that are being manufactured in mills outside the municipal limits when they come inside the municipal limits even for transit have got to pay taxes so that they are in a much more difficult position than those who are within the limits. Recently we came provisionally to an agreement with the municipality that some of the mills which are now outside the municipal limits will be included within the municipal area.

President.—So that as a practical proposition the complaint has no importance since these mills have for municipal purposes been taken within the municipal limits, and it loses its force?

Mr. Kasturbhai.—That is so.

President.—If the location of the mill is considered to be theoretically within municipal limits then this burden will disappear?

Mr. Patel.—Not at present but after the whole question is finally settled by the municipality.

Mr. Rahimtoola.—I have you got mills in the Native States as members of your Association?

Mr. Kasturbhai.—No.

Mr. Rahimtoola.—Can you approximately tell me what is the advantage derived as far as taxation is concerned by a mill situated in the Native States as against a mill situated in Ahmedabad?

Mr. Kasturbhai.—We will have to calculate that.

Mr. Rahimtoola.—The second point which the Bombay Millowners' Association put as a disadvantage against Ahmedabad is the question of labour, that is regarding their wages. Do you agree there?

Mr. Kasturbhai.—Not in the least.

Mr. Rahimtoola.—Can you give me figures to show that?

Mr. Kasturbhai.—Yes. But do not please draw us in this controversy!

Mr. Rahimtoola.—40 per cent. of the total production is in Bombay and the last Tariff Board enquiry was concentrated mainly to Bombay and it is necessary therefore to know what disadvantage the Bombay industry is suffering from as against other places. In paragraph 81 of their representation they say "... 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". We have no figures here, only they have made a general statement that they are unfavourably situated.

Mr. Kasturbhai.—Would it do if we give the wages paid in each department. But we may tell you that as far as the wages paid to women workers and men workers are concerned they do not differ by a rupee.

President.—Would you send us the rates of wages in different departments in Ahmedabad and then we can obtain the same for Bombay and make a comparison. If you could give us a statement of wages which are actually in force to-day in Ahmedabad we can get the rates of wages which are actually in force in Bombay and then make a comparison.

Mr. Kasturbhai.—May I point out that that may not perhaps give you the correct idea as to the labour costs in Ahmedabad and Bombay inasmuch as if there is any difference at all it may be—if I may use the word without any disrespect to my Bombay brothers—that there may be some superfluous labour employed in the mill which may not be the case in Ahmedabad. I know for example that while there were about 12 or 13 people engaged in sweeping the compound of a mill in Bombay I doubt whether you will find even three men engaged in that work in Ahmedabad. It will make a big difference; if you engage say, 10 men extra, the wage bill will amount to Rs. 300.

President.—That must be reflected in the labour costs. Do you get more out of a single labour unit here than they do in Bombay?

Mr. Kasturbhai.—As far as the weaving section is concerned yes. Apart from the weaving section I don't think there will be any difference.

President.—I suppose the practice in Ahmedabad is that one man looks after two looms but if you take a particular kind of cloth, say 20s x 30s, the output per loom per day will be higher in Ahmedabad than in Bombay?

Mr. Kasturbhai.—Yes.

President.—Is it possible for you to commit yourself to any definite figures on that point? If you can give me your output per loom per day on typical kinds of cloth, say of half a dozen varieties, we will ask for similar statements from Bombay and then we can make a comparison.

Mr. Kasturbhai.—Yes we will give you, but it will differ with the width. There are about nine widths.

President.—We will take the standard width.

Mr. Kasturbhai.—Generally speaking it is 44" or 48" in Ahmedabad.—

President.—Could you give me 40" and 48"?

Mr. Kasturbhai.—I think it may be desirable for you to have 40" and 56" or 52" instead of 48".

President.—Let us have 40" and 52".

Mr. Rahimtoola.—What is the position as regards the purchase of cotton between Bombay and Ahmedabad?

Mr. Kasturbhai.—We do not know what they do in Bombay but our purchases are made through commission agents who get $\frac{1}{4}$ per cent. on all the purchases made by us. He himself is never a dealer in cotton.

Mr. Rahimtoola.—I am talking about the price now. In paragraph 80 of their representation they say "Another special disadvantage from which the 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 counts of cloth". So Bombay is at an advantage so far as imported cotton is concerned?

Mr. Kasturbhai.—Yes. I have taken out for my personal information from my mills the purchases made during the year and I find that on an average I had to pay about Rs. 6 to Rs. 7 per candy on cotton purchased in the districts. I make my purchases in the districts and up-country. They should be in the same position to make purchases as we may be in Ahmedabad. I mean if we can buy from Surat which is 155 miles away, they are situated nearer than what we are. I don't think there is any difference between the freight from Surat to Ahmedabad and from Surat to Bombay.

Mr. Rahimtoola.—There are various other charges. The commission may be higher.

Mr. Kasturbhai.—Why should there be any other charges if they make the purchase in the districts and get the cotton direct into their mills. There should not be anything except the clearing charges which will be $\frac{1}{10}$ th of a per cent. higher.

Mr. Rahimtoola.—Instead of buying it in the Districts, if they buy it in the Cotton Exchange that is the advantage they have claimed. If they buy it from the exchange, then they have an advantage.

Mr. Kasturbhai.—You don't desire me to express an opinion on that system.

Mr. Rahimtoola.—I shall discuss the system at a later period, but I want to know whether you are getting cheaper than the Bombay Millowners having regard to the place say Surat which is equidistant. That is the only point I want to discuss at this stage.

Mr. Kasturbhai.—The point is that it is not desirable to purchase cotton from the Cotton Green inasmuch as whatever cotton you may get from Cotton Green is in my opinion bound to be adulterated and you cannot get it in as pure a quality as you can get, if you import direct from the district. If the cotton purchased by the Bombay mills is costlier, then it is their own affair.

President.—There is a suggestion in the Tariff Board's Report of 1926 that one advantage of Bombay is on account of the presence of the large market there, they need not stock to the extent that you do, is there any point, and so they save interest charges.

Mr. Kasturbhai.—At least for 6 to 8 months of the year, Ahmedabad also do not carry any stocks of cotton. That is to say 6 weeks or 8 weeks of cotton supply has to be carried by any mill whether it is situated in Ahmedabad or Bombay, because for lower counts the cottons that are being used are not used purely from one District, but they are blended from 2 or 3 districts, because one cotton may be superior in colour and another may be superior in tensile strength and the third may have a better fibre. Therefore in order to make the proper mixings, it is essential for any mill to carry 6 to 8 weeks' stocks in their own mills. We in Ahmedabad

generally adopt this system. Right from the beginning of the season, that is to say from December we hardly carry any further stocks than to last us for 6 to 8 weeks, right up to the end of June. That is the period up to which there will be no break of the monsoon. Recognising that it is not a paying proposition, but actually some loss may have to be suffered by the mill, if they were to make their purchases of cotton during the monsoon, by the moisture that may be absorbed by the cotton, the Ahmedabad mills follow the system of having stocks which would last for about 3 to 4 months, i.e., between the months of July and October. That is the only period when larger stocks than usual are carried by the mills.

President.—That is to say outside the monsoon period your stocks would be 6 to 8 weeks.

Mr. Kasturbhai.—Yes.

President.—It may be slightly longer during the monsoon period.

Mr. Kasturbhai.—It will be additional extra 8 weeks. We have definitely found it out that whatever may be the position unless cotton is taken in before the monsoon breaks, the loss to which the mills will be put will be certainly much heavier than the interest charges that will have to be paid.

Mr. Rahimtoola.—I would like to ask a question or two about the duty on yarn.

Mr. Kasturbhai.—Before I proceed may I make my position clear? Yesterday on the question of the President I said that we do not favour the abolition of the duty on foreign yarn and on further reference I said that I would consult my Committee and let you know its views whether we would be in favour of doing away with the duty on yarn above 50s. Eventually he asked me whether I could not reply to him on the spot and commit myself that the duties on over 50s yarn may be abolished and I said "yes". Since then I had consultation with my friends and we feel that as it is a question of principle we are opposed to it and I want to correct the statement that I made yesterday.

President.—You oppose it on the ground of principle?

Mr. Kasturbhai.—Yes. We believe as far as India is concerned she is in a position to supply all her needs and there is no reason why foreign yarn should be allowed to be imported into this country and if some scheme could be devised we are most anxious to co-operate with anybody that the Government may appoint—be it the Tariff Board or anybody and to see that the handloom weaver gets his supply at the cheapest rate. We are as anxious to develop the handloom industry as any public man.

President.—Would you be prepared to put forward a concrete scheme?

Mr. Kasturbhai.—Most willingly.

President.—Say by the 20th September could you let us have a note embodying a concrete scheme in respect of the retention of the duty on foreign yarn. It will be possible for you to arrange for your sales in such a way that the handloom weaver will get it at a price which corresponds simply to the c.i.f. import price without the duty. That is to say you will arrange your sales in such a way that the price will not go up in accordance with the duty.

Mr. Kasturbhai.—The point is this: as you know there is a regular dumping of yarn from the foreign countries just as in the case of piece-goods. You will notice from the import figures that China particularly and Japan have increased their exports considerably in recent years.

President.—That is perfectly true. I can accept that statement.

Mr. Kasturbhai.—We are prepared to commit ourselves to this.

President.—The point is this: the purpose of an import duty on yarn is twofold. First is to keep out imported yarn altogether so that you may be able to supply that market. The second is not merely is the foreign yarn kept out, but you are able to get a better price as a result of the duty.

What I am trying to suggest from the handloom weavers point of view is assuming your proposition to be true that there is really no room for the use of any foreign yarn in this country then for the sake of argument I will admit that a duty may be levied on foreign yarn simply exclusively for the purpose of keeping out foreign, but not for the purpose of enabling you to get a price. If yarn is being landed in this country from China at dumping price, I suggest that the handloom weaver must get the benefit of that price, but you produce it.

Mr. Kasturbhai.—That will be impossible. That is a proposition which cannot be accepted.

President.—Above 50s there is no inequity at all. I will tell you why. If a mill which produces let us say 500,000 lbs. of yarn, as a result of a high import duty keeping out foreign yarn altogether, it is able to raise that from 500,000 to 750,000, its overhead charges come down. Simply as a result of the foreign yarn being kept out of the market, it can increase its output and get those economies which result from increased output. That is the only benefit it ought to get.

Mr. Kasturbhai.—Without committing my Association to anything, I will submit my personal views on the matter. It is not our desire that we should have any extra advantage by the import duties levied on the foreign yarns. We should be prepared—this is my own personal view—to supply the handloom weaver at the minimum margin of profit which the Tariff Board after enquiring may fix.

President.—That would give rise to various complications. I must say I have not formed any considered view on the subject, but your suggestion does not in the least attract me. One of the practical difficulties in my mind is this: supposing I accepted your suggestion that this duty should be continued and you would be prepared to supply yarn to the handloom weaver at a price which corresponds to the c.i.f. price plus either the whole duty or a portion of the duty, that is your point?

Mr. Kasturbhai.—No. My point is this: let the Government bring forward a bill which will fix that a mill will not be entitled to any extra profit than it may be named by the Tariff Board.

President.—That is quite impracticable. We can't do it. We have no data for doing it. Even if we have the data and if we are in a position to prescribe the schedule, we have no means of enforcing it. There are 350 mills in this country. Administratively it is impossible. What will happen is this: supposing we levied a duty either at the present rate or the enhanced rate on yarn as far as 20s and below are concerned, yarn is being sold in the country to-day at a price which is lower than the c.i.f. price, it is open to a mill if it is so inclined with a duty to raise the price on the coarser counts by about 25 or 30 per cent. We can't prevent them doing it. If they do it the person who suffers is the handloom weaver and as I said yesterday you cannot for the sake of the Textile Mill industry place a burden on the handloom weaver, the man who is in the weakest position in this country. How can you place a burden on the handloom weaver which he cannot bear? There are three millions of people engaged in that industry.

Mr. Kasturbhai.—I entirely agree, but the whole point that you missed is this: what you have got to find out is whether his ills are because of the import duty or because of the great swadeshi wave, that has overtaken the country and he is not in a position to market the goods made from foreign yarn.

President.—My answer to that would be this. We have had a great deal of statistical data presented to us by people who are enquiring into the handloom industry and the conclusion that I have tentatively formed is that if you remove the duty on yarn, a weaver who makes 5 annas will make 6 to 6 annas 6 pies. It is a very big thing to a man in that position. That is the concrete fact staring you in the face.

Mr. Kasturbhai.—Have the Directors of Industries given you the data?

President.—I am speaking of information sent to us by about 8 Directors of Industries.

Mr. Kasturbhai.—The data that was given to us. . . .

President.—That is an old data. We have had a more recent and fuller statement. That statement has been checked by statement sent to us by other provinces and I am perfectly certain that the removal of the duty would mean an increase of 1 to 1 anna 6 pies in the wages of the handloom weaver per day. It is a very important question.

Mr. Kasturbhai.—We are entirely in agreement. If there had been any difference of opinion as to our being desirous of enhancing our interests at the sacrifice of the handloom weaver, I can understand your point. But if we are as anxious perhaps more anxious to supply the needs of our country than these various Directors of Industries may be, then at least we must have a chance of submitting to you a scheme whereby we may be able to supply the yarn that is required for the handloom industry at a competitive price, but not at a dumping price.

Mr. Rahimtoola.—Will you please tell me what you have done at present for the handloom industry? That would help us to judge the position.

Mr. Kasturbhai.—I think we may reply in the words of the Director of Industries, Bombay, Mr. Advani, who said that all the Ahmedabad mills have stopped spinning counts below 18s. That it gives not only an advantage to the handloom weaver but to a spinner who spins his yarn on the spinning wheel.

Mr. Rahimtoola.—I do not know whether he has gained substantially. I will tell you the two grievances under which the handloom weavers suffer. One of them is they say that the yarn that they get from the mills which is available in the market has less tensile strength than the yarn which is used in the mills and therefore they have got to pay a higher price owing to the duty on yarn to get a better quality of yarn. Another point is that the goods they market in the country with the cost of production which they have got to pay cannot stand in competition with the mill made goods of similar quality. Therefore their suggestion is either get rid of the duty on yarn on which I understand your Association holds very strong views. Apart from the merits of the question it is on a broad national point of view that you take your stand. The second point is how you will meet their suggestion, either there should be a cess on the comparable qualities which the Indian mills are turning out in order that they may be able to sell their stuff or prohibit the mills from turning out comparable qualities. These are the two important suggestions that have been put forward before us in the shape of protecting the handloom industry. You have dealt with one question. What about the other question?

Mr. Kasturbhai.—One question we have dealt with and that is the quality of yarn.

Mr. Rahimtoola.—You have dealt with the question of duty on yarn.

Mr. Kasturbhai.—Quality of yarn we have dealt with in our replies to the questionnaire.

Mr. Rahimtoola.—Where. You are referring, I take it, to the replies which you sent us.

Mr. Kasturbhai.—We are referring to our letter dated the 25th July.

Mr. Rahimtoola.—On page 2 of your letter dated the 25th July, you say "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 nowadays for cloth made from Indian mill made yarn' ". That does not cover my point.

Mr. Kasturbhai.—We have stated, if I remember right, that it is always possible for us to manufacture the quality of yarn that is required by the-

handloom weaver and if he is prepared to pay the price for it, he can always demand that quality of yarn that he might need. We say:—"It has been alleged however that the quality of the yarn spun is not comparable with the imported production and therefore the progress achieved is not of 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".

Mr. Rahimtoola.—Then, it is not a fact that the yarn which is used by the mill for their own weaving is not the same as is marketed for the handloom industry.

Mr. Kasturbhai.—It is all a question of price. Here are several mills which run short of the yarn and they are prepared to pay the price. A number of mills during the monsoon months particularly run short of the warp yarn, and they get it if they are prepared to pay the price.

Mr. Rahimtoola.—What is the general quality of the yarn which is found in the market and which is generally bought by the handloom weavers? Is it the yarn of the same quality as that used in the mills or a little inferior?

Mr. Kasturbhai.—A little inferior because the price is considerably cheaper.

Mr. Rahimtoola.—Yes, there is no doubt about that. What about the other two suggestions? I want to know about the excise duty on the comparable qualities made by the mills?

Mr. Kasturbhai.—We have said that we shall consider the question and let you know.

Mr. Rahimtoola.—The position raised by the handloom weaver is this. The sari which they turn out costs Rs. 2-6-0 and the sari which is turned out by the mills is Rs. 2-2-0. They want this additional 4 annas protection from mill made cloth. If you think that that should be given in the shape of a duty or a cess which could be used as a Central Fund for the handloom weavers, then I don't wish to raise that question.

Mr. Kasturbhai.—In reply to the President, we have said that we will go into that question and let you have our considered views.

President.—That point is also covered by that?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Now I shall take up the question of the managing agency system. I think that it has relevance to Question No. 33. As far as your Association is concerned I think you have adopted the view that you are quite prepared to accept the suggestion of an *ad hoc* committee to go into the question of managing agency system as to how it has reflected particularly on the textile industry. All those charges which have been mentioned by the Board in Question 33 would be relevant to the issue that may be raised. But you will admit one fact that the question of appointment of a Committee and the Government decision thereon would take a considerable number of years and I would like to know what would be the position during those three, four or five years, with regard to the various kinds of commissions that are being charged at present by the industry as a whole. As far as Ahmedabad is concerned you have replied to that question by saying that no commissions mentioned in the question, are taken by the managing agents. That does not cover the whole question, because the question says whether direct or indirect. I want to know whether this statement stands good as far as the indirect part is concerned. By "indirect", it is meant that the managing agents themselves may not have their own stores or may not purchase cotton themselves or they may not themselves be insurance agents, but they may have relations,

or they may have part of the commission under a deed of managing agency in which they are interested. Is there any instance of that kind with regard to the items mentioned in this question?

Mr. Kasturbhai.—I may submit that if the *ad hoc* committee that is proposed to be recommended to the Government of India is likely to take time and if it is desirable in the interests of the public that the position of the mill agents should be defined with reference to the mill industry as such, as far as my Association is concerned, we are quite prepared to face any enquiry conducted by this very Board who may look into each and every detail and make a report as to the merits and demerits of the prevailing system. As a matter of fact, you will remember, when I made that suggestion to the President, he said that he would rather leave it to the *ad hoc* committee to enquire into the managing agency system.

President.—You don't commit me to that statement. When I said that I would rather leave it to the *ad hoc* committee, it was simply made as a passing statement.

Mr. Kasturbhai.—As far as Ahmedabad Millowners' Association is concerned, we are quite prepared to face the minutest enquiry into the managing agency system, its working and its effect on the textile industry as such (as far as the centre of Ahmedabad is concerned). With regard to your second question as to the various items mentioned in the questionnaire I will deal with them one by one. As regards office allowance and expenses, not a single mill company in Ahmedabad has anything in the nature of an office allowance or expenses.

Mr. Rahimtoola.—Let me understand that point. As far as Bombay is concerned, office allowance and office expenses are divided into two separate categories and I don't think you will be correct in saying that there are no office expenses. Office allowance is a fixed sum paid to the managing agents in the shape of remuneration. Office expenses on the other hand are expenses which are actually incurred by the managing agent in the office itself which he is running, namely clerks, typists, stationery and so on. This is the actual expenditure which the managing agent incurs and which is paid by the mill company. The other is a lump sum paid to the managing agent for the services rendered to the Mill Company. As far as expenses are concerned, I don't think you have given us any information.

Mr. Kasturbhai.—It is not correct to say that the managing agent incurs any expenditure whatever in order to run the managing agency business. Whatever expenses are incurred in running the business of the Company will naturally be debited to the accounts of the Company.

Mr. Rahimtoola.—That is what is meant by office expenses. So there are office expenses.

Mr. Kasturbhai.—Whatever expenses are incurred by the Company will only have to be debited to the accounts of the Company, but any expense that is being incurred by the managing agent as such will have to be debited to his own account.

Mr. Rahimtoola.—What are those expenses?

Mr. Kasturbhai.—Take for instance his going to the mills and coming back. He is obliged to keep two cars.

Mr. Rahimtoola.—Are there no cars maintained at the expense of the mills?

Mr. Kasturbhai.—No. I am only saying that the Company is not debited with what the managing agent is expected to bear. Whatever expenses are debited to the Mill Company are expenses entirely incurred in connection with the running of the business of the Mill Company as such.

Mr. Rahimtoola.—It is only a different name. If you will permit my saying so, you have only given a different heading, whereas in Bombay they have specified an item as office expenditure and office allowance. Office expenses are incurred by both Bombay and Ahmedabad. You don't want to specify a head known as office expenditure, but as far as the expenditure

is concerned, it is more or less the same. You have also stationery, clerks, typists and so on. That is what it comes to.

Mr. Kasturbhai.—I am not aware of the Bombay system. As far as our system is concerned, I say that no office allowance is received by the managing agent; nor is he receiving any allowance for expenses. Whatever expenses are incurred by the mill company as such are debited to the mill company. As regards commission during the past five years, that we have given in our statement. The next item is purchases of cotton, machinery, stores, coal, etc. No mill agent is connected, as I told you yesterday, with the agent who is the purchaser of cotton.

Mr. Rahimtoola.—Directly or indirectly?

Mr. Kasturbhai.—Directly or indirectly, because I explained to you he is working on such a small basis that it will hardly pay him to have any partner in it. He is working on a half per cent. basis, out of which he has to bear the expenses and up-country office where he has to make the purchases. Surely it would not pay him to give any share out of that. As far as machinery is concerned, there is none in Ahmedabad.

Mr. Rahimtoola.—I am not talking of Ahmedabad but of mills belonging to your Association?

Mr. Kasturbhai.—Yes, I follow. As regards stores, there may be one or two instances wherein a mill agent may have a small share with the stores merchant.

President.—Make it half a dozen.

Mr. Kasturbhai.—I am saying this from my own knowledge of things. There may be an instance or two out of the Agents of 65 or 70 mills, wherein the agent may have some share. Regarding coal, there is none. As far as sales of cotton, yarn and cloth are concerned, there is none. As far as insurance is concerned, there may be one or two instances in which the managing agent may have something to do with the insurance premium.

Mr. Rahimtoola.—You are saying approximately. You are I take it more or less sure?

Mr. Kasturbhai.—I am more or less sure about it. It is known to us who they are. As far as advertisement is concerned there is none.

Mr. Rahimtoola.—I will refer you in this connection to the question which we have raised regarding the guarantee brokers. That is one of the points raised by the Tariff Board in 1926. There is nothing as far as Ahmedabad is concerned?

Mr. Kasturbhai.—There is still one instance.

Mr. Rahimtoola.—In spite of 6 years?

Mr. Kasturbhai.—It is only one instance.

Mr. Rahimtoola.—Your Association cannot, by force of public opinion, get rid of it?

Mr. Kasturbhai.—It can only be done by legislation.

Mr. Rahimtoola.—Yesterday you were telling us that approximately in every Company about 50 per cent. of the shares were held by managing agents?

Mr. Kasturbhai.—I said 30 to 50 per cent.

Mr. Rahimtoola.—Between 30 and 50 there is a very big gap. I want to know which is the approximate one?

Mr. Kasturbhai.—In some cases I know that as much as two-thirds or three-fifths of the shares are held by the managing agents themselves. There are cases in which 85 to 90 per cent. of the shares are held.

Mr. Rahimtoola.—Shall we say on an average 35 or 40 per cent. of the share capital is held by managing agents?

Mr. Kasturbhai.—40 per cent. will be correct.

Mr. Rahimtoola.—You have told us that as far as the managing agents are concerned in Ahmedabad they are guided by public opinion and the public opinion is so strong that they dare not do things which are undesirable or are not in the interests of the Company. Is it true in the case of the Companies which went into liquidation here the agents themselves have personally suffered? There are certain mills which have gone into liquidation here and I want to know when a mill goes into liquidation, what is the position of an Agent of that mill?

Mr. Kasturbhai.—He is also completely ruined. There were only two instances which happened in the year 1923-24 and which were cited before the Tariff Board of 1926. Those were the instances in which the managing agents speculated in cotton and lost all the money and though it was represented by some witnesses that they were not properly dealt with by Government, it was not a fact. As a matter of fact these two or three people were sent to jail for three or five years.

Mr. Rahimtoola.—They have also lost with the mill?

Mr. Kasturbhai.—They are absolutely ruined people—almost beggars in the street.

Mr. Rahimtoola.—That would be the position of the managing agents of the existing mills?

Mr. Kasturbhai.—Naturally.

Mr. Rahimtoola.—That would be?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Their interests are more or less identical with the mill companies?

Mr. Kasturbhai.—Not only that, but if a managing agent were to mismanage or misbehave in a manner prejudicial to the public interests, he will not get, as I said, any further support from the Ahmedabad public.

Mr. Rahimtoola.—Support in the shape of deposits?

Mr. Kasturbhai.—It is a most important item in the management. If I manage my mills properly, I get the fullest public support. If I start a new concern, I will get the capital that I ask for subscribed in 24 hours' time or if I want deposits I will get them at considerably less rates than others, but if it is found that the mill under my charge is not well managed, then I will have to pay through my nose every time I approach the public.

Mr. Rahimtoola.—Whether a mill is well managed or not is judged by the amount of dividends?

Mr. Kasturbhai.—Not at all.

Mr. Rahimtoola.—In what way can the public come to know?

Mr. Kasturbhai.—Ahmedabad business is more of a family affair. The ins and outs of one are being talked out the very evening. If some one has done anything which is against the public morality or against the routine working of the mill, it immediately comes out. If I purchased about 500 bales of cotton to-day at a certain price, it will be reported to every agent. In the evening he comes to know that Mr. Kasturbhai has purchased cotton at such and such a price instead of purchasing at such and such a price. Instead of purchasing at Rs. 13-2-0 if I buy at Rs. 13-4-0 they will come to know of it and if I happen to pay a higher price my reputation suffers. The same is the case with regard to the purchase of stores and sales of cloth. If I sell to-day, say, 500 bales of piece-goods at a cheaper or higher price other agents, cloth brokers and everyone else will be in the know of it: it will be reported to most of them and they will take action as they think best on the reports received.

Mr. Rahimtoola.—There were two points raised yesterday as far as the managing agency system is concerned, one was that the managing agent took 3½ per cent. commission on sales; that is the general practice in Ahmedabad. Do you think that is a good practice?

Mr. Kasturbhai.—I think it is very fair.

Mr. Rahimtoola.—Do you think it is fair to the shareholder?

Mr. Kasturbhai.—Yes, because he is getting the work done at a minimum remuneration.

Mr. Rahimtoola.—Is it not a fact that whether the company makes a profit or not the agents are by this agreement entitled to get 3½ per cent. on sales?

Mr. Kasturbhai.—I concede that, as far as the legal liability is concerned, but the public being alive to it; it is rarely that he is allowed to take the commission in spite of losses. If you like I will cite instances.

Mr. Rahimtoola.—I am comparing the two methods, one commission on profits and another commission on sales. I only want to put it to you that commission on sales is no inducement to the managing agent to work better but as far as commission on profits is concerned he gets no commission unless he works better.

Mr. Kasturbhai.—With the stake which he has in the company, that is the money he has put in the concern, he is prepared to work on that remuneration but if it is on the profit basis it will not be possible to have anyone coming forward to take up the business.

Mr. Rahimtoola.—I am not discussing the minimum rate that he should get; it is the question of the system.

Mr. Kasturbhai.—On principle I admit that commission on profits is a sounder proposition than commission on sales.

Mr. Rahimtoola.—The second point was that in the managing agency system here there are various partners and whatever the extent of their partnership is, as far as their position is concerned they are more or less sleeping partners and if the mill is managed by one man whose share in the concern is of no consideration but is appointed managing director or whatever it may be, and supposing one of the partners whose share may be very little or very large feels that the management has not done well, has incurred losses instead of profits, has he any right to question or interfere as a partner?

Mr. Kasturbhai.—No. He is bound to be tackled by his other partners but he can't be removed because of the losses.

Mr. Rahimtoola.—He can sell his shares?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—There was a point which was raised by the Indian Merchants' Chamber that preference should be given to Indian raw materials such as coal, stores, insurance and so on as far as possible by the managing agents who desire protection.

Mr. Kasturbhai.—We are entirely in favour of it.

Mr. Rahimtoola.—What is the practice?

Mr. Kasturbhai.—We would be quite prepared to have a recommendation from the Tariff Board that mills which do not favour swadeshi should not enjoy protection because we believe that if we ask for protection it is up to the public to demand of us that we shall use nothing which is not swadeshi.

Mr. Rahimtoola.—That is a general proposition which the Board will have to consider. I want to know what is the actual practice in the mills.

Mr. Kasturbhai.—As far as insurance is concerned not one mill in Ahmedabad is placing its insurance with any foreign company; all the insurance is placed with Indian concerns. As far as stores are concerned such of the articles as are Indian made are used and favoured in practically all the mills.

Mr. Rahimtoola.—What about coal?

Mr. Kasturbhai.—As far as coal is concerned we have never handled any foreign coal as such.

President.—Where do you generally get your coal from?

Mr. Kasturbhai.—Bengal and Central Provinces.

President.—The bulk of it from Bengal?

Mr. Kasturbhai.—About half and half.

Mr. Rahimtoola.—We discussed yesterday the duty on artificial silk yarn. I want to understand the position more clearly. Your point is that at present for borders and so on mills are using real silk in place of artificial silk.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—And your point is that artificial silk competes with that and therefore you are not able to sell at a remunerative price and therefore you want a prohibitive duty on artificial silk?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—You don't want the Board to go into the question of the silk industry as such but your point is that the silk which is being used by you comes into competition with artificial silk.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Isn't there some kind of prohibition against the use of artificial silk?

Mr. Kasturbhai.—There is no question of prohibition: we have recognised this truth that if we want to satisfy our customers we must supply them with swadeshi goods. If we mix it up with foreign silk or foreign artificial silk it will become difficult for us to market our goods. That being so we have given up the use of artificial silk altogether.

Mr. Rahimtoola.—It is a different ground from the ground you have advanced before.

Mr. Kasturbhai.—I am now pressing the point from the point of view of swadeshi.

Mr. Rahimtoola.—You are pressing the national point of view?

Mr. Kasturbhai.—From the most selfish point of view. It will not be a paying proposition for a mill company to manufacture stuff which cannot be sold in the market. Even up-country mills which have been using artificial silk must be finding it difficult to market that as normally as one would like to.

Mr. Rahimtoola.—It is very difficult for you to speak of people who have not come in contact with the goods which you are manufacturing and I want to find out whether your goods have a better sale from the point of view that they are pure swadeshi as against those which are not entirely swadeshi.

Mr. Kasturbhai.—Very decidedly the market that is being commanded by Ahmedabad products to-day in various centres in India I have serious doubts if any other mills in any other part of India is commanding to the same extent because the consumer has an absolute guarantee that Ahmedabad products are pure swadeshi products.

Mr. Rahimtoola.—As regards labour you told us yesterday that Japan has a distinct advantage and had it not been for that advantage Ahmedabad would be able to do very well. It is one of the great hindrances which the mill industry is suffering from, that is want of efficiency in comparison to Japan. I want to know what is the position of labour here and what the millowners have done for its welfare.

Mr. Kasturbhai.—As far as the last 14 years are concerned I may say that the first labour movement started in Ahmedabad in 1918.

Mr. Rahimtoola.—I have raised this question because we have heard from various places that Ahmedabad is running its labour in a manner which helps the industry very substantially and we would like to have some idea as to how exactly you achieved this.

Mr. Kasturbhai.—Our relations with labour are most cordial. In an industry of the size of the Ahmedabad mill industry there are bound to be some disputes with labour in a particular mill, but we have evolved a machinery whereby such of the disputes as occur have got to come before what we call the "Conciliation Committee" which deals with the minor questions and if there are major questions the matter is referred to the Board of Arbitration and their decision has always been accepted both by the labour union and by the Millowners' Association.

Mr. Rahimtoola.—That means that labour as such is not in a position to go on strike at once?

Mr. Kasturbhai.—No. After the Board of Arbitration have dealt with the dispute if there is any difference of opinion it is submitted to an Umpire and his decision, howsoever unacceptable it may be to the Labour Union or the Millowners' Association, is given effect to by either side. There have been instances in which the Mill Company did not like the Award of the Board of Arbitration or even the decision of the Umpire but the Association took such steps as would make the award enforceable on that Company.

Mr. Rahimtoola.—What is the position if the labour is dissatisfied with the award?

Mr. Kasturbhai.—The labour union take steps to explain to them that the one great principle that has been accepted both by them and the Association is the Award by a third party and howsoever unwilling they may be they must accept the award once the dispute is submitted to the Board of Arbitrators.

President.—That means the labour leaders have sufficient influence over their men to enable them, even if the decision is adverse to them, to have it accepted because it is coming from a party which commands their confidence as well as that of the millowners.

Mr. Kasturbhai.—In cases where it is unacceptable to the labour as such the labour union will take steps to get it enforced as the Millowners' Association will take steps to see that an unwilling member accepts the Award. Similarly if certain workers are not prepared to accept such an award then the Labour Union will have nothing to do with such workers as do not abide by this decision.

Mr. Rahimtoola.—What about the amenities?

Mr. Kasturbhai.—We are giving something like Rs. 15,000 annually for the education of our labourers. Members of the Association have formed into a group and have subscribed about Rs. 3 lakhs and from that fund about Rs. 15,000 a year are given for the education of labour. Then, time and again, whenever labour asks for some other facilities they are made available to them as circumstances permit. For instance, we are very keen on seeing that our labour gets out of the grips of liquor and we consulted our members and got them to subscribe and to assist the Labour Union to carry on propaganda at the mills so that our labour may get out of the grip of the drink habit. We paid them a sum of Rs. 8,000 or Rs. 9,000; besides that there are several crèches in the mills where labourers' children are kept and looked after: then there are dispensaries, hospitals, etc.

Mr. Rahimtoola.—What about housing?

Mr. Kasturbhai.—Some of us have provided quarters. We have provided 4,000 tenements which house 12,000 to 15,000 people.

Mr. Rahimtoola.—What is the total number of labour employed?

Mr. Kasturbhai.—75,000.

Mr. Rahimtoola.—What about the question of efficiency? If the labour, as I understand from you, is so contented and happy and has not the ghost of a chance of going on strike, have you not been able to persuade the labour to adopt better methods by which you could get better efficiency?

Mr. Kasturbhai.—The difficulty we are up against is this that the union believes that if we were to raise them up to higher efficiency it would mean

a displacement of several of them which is a big impediment in the way of any progress being made in the direction of labour efficiency.

Mr. Rahimtoola.—I thought that should not come in the way of Ahmedabad which is having new mills every year or half a dozen in two to three years. Therefore the labour which is displaced can be easily accommodated in the new mills.

Mr. Kasturbhai.—That could be tackled but up to now we have not succeeded in dealing with it.

Mr. Rahimtoola.—As you lay great emphasis and quite rightly too I thought your Association would serve a very useful purpose by devoting their attention to this aspect.

Mr. Kasturbhai.—We are devoting our attention to it. It is a very big question as far as the labour union is concerned and if the progress that we are looking forward to be made in that direction is to be practicable, that would be the best thing to be wished for and we could easily do away with any protection whatever if we are in a position to educate our labour in the way we would like them to.

Mr. Rahimtoola.—Is there any inherent disability that is preventing you or is it simply a question of getting a few men unemployed?

Mr. Kasturbhai.—The whole of Lancashire has gone on strike on that very important question. It is an admitted fact that a weaver could manage more looms than he has been accustomed to but as it is likely to displace his other brothers working in the same line they are not prepared to do it and we are faced with those very difficulties.

President.—Supposing as the result of protection it was possible for the Indian industry to capture the whole of the Indian market, that is to say, 1,000 million yards, and you adopted in the Indian textile industry an efficiency scheme as they were considering in Bombay, would not the labour that would be displaced under the scheme find enough occupation?

Mr. Kasturbhai.—It would.

President.—Of course it is a very theoretical calculation.

Mr. Kasturbhai.—There is an instance in my own mill, the new one that I showed you: there we adopted a system whereby one man looked after the two sides on the ring frame even in the other machines we have tried to reduce the number of men per 1,000 spindles to the frame. We can't take them to the maximum limits. I find in America one tenter can look after 17 to 18 sides of ring frames.

President.—That is much too ambitious. If we can introduce a system on the lines of the efficiency scheme which was considered by the Fawcett Committee and if we can give reasonable assurance that the amount of labour under that scheme would find employment in the development of the industry that follows under a protective scheme, then it seems to me we can make a reasonable appeal to labour on that basis.

Mr. Kasturbhai.—The only solution that appears to me feasible in this regard is I submit for your consideration that the Association or the Labour Union in such big centres where they may be existing should come to an agreement with each other—these are my personal views—that no more fresh labour should be recruited in that centre.

President.—I see what you mean. It is a sort of pooling arrangement.

Mr. Kasturbhai.—Yes. All the labour that is engaged to-day in a particular industry in a particular centre will have to become members of that union.

President.—That is to say Bombay, Ahmedabad, Cawnpore and Calcutta must enter into some sort of concerted arrangement.

Mr. Kasturbhai.—Not concerted with each other, but concerted with their own local unions. They must have local unions.

President.—Supposing the bulk of your mills have got some kind of efficiency scheme here and you get a considerable number of labour dis-

placed, it would be impossible for the Ahmedabad mills to absorb the whole of that displaced labour. I think at the same time some other centre may be in a position to absorb that. You have in other words a system under which the labour will be pooled all round. Unless you do that on a large scale basis, it may not be possible. The immobility of labour is such that you cannot possibly provide for it. If you do it on a small scale, I do not know whether that would provide a solution.

Mr. Kasturbhai.—If at particular centres efficiency is raised considerably, labour is bound to be affected in other centres.

President.—If another mill in Ahmedabad wants labour, it must not recruit labour afresh, but take a man who was displaced by some other mill which has adopted the efficiency scheme.

Mr. Kasturbhai.—Yes.

Mr. Boag.—At the present moment this would not apply here because 5 or 6 new mills are being erected.

Mr. Kasturbhai.—It would be incorrect to say that. These 5 or 6 mills at the most do not contain more than 10,000 spindles and 200 or 300 looms each. Though they may be counted as mills, they are really not of the size of one of the Bombay mills.

Mr. Boag.—They are still using more labour.

Mr. Kasturbhai.—Provided you protect us and provided that the mill is run efficiently, it may grow gradually into that size. As far as the numbers are concerned, it is a very misleading proposition to say that so many mills are being opened out in Ahmedabad, while as a matter of fact they are mere small factories like a ginning factory or a pressing factory.

Mr. Boag.—Whatever may be the size, it is absorbing a certain amount of labour. That is the only point I want to make.

Mr. Kasturbhai.—That is true.

Mr. Rahimtoola.—You say that the Ahmedabad Mill industry does not cater for the export trade in particular. You have not devoted any attention to it or you find that the market is not suitable?

Mr. Kasturbhai.—It is not a practical proposition for Ahmedabad situated as it is 300 miles away from a port. The railway freight will form such a large amount that it will not be in a position to offer its goods in the foreign market at competitive rates.

President.—It is not a practical proposition for anybody?

Mr. Kasturbhai.—I don't know that. I am aspiring to see centres developed in India where the efficiency could be no less than what is obtainable in Japan. There is no reason why it could not be done.

President.—If you are going to consider that a practical suggestion in connection with the scheme of protection, if the Indian textile industry can't hold its own in a protected market, it cannot hold its own in an unprotected market.

Mr. Kasturbhai.—Quite.

Mr. Rahimtoola.—I want to ask you one more question and that is regarding fine counts. Please see Mr. Hardy's statement question No. 1 (v): trade in dhutis imported from the United Kingdom and the Indian mill production overlap to a small extent. You know that most of the goods imported from United Kingdom is chiefly of fine counts and it will be necessary having regard to the terms of reference to find out to what extent Indian industry has made progress in fine counts and how far it is coming in direct competition. I find that you have dealt with that in your representation from pages 6 to 11. There is also a complaint which you have made in your representation yesterday about statistics which is contained on page 10. I would like to know exactly what the position is as far as the fine counts are concerned. Your position appears to be that there should be no preferential duty. You have raised that in the replies to the last question and it would be necessary for the Board to know exactly what the position is.

Mr. Kasturbhai.—My submission is that to measure from the statistics of counts the progress made by the industry is not correct in this much that the poundage turned out of finer counts from the same number of spindles will be considerably less than the poundage turned out of the coarser counts. That is to say suppose I have got 100,000 spindles spinning on 20s, my daily production will be something like 50,000 lbs. If those very 100,000 spindles are engaged in spinning 40s my production will barely be 20,000 lbs. Hence to make a comparison merely from the poundage, in my humble view, is erroneous. The real progress made in the matter of the fine counts can only be compared with regard to the number of spindles that they have gone over from the coarse to the fine.

President.—But your statement is only 25 per cent.

Mr. Kasturbhai.—25 per cent. of the looms are on the fine.

President.—What was it in 1925-26?

Mr. Kasturbhai.—We have stated that.

President.—What exactly is the percentage?

Mr. Kasturbhai.—We have to work it out.

President.—Can you give me an approximate figure? If you take the total number of spindles and the number of spindles engaged on fine and medium counts, what percentage would it work out.

Mr. Kasturbhai.—We will have to work it out.

President.—My own suggestion is this. I accept your point about poundage. If you work it out on the spindleage basis, it will work out the same.

Mr. Kasturbhai.—It will work out the same as far as the same counts are concerned.

President.—What I mean is this. If you work out on the spindleage basis you will find over a period of 5 years on medium and fine counts that is above 30s, the proportion has nearly doubled. That is precisely the proportion you will get also on the poundage basis and my suggestion is in order to present this matter you ought to give the counts, the yardage and the poundage.

Mr. Kasturbhai.—Yardage will be available. We are going to give the yardage per lb.

President.—As a matter of fact when you say it was 9 per cent. in 1925-26 on poundage basis, it is 18 per cent. in 1931-32. That is to say the proportion has doubled. It is a very considerable increase. If you are not satisfied with that, taking it on the yardage basis you will find that it has increased from 10 to 35 per cent. You can put it on both basis.

Mr. Kasturbhai.—Particularly as the imports are measured in yardage, it will give you a fairly good idea as to how much cloth that is manufactured in Ahmedabad will come in direct competition with the imported cloth.

President.—Your alternative suggestion on spindleage would be helpful.

Mr. Kasturbhai.—I mentioned that in regard to the lower counts compared with finer counts. If merely the poundage of the coarser counts with the poundage of the finer counts is taken, it will not convey the correct idea. That was my point.

President.—I am afraid you rather misunderstood my point. I thought about this point after we had finished the examination. What I did was to omit from my calculation all kinds of cloth which are woven from 20s and above, so that to a very large extent I have eliminated the weight factor. If you get a proportion on that basis to a very large extent, you are representing the picture correctly.

Mr. Kasturbhai.—Yes.

President.—You can, as I said, take the yardage basis too.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—The only question which remains to be tackled from the Tariff Board's point of view is the question about the fulfilment of the conditions of the Fiscal Commission.

Mr. Kasturbhai.—It is very kind of you to put this question, because we are anxious that due notice should be taken of those conditions.

Mr. Rahimtoola.—There are three conditions laid down by the Fiscal Commission. The first is that there should be enough raw material available in India and there should be a large home market. I take it that the textile industry fulfils that condition.

Mr. Kasturbhai.—Entirely.

Mr. Rahimtoola.—We will come to the second condition. The second condition is that it must be proved that the industry is not able to carry on its work without sufficient assistance.

President.—That condition is not fulfilled.

Mr. Kasturbhai.—What we submit is that if protection is granted, we should be in a position ultimately to do away with protection.

Mr. Rahimtoola.—That is the third condition.

Mr. Kasturbhai.—The industry must be one which without protection is not likely to do it.

Mr. Rahimtoola.—It is not likely to do it. The Chairman has just remarked that it doesn't apply to Ahmedabad.

Mr. Kasturbhai.—Just as I explained, to measure the progress made by Ahmedabad by the six or dozen chimneys will be a wrong barometer to apply. The real thing to measure it is by the number of looms and spindles.

Mr. Rahimtoola.—Is it your opinion that the industry in Ahmedabad will close down if protection is not given?

Mr. Kasturbhai.—We aspire to supply the Indian home market to the fullest extent. We are entirely in a position to supply the home market as such and unless protection is forthcoming it will not be possible for us to do that (without protection being granted). Just as I explained to the Chairman yesterday, America which is technically much better equipped, and which grows its own cotton, without proper protection against Lancashire, could not do it, because Lancashire being technically better equipped was able to export its goods to America.

Mr. Rahimtoola.—It is a general fact known all over the country that you have tried to educate the consumers or your customers as you call it to such an extent that they prefer Indian made goods as against the imported ones.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Therefore I do not know how the industry cannot exist without protection. The foreign element doesn't come into the picture at all. You even went to the extent of telling us that the imported yarn used by the handloom industry is a great handicap, because the customers do not buy it not on the question of price, but simply because they have used imported yarn in their cloth. Therefore the position of the Ahmedabad industry is not such that if protection is not granted the factories will close down.

Mr. Kasturbhai.—The position is this that whatever public opinion has been educated in recent times on this question, I daresay you will concede that it is impossible for any one to educate the 350 millions of people in India. I conceive that as far as the larger proportion of educated classes are concerned, they have been educated in the swadeshi sentiment, but there are classes which are absolutely uneducated and ignorant which do require cloth and who will not be able to distinguish between foreign and home made cloth.

Mr. Rahimtoola.—I was only confining myself to Ahmedabad industry at present. You told me that public opinion is so strong that the article

which contained imported yarn, everything else being swadeshi, was not preferred simply because it contained an element of imported yarn.

Mr. Kasturbhai.—That is so.

Mr. Rahimtoola.—If that is so there would be no difficulty in selling your stuff whether the industry is protected or not.

Mr. Kasturbhai.—We are not selling our stuff in Ahmedabad alone. We are selling our stuff in all the 4 corners of India. There is not a centre in which Ahmedabad cloth does not find a market.

Mr. Rahimtoola.—You told me even on that point that your stuff was preferred as against the other mills' stuff, because you are considered reliable as far as swadeshi was concerned.

Mr. Kasturbhai.—That is so.

Mr. Rahimtoola.—Therefore as far as Ahmedabad mills are concerned, their position is not so bad as the other mills.

Mr. Kasturbhai.—I do not know whether that logic is entirely correct.

Mr. Rahimtoola.—It follows from the swadeshi movement?

Mr. Kasturbhai.—To a very great extent it is correct.

Mr. Rahimtoola.—That is the point.

Mr. Rahimtoola.—As regards the third condition which you told me that the industry after the protection for a definite period would be in such a position that eventually it would be able to do away with protection. I would like to know what your views are.

Mr. Kasturbhai.—It should come into that position.

Mr. Rahimtoola.—It is all right for us to make statements. It is necessary for the Board to go into the minutest details and work out figures in order to show that by giving protection for a sufficient number of years, the efficiency and economy resulting thereby would be of such a character that the selling price after that period is over would be such as to give you a fair chance of competing with the imported goods.

Mr. Kasturbhai.—As far as the machinery, equipment, lay out, etc., are concerned, India is in a position to equip the mills with the most up-to-date machinery and turn out the qualities that are required by its various markets. The only question, as I explained to you yesterday is technique. To train our labour and to get effective efficiency in producing our cloth would necessarily take some time and for that period we require protection if we are to stand in competition with the imported goods.

Mr. Rahimtoola.—Would you be in a position after a period of ten years, supposing protection was granted, to get your labour trained in such a manner as to get efficiency, if not equal to Japan, at least to a very great extent better than what it is at the present juncture?

Mr. Kasturbhai.—We hope to. As far as certain departments are concerned we have certainly gone as far as it is humanly possible to go.

Mr. Rahimtoola.—So far as they are concerned, you don't expect any improvement?

Mr. Kasturbhai.—No; that is, in the recent plant that has been installed, there are about half a dozen or eight departments, out of which two or three departments are so well equipped that their costs of production will be the minimum that can be had in any part of the world.

Mr. Rahimtoola.—What are those departments?

Mr. Kasturbhai.—Blow room, high speed winding, warping, sizing and drawing.

President.—High draft spinning?

Mr. Kasturbhai.—Yes.

President.—Everything except automatic looms?

Mr. Kasturbhai.—I will explain to you. Even in the ring frame there is scope for further improvement. As I say we have made it possible

to-day in our recently installed frames for one man to look after two sides. We do aspire that he should be able to look after 4 sides and thus reduce the cost of production. As far as the power plant is concerned, it is the most modern and I doubt whether any other centre could lay claim for such reduced cost of production as far as power plant is concerned excepting the matter of high freight on coal which is a proposition beyond our remedy.

Mr. Rahimtoola.—That is due to the railway policy?

Mr. Kasturbhai.—Yes. As far as our power plant is concerned and as far as certain other departments are concerned, we have gone to the maximum limit. The only departments that need improvement are the spinning section and the weaving section.

President.—As my colleague pointed out, if we are to establish a case for protection, it is necessary for us to prove definitely that the third condition of the Fiscal Commission is satisfied. It is possible for us to make a general statement of the kind that you have indicated. If you install an up-to-date machinery, and if you improve your lay out and things of that kind, it is reasonable to expect that substantial economies will be effected but in order to bring the case home to the Legislature and to the public it is necessary, I think, to translate those general statements into statistical terms and I should like very much the Ahmedabad Millowners' Association to help us in this matter.

Mr. Kasturbhai.—Certainly.

President.—I want in the first place to remove any fears that may arise in your minds by the kind of suggestion that we are making. Speaking from my experience of other industries I can say that an applicant for protection is rather frightened because he gets the feeling that on those costs we would base the protective duty. Speaking for myself and my colleagues, we have no idea of doing anything unfair to the industry. What I am really asking to-day is I want you to give me as far as the data in your possession will permit the extent of the economies which would be brought about by the introduction of the new plant and methods that you have in mind?

Mr. Kasturbhai.—We will do that.

President.—If we can establish that at the end of ten years the Indian industry would be able to dispense with protection except to the extent that protection is afforded by a normal revenue duty, in that case, the third condition of the Fiscal Commission is absolutely fulfilled. On such figures as I have been able to see—I am speaking very tentatively—the suggestion that I am making is this. If the general level of wholesale prices in this country and throughout the world goes up to where it stood in the earlier years—say 1929—then you get a nett increase in your return because even if cotton and stores go up in the same proportion there would be a certain margin. If the level of wholesale prices could be pushed to the level of 1929, and if the Indian textile industry could bring about a reduction of about 10 per cent. in their labour, overhead and other charges, then it seems to me that the Indian industry would be able to withstand competition with the assistance of a revenue duty of 10 to 15 per cent. That is the sort of general idea I want to have. If I am able to establish that proposition I have completely established the case for the protection of textile industry. If I am not able to establish the proposition on those lines, then I am afraid I may convey to the mind of the Assembly the natural apprehension that protection of this big industry is going to be a perpetual burden to the country and when it is an article of universal necessity, that prospect is something that has to be reckoned with.

Mr. Kasturbhai.—Yes.

President.—Apply your minds to the suggestions I have made.

Mr. Kasturbhai.—If I can give you the cost of production of various items calculated on the old basis so far as it goes and on the new basis

that has been adopted in a mill of fairly good size—52,000 spindles and 1,100 looms—will that be enough for your purpose?

President.—Yes, the kind of costs that you anticipate on that mill.

Mr. Kasturbhai.—That is not an anticipation, but it has been actually put into operation.

President.—If in addition to that you could also give us an estimate of further economies in the new mill it would be helpful.

Mr. Kasturbhai.—That will be problematical. I will try, if you like.

President.—You give it on that basis and the assumptions we shall make?

Mr. Kasturbhai.—I will give it for a mill run in 1930 with the machinery that was then available, and the lines on which it was running then and the lines which we have adopted in recent years for turning out these finer varieties.

President.—I think that will do for our purpose.

Mr. Kasturbhai.—I suppose I have to give you all the costs, power and everything. For what counts do you want us to give this?

President.—I should like you to give me figures in respect of counts where the competition is keenest. You had better give for 30s to 40s? Don't you think that would be the best?

Mr. Kasturbhai.—Yes, for 40s on an average including bleaching and dyeing charges.

Mr. Rahimtoola.—As regards the managing agency, there is one point that I want to discuss with you and that is in comparison with Bombay. We are told in Bombay that one of the reasons why the managing agency system is necessary is that the Bombay mills are unable to get the necessary finance without the double signature. I suppose that this is not the case as far as Ahmedabad is concerned.

Mr. Kasturbhai.—We are getting our finance from the public, but if we are to go to the Bank, however first class the stability of the mill company may be, money cannot be had without a second signature.

Mr. Rahimtoola.—That is what the Banks insist on if you go to the Banks. That is another point. I say that the system in Ahmedabad is of such a nature that there is no point in going to the Bank because the necessary finance that they require for their working capital can be had by short deposits or long term deposits and therefore as far as the managing agency system is concerned it is not necessary to retain it on this ground?

Mr. Kasturbhai.—Absolutely necessary on that very ground.

Mr. Rahimtoola.—Tell me how?

Mr. Kasturbhai.—As I said yesterday the Mill Company which gets deposits does not get them on the standing or status of the Company but on the standing or status of the Mill Agent. As I explained to you yesterday, if any technologist or economist were to come forward in Ahmedabad and start a concern, he will not be able to get the necessary capital. The capital that is to be had—whether share capital or working capital—it is to be had only on the integrity and status of the party who comes forward as the Managing Agent.

Mr. Rahimtoola.—That was exactly my point. Here the system is different. The public have confidence in the managing agents. In the other case the Banks, irrespective of any consideration, insist on two signatures, whether it is Ahmedabad Millowner or any other millowner. The system is such from the Bank's point of view that two signatures are required, viz., the signature of the Mill Agent representing the Company as well as his own personal signature. That is not the case in Ahmedabad. Your system is worked more by the public having confidence in a particular Mill Agent who is able to get the necessary finance. That was my point.

Mr. Kasturbhai.—The Managing Agent is an indispensable entity as far as Ahmedabad is concerned.

Mr. Rahimtoola.—As far as finance is concerned?

Mr. Kasturbhai.—Yes, as far as the Ahmedabad textile industry is concerned.

Mr. Rahimtoola.—There cannot be any mill in Ahmedabad without the system of managing agents?

Mr. Kasturbhai.—That is so. As I said, however capable a technical man may be, he will not be able to get the necessary capital.

Mr. Rahimtoola.—I am now talking of managing agents. You are distinguishing between managing agents and managing agents.

Mr. Kasturbhai.—Merely with technical qualifications you cannot get capital. Unless the managing agent is of a certain status, you won't get the capital.

Mr. Rahimtoola.—Even if he floats a mill?

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—Under the present system?

Mr. Kasturbhai.—Yes.

Mr. Boag.—There are just two or three small points on which I should like a little more information if you could give it. The first one is with regard to the purchase of cotton. You told us yesterday how you arranged the purchase of Indian cotton. What is your system for the purchase of Egyptian and African cotton and Uganda cotton?

Mr. Kasturbhai.—As far as Uganda cotton is concerned, the premium is always over the Broach cotton. That premium is found out and an offer is made to the merchant at a particular premium.

Mr. Boag.—Where do you buy it?

Mr. Kasturbhai.—In Bombay as well as in Ahmedabad?

Mr. Boag.—You buy it here too?

Mr. Kasturbhai.—Yes. There are commission agents who sell it on half a per cent. commission basis. Regarding the Egyptian cotton, we get the samples and if they are approved, their prices are found out and counter offers are made, that is to say, if a particular sample is quoted at Rs. 350 and if in our estimation it is worth only Rs. 325 or 330, an offer will be made to the party who has submitted the sample at about that price.

Mr. Boag.—Who are the parties who submit the samples?

Mr. Kasturbhai.—Local commission agents.

Mr. Boag.—So that as far as you are concerned, the system is practically the same—I mean the system of purchase of African cotton is the same as the system of purchase of Indian cotton?

Mr. Kasturbhai.—Yes.

Mr. Boag.—And the rate of commission is the same in each case?

Mr. Kasturbhai.—Yes.

Mr. Boag.—There are one or two points with regard to labour. Is most of your labour local or does it come from outside?

Mr. Kasturbhai.—Generally speaking up to recently, up to three or four years back, most of our labour was recruited from round about Ahmedabad—say within a radius of about 50 miles from Ahmedabad. Recently there have been some importations from the United Provinces and some of the Northern Provinces. They are not much; still there are some importations.

Mr. Boag.—What proportion do they bear to the total?

Mr. Kasturbhai.—We have not got the exact figures.

Mr. Boag.—Roughly what is the proportion?

Mr. Kasturbhai.—Not more than four or five per cent.

Mr. Boag.—What is your system of recruiting labour?

Mr. Kasturbhai.—Generally, now-a-days, since the Labour Commission criticised the method of recruitment, it is now handed over to the Assistants

in the mills who will do it with the approval of the head of the Department; that is to say, if I am starting a mill, there would be a certain number of applicants who would like to be taken in. The Assistants in that department or mill will interview them if it is a new concern.

Mr. Boag.—Take the case of the new mill you have just started?

Mr. Kasturbhai.—In my case every applicant has been interviewed and interrogated by the Secretary of the Company and the particulars obtained. Such of the applicants as were found desirable were taken in, the rest being turned out in order that there might not be any bribery for getting the job.

Mr. Boag.—You have eliminated the jobber altogether?

Mr. Kasturbhai.—Jobbers have been engaged also. Their power has been taken away. Take for instance the weaving sheds. Formerly it was the head jobber who used to bring the line jobbers. It was open to him to engage those whom he liked. In our case the head of the weaving department has interviewed several line jobbers and selected those whom he liked and engaged them.

Mr. Boag.—Is that practice commonly adopted by the mills?

Mr. Kasturbhai.—It is getting common. I cannot say that it is common in all the mills but I think that it is getting into vogue.

Mr. Boag.—With regard to wages in answer to Question 35 you say "Wages have been standardised in spinning section in Ahmedabad by mutual consent of Labour Union and the Association through the Arbitration Board. In the weaving section increments, etc., have been granted by the Arbitration Board". Does that imply that the wages in the spinning sections are uniform for all the mills in Ahmedabad?

Mr. Kasturbhai.—Yes. In most of the departments in a mill, the standardisation of wages has taken place. It is only in one or two departments where standardisation has not taken place, but wages are paid more or less on the same basis.

Mr. Boag.—Does that apply also to the mills which are not members of your Association?

Mr. Kasturbhai.—Yes, except those mills which may be weaving very fine counts where wages may be different.

President.—Since when was this standardization system enforced?

Mr. Kasturbhai.—Since 1920; it has progressed since then.

Mr. Rahimtoola.—At present it is more or less a general practice?

Mr. Kasturbhai.—Yes.

Mr. Boag.—I think you said yesterday that you increased the wages three or four years ago?

Mr. Kasturbhai.—In 1930.

Mr. Boag.—Was that in all departments or only in some departments?

Mr. Shantilal.—It was in all departments, 5 per cent. in departments belonging to the weaving section and 8 per cent. in the spinning section.

President.—You mean taking the whole industry and dividing it into spinning and weaving?

Mr. Shantilal.—Yes; winding to weaving 5 per cent.—that was the award of the umpire.....

Mr. Kasturbhai.—The position is this: in 1923 because of the great depression that came over the industry, there had been a wage cut of about 15½ per cent. and in 1930 the labour union dragged us to arbitration and got this increase.

President.—They got back a portion of what had been cut in 1923?

Mr. Kasturbhai.—Yes.

Mr. Boag.—The only other point I wish to ask you about is your reply to question 42 with regard to the definition of plain grey goods. You want a modification of the definition?

Mr. Kasturbhai.—Yes.

Mr. Boag.—I should be glad if you could explain exactly what is the necessity for this modification.

Mr. Patel.—It is given in Appendix B of our representation. Plain Grey Shirting goods were passed off as "Tigris" by the device of transverse woven headings at a lower rate of duty.

Mr. Boag.—What does they mean exactly?

Mr. Kasturbhai.—They are divided into pieces of five or six yards with a little transverse woven heading.

Mr. Boag.—These transverse woven headings are introduced into the pieces in order to take them out of the class of plain grey goods?

Mr. Kasturbhai.—It may be sold as plain grey but no sooner there is a transverse woven heading it does not come under plain grey. These are used as small dhutis.

President.—I think in various ways the tariff definition of plain grey have to be altered.

Mr. Kasturbhai.—The whole schedule has to be altered.

President.—You were going to give us a note later on regarding the question of variation of premium on cotton.

Mr. Kasturbhai.—We can give it to you now. There was a very big variation in the premium that was being paid and I have brought with me a chart to show at a glance what the difference is (shown). It does not move exactly in the same proportion; but goes up or down.

President.—That is to say, the general course is uniform, but the ups and downs differ in proportion.

Mr. Kasturbhai.—The proportion is very much different (explains with the help of the chart).

President.—What are the other points?

Mr. Kasturbhai.—I spoke to you with regard to the requirements of the handloom industry that 450,000 spindles should be able to meet all the requirements of yarn: I ought to have mentioned then that I calculated it on the double shift basis.

President.—In that same connection if you look at page 15 of your replies to the questionnaire, are these figures of yarn based on single shift or double shift?

Mr. Kasturbhai.—Single shift.

President.—Then on 600 looms do you get 9,000 lbs. of cloth per day of single shift?

Mr. Shantilal.—Yes, it is 20s and 30s and it includes the size.

President.—Size may be taken at about 1/10th or 1/8th. If out of 8,000 pounds of yarn you get 9,000 pounds of cloth about 12 per cent. is the size?

Mr. Kasturbhai.—Yes, it works out at 12 per cent.

President.—Out of the 9,000 lbs. half is bleached and half grey. There is no size in bleached and the size is confined to grey. If the sizing weight on grey is 12 per cent. the average over the whole output.....

Mr. Kasturbhai.—It will be in the nature of 35 per cent. on the warp.

President.—Taking this 9,000 lbs. as composed of half bleached and half grey what figure may I take as the average sizing weight?

Mr. Kasturbhai.—1,000 lbs.

President.—Taking out the sizing weight you get 8,000 lbs.?

Mr. Kasturbhai.—Yes.

President.—That gives you per loom about 13 lbs. of 20s to 30s.

Mr. Kasturbhai.—This is for a new up-to-date mill put up to-day.

President.—On 40s and 50s?

Mr. Kasturbhai.—Ours will be a bit higher than Bombay. As far as Ahmedabad is concerned it produces cheaper.

President.—I think it works out to 9 lbs. per loom in the case of 30s and 40s. It does not correspond to 20s and 30s.

Mr. Kasturbhai.—I will submit to you the figures that we have worked out: it will be approximately the same.

Mr. Shantilal.—For 30s and 40s the total is 70; in 20s and 30s the total is 50, so the consumption will be in the ratio of $7 : 9 \times 7 \div 5$ that comes to 12 and odd. That approximately corresponds with our figure.

President.—What is your spindle capacity: how many ounces does it work to per spindle?

Mr. Shantilal.—A little over 5 oz.

President.—I think the Tariff Board in 1926 got a figure in their evidence that on 20s you get about $6\frac{1}{2}$ or $6\frac{3}{4}$?

Mr. Shantilal.—We are getting about 7 to $7\frac{1}{4}$. This may be accounted for by the fact that we have been pushing ahead since then and we are now on a bit higher efficiency than we were then.

President.—Would you take on 20s a figure of $6\frac{1}{2}$ oz. per spindle per day?

Mr. Kasturbhai.—You should rather take a higher figure: for a new mill it is very much higher.

President.—Are there any schedules of standard figures in connection with the spindle output and average loom output?

Mr. Kasturbhai.—There are books on it, but I may tell you that as far as new mills are concerned every time the standard figure given by the Lancashire machinist has been surpassed not in one mill but in several mills in Ahmedabad.

President.—What it amounts to is this, that in your mills your efficiency is over 100 per cent.

Mr. Kasturbhai.—No. Efficiency is the standard efficiency. But take for instance 40s: if you ask a Lancashire machinist he will give you a production of hardly 3 oz.; as a matter of fact we are getting 3.5 oz.

President.—What is the standard by which you calculate the efficiency? What is your 100 per cent.? Where do you get standard figure? When you give a percentage of that kind obviously you have got a standard in view. If you are making 6 oz. and the standard is 10 oz. then your efficiency is 60 per cent.

Mr. Kasturbhai.—Standard will differ in this manner, that the spinning speed will differ from mill to mill. If there are four mills installed in Ahmedabad two mills may like to run their mill at 10,000 revolutions, the other two at 10,500, and thus the standard will differ.

President.—When you get a standard figure that standard figure involves particular revolutions per minute?

Mr. Kasturbhai.—Even if the revolutions are the same production may differ to a considerable extent. If I am using cotton in 40s which is $11\frac{1}{4}$ " staple and if the other mill is using cotton which is $1\frac{1}{8}$ ", my production will be considerably higher because the speed at which the rollers will be running will be considerably greater.

President.—Can't I discount that factor by suggesting that the output should be stated in terms of particular counts?

Mr. Kasturbhai.—The point is this. There are standard speeds at which the machines are run, but in Lancashire you will find that no spinner will advise you to go beyond 9,000 revolutions per minute and the spindle-speed here we are thinking of going up to 11,000 and 12,000. That does mean that we propose to use higher quality of yarn. There are turns per inch according to the counts. So for 20s there should be 18 turns per inch. I find that by paying a little higher for my cotton, the turns per inch I am able to put in

will be a little less. Though the standard which has been accepted by many technologists is 18, I may be able to spin 20s at 16 turns per inch and if my turns per inch are less, then my production will be proportionately higher.

President.—As far as laymen are concerned, the effect of this discussion upon my mind is that it is a most dangerous proposition to attempt to compare one mill with another on the basis of mere efficiency figures. The kind of factors involved in the particular efficiency figure may be entirely different and therefore the comparison might be entirely vitiated.

Mr. Kasturbhai.—Yes.

Mr. Shantilal.—The efficiency of the two mills might be the same, but at the same time the quantity of production may be different.

President.—There is only one point which I want to raise in connection with the scheme of protection. I put that question to practically all the applicants for protection and I should like to know your views on that. As you know from the questionnaire the way in which we are going to tackle the question of measuring the protection is this: we are going to calculate a fair selling price *ex-mill* for the Indian industry. We are going to compare that not with the import price, but with the realised price. As you will see from the questionnaire we have asked for the realised price. What we are going to do is to take the difference between the fair price *ex-mill* and the realised price *ex-mill* less duty. The difference between that is going to be fixed as the measure of protection. That is the way in which we propose to work for the obvious reason that you cannot take an import price, because you can never tell which kind of cloth competes with which kind of cloth.

Mr. Kasturbhai.—We shall consider that and let you know our views.

President.—It is a point which has been raised in the questionnaire. If you are going to consider and give us a note later on, I will tell you precisely the difficulties arising from it. We are thinking of taking not the *c.i.f.* import price, but the realised price, because it is difficult to fix the precise classes of imported cloth and Indian cloth which compete with one another. Now the danger of taking realised price is this: The realised price is determined not merely by external competition, but it is also determined by internal competition. There is no scheme of protection which can protect you against internal competition to the extent that your realised price is below the import price by reason of internal competition; we must adjust the realised price. On what basis are we to make the adjustment? In other words if it were a question of simple external competition your realised price on plain grey might be 10 annas. Since there is a lot of internal competition in that kind of cloth, your realised price is 9 annas. The difference between 9 and 10 annas is not a matter against which we can possibly protect you by means of tariff and therefore it is no use taking that into account. On what basis can we make allowance in the realised price for the depression due to internal competition?

Mr. Kasturbhai.—That is a question which is possible of solution. It may look dogmatic, but I have been saying that unless the statistics are prepared in a manner which is very scientific.....

President.—No kind of statistics will help you.

Mr. Kasturbhai.—That will immediately tell me whether there is overlapping in that class of trade or there is no overlapping. If there is no overlapping and still the profits left to the mills are less, then naturally the conclusion will have to be.....

President.—I will tell you why. Supposing we take a particular class of plain grey, particular dimension, particular reed and pick and so on as our representative standard of cloth, unless you are going to ask the Government Department to produce statistics with regard to the production of each individual variety of cloth in the country, you cannot get any data for settling the question. The way in which we are trying to tackle the question is: we want to fix the duty on plain grey and let us say we take the kind of plain grey to which there is the utmost foreign competition as somewhere

above 30s. Let us say we are taking one of your mills as representative. We take the costs of a typical Ahmedabad mill in regard to 30s plain grey. We get a particular figure and to that we add depreciation, profit and get our price. Then we take the actual price realised by that mill for that cloth. The problem is, to what extent the realised price has been depressed by the internal competition? Your answer is, unless we know to what extent there has been overlapping in respect of that particular cloth, the question cannot be answered. The Director General of Commercial Intelligence must produce statistics with regard to the output of each individual variety of cloth in the country. That is impossible. The statistics won't help you. It is your instinct and your accumulated knowledge that must help you. I should like you to consider this point and send us a note as to the lines on which you think in a practical way we can tackle that. We can't get mathematically accurate results.

Mr. Kasturbhai.—That is to say you want to know how internal competition can be eliminated in arriving at the margin which should be left to the Indian mills?

President.—Yes. It is a difficult point. Ultimately if we don't get any constructive suggestion from the industry, we make assumptions. I should like very much to get suggestions from the industry.

Mr. Kasturbhai.—I shall submit a small point. Take for instance the dhuti trade. Out of 950 million yards, 300 and odd million were being imported in recent years. They have been eliminated and to-day the whole-dhuti requirement of 950 million is being met from the Indian production.

President.—Practically the whole of that.

Mr. Kasturbhai.—From that an easy solution can be arrived at as far as the dhuti manufacture is concerned. There is no depressing effect because of the internal competition in the country; because the requirements of the country are no more or no less than 950 million. If we can get broad statistics from the Government, not of a particular piece or of a particular variety, but broad statistics—there are six main varieties that we are turning out—if we can get those six varieties differentiated properly, then we can immediately come to the conclusion whether there is overlapping or there is no overlapping, whether that line of trade is suffering because of the internal competition or whether it is suffering because of the external competition.

President.—As far as dhutis are concerned we have got figures. I can assume that the quantities of dhutis produced in this country are more or less approximate to the demand of the Indian market, is that not so?

Mr. Kasturbhai.—Yes.

President.—Therefore you can assume that there is no undue depression of price on account of the internal competition; I get a realised price from a particular mill. I assume that as far as the realised price is concerned, that represents more or less external competition.

Mr. Kasturbhai.—Yes.

President.—Therefore the problem disappears as far as dhutis are concerned. Can I make an inference from dhutis that I may apply to all other classes?

Mr. Kasturbhai.—To a certain extent.

President.—How?

Mr. Kasturbhai.—If I were to submit to you the figures of the realisation in 2 or 3 representative mills of Ahmedabad, then you would find that the difference between the realisations of particular counts of cloth is not governed only by the external competition.

President.—I will leave you to do the result in the meantime. If you will give me a note embodying your views on the subject, we can consider it later on.

Mr. Kasturbhai.—Yes.

President.—The point is this: in the case of prices realised by a mill as-godown for any particular class of goods, to what extent is the realised price below the level determined by external competition as the result of internal competition by the Indian mills?

Mr. Kasturbhai.—We will send you a note later on. In other words you would like us to divide them compartmentally—the different factors which come into play in competition with Indian cloth.

President.—If the import price of the nearest comparable imported cloth is 12 annas and your realised price happens to be 11 annas, then I think on this data you can say that the realised price is less than the price determined by external competition by one anna.

Mr. Kasturbhai.—That is not at all a difficult proposition. No sooner than internal competition is brought in, it makes the issue somewhat complicated.

President.—At whatever level we may fix our tariffs, we can't protect you against the duty between 12 and 11 annas. Therefore if we raise the duty to the extent of this one anna which is the result of competition, that is a burden we place on the consumer for which the industry gets no commensurate return. It would be an unnecessary element we have to introduce into the duty. If the industry gives no suggestion, in the end we will say that on the whole we consider that 10 per cent. would be necessary, which will be harmful to the industry and therefore you have got to be very careful.

Mr. Kasturbhai.—I was asked yesterday to consider and let you know as to what we desire with regard to the protective duties, whether specific or *ad valorem* duties. Our considered view is that the present prices are very low and as you know they are not the normal course of prices, but they are considerably lower than the normal level of prices. That being the position, even if you decide to recommend specific duties, they should be based on the normal level of prices and not the prices prevailing at present. That is one question. We would rather wish that you may be pleased to recommend that the specific duties at a certain figure be levied or *ad valorem* duties, whichever may be higher, because unless that condition is specified, it will not have the necessary effect.

President.—That is really the suggestion that we put to you yesterday. What we are considering is an *ad valorem* rate subject to a minimum specific duty.

Mr. Kasturbhai.—That will meet the point. May I submit to you two or three points for your further consideration? It does appear that two or three important points have not been touched by you and that is particularly with regard to the cotton import duty and we are very, very keen about that. If you at all desire us that we should make satisfactory progress in the matter of spinning fine counts just as the previous Tariff Board decided to recommend to the Government, it is most important that the duties on imported cotton must be done away with. I am not talking of the cotton that comes in direct competition with Indian cotton, but cotton which is not in direct competition with Indian cotton. The duties on that must be immediately abolished. The other point that I wanted to press upon you was with regard to the duties on dyes and machinery. The duty on dyes should be done away with. I am prepared to prove for your record that I had a big dyeing department in one of my mills and because both of the existing difficulties combined with the extra import duties it had to be closed down fully for two months.

President.—But then supposing I replied to your suggestion in this form? The present protective duties were not based on the Tariff Board's enquiry. They were really fixed on arbitrary levels. Supposing in this enquiry we take into account as part of your costs the duty on raw cotton with regard to the finer counts, the duties on dyes and machinery and fix your fair selling price on that basis and give you a specific duty as against that fair selling price calculated in that way, would not that meet your point?

Mr. Kasturbhai.—It may not, to this extent, that it will raise the price of our cloth. After all it is well known that the buying capacity of the

consumer is only limited, particularly with regard to the dyed stuff. I can understand that point with regard to the stores or machinery, but particularly with regard to the dyed stuff, you know how very keen the Indian labourer is whose means are very low, how keen he is to get the dyed stuff and to levy a duty on the dyes is certainly against pushing the dyed goods in the market.

President.—I look at the question from the point of view of the industry in this way. It is open to us undoubtedly to make a suggestion to the Government of India that the duty on machinery and the duty on dyes should be removed. What the Finance Member and the Government of India may decide as to the best means of meeting the financial requirements of the country, we are not in a position to forecast. Supposing in spite of our suggestion, on financial grounds, the Finance Member is unable to accept it, where are we?

Mr. Kasturbhai.—Either on financial grounds or on political grounds, if the Government do not accept your recommendations, we have not got power to force them to agree.

President.—Is it not therefore better to safeguard against a risk of that kind?

Mr. Kasturbhai.—That means indirectly agreeing to the duty.

President.—You had better place on record your strong protest. I understand that the Ahmedabad Millowners' Association desire to place on record their strong protest against the duties.

Mr. Kasturbhai.—If any progress is to be made, it must be made with regard to the dyed goods. After all, we are in a position to make progress in that line and there is no reason why we should be hampered in that progress. As I pointed out yesterday, these prints and chintz we are turning out in good quantity. I got figures from one of the mills and to my great amazement they worked out to as much as 5 per cent. I also did not think that the percentage would work out as high as that. One of my friends who gave me the figures is turning out prints and chintz which are in direct competition with the Lancashire stuff. He also finds that it works out to as much as 5 per cent.

Mr. Rahimtoola.—And it is likely to increase?

Mr. Kasturbhai.—Yes. It is the duties which are hampering. German price has gone up. On top of that, Government has levied this duty.

President.—I believe that India is the largest market in the world for printed goods.

Mr. Kasturbhai.—Exactly. Even the meanest Indian desires to have dyed stuff. Why not allow him to get it at the cheapest price?

President.—We will consider that point. What else?

Mr. Kasturbhai.—As regards the question of period of protection to be granted, it has been admitted now that two or three years will be too short a period in which the industry could make any progress. You yourselves have seen the results that have been achieved by your recommendations with regard to the Sugar industry. Although you recommended a very heavy duty, it is going to result in such a competition after two or three years. At least in that one important item you will be making the country self-sufficient in its supplies and it is not a small achievement to my mind. We are very proud that the Tariff Board took such a long view of the matter and recommended sufficient protection to be granted for a sufficiently long period, so that the industry might grow in each and every centre and meet the country's requirements. We hear to-day that sugar mills are put up in Lahore, in Mysore, in Travancore and other places. There is no suitable centre in India where sugar mills are not cropping up. That is the way in which India should be made self-sufficient with regard to the supplies of cotton-cloth and therefore I submit that protection should be for a sufficiently long.

period to enable the industry to turn out the stuff that is required to meet the foreign competition.

President.—You think that from that point of view 10 years would be the sort of period which you would like.

Mr. Kasturbhai.—Yes. I submit to you this that it will take at least two years for any one to put up a mill fitted up for fine counts. It is most difficult, practically impossible, in our view.

President.—Can you give me some kind of detailed data by which this period of ten years is substantiated? It is better to have these things in the form of a note. If you can give me detailed data, it would be helpful.

Mr. Kasturbhai.—Yes.

President.—When we come to that part of our report in tariff enquiries, we generally find we have no data. We simply say "We think that such and such a period is most suitable".

Mr. Rahimtoola.—Your suggestion is that the mills, as situated, are in a position to manufacture all the goods that are being imported into India. At present, as you know, there are various kinds of goods manufactured abroad coming into India. I suppose that the mills in India are capable of turning out those qualities of goods provided a sufficient period of protection is given.

Mr. Kasturbhai.—Not all the goods; particularly in the case of finer counts, it will be next to impossible to turn out the goods without a fresh plant. If I have got machinery in my mill to spin 20s to 30s, it is next to impossible to turn out finer counts on that machinery, the whole problem being a matter of quality, efficiency and general setting up.

Mr. Rahimtoola.—That is exactly my point. The period that you are asking for is a long period and I want to know whether you want such a long period in order to enable India to manufacture all the qualities of goods that are now being imported.

Mr. Kasturbhai.—Yes.

Mr. Rahimtoola.—There is no inherent disability attaching to the Indian manufacturers in the matter of production of those qualities which are now imported into India.

Mr. Kasturbhai.—I would suggest, if time permits, that you should see for yourselves the qualities that are being turned out by one or two Ahmedabad mills which are far ahead of other mills in other parts of India.

Mr. Rahimtoola.—Including Bombay?

Mr. Kasturbhai.—Yes. That is a fact. Unless you see those qualities you will not get a proper idea of what the industry is capable of doing and whether the products that are being turned out can easily stand in competition with products that are being imported.

President.—We will consider that. Is there any other point?

Mr. Kasturbhai.—No. I shall send you the figures that I have promised, soon.

President.—I should like all the things which you have promised us to be sent to us by the 20th of September.

Mr. Kasturbhai.—Before we proceed may I correct one statement? In reply to Rahimtoola, I said that there may be one or two instances in which the Agents may be connected with the purchase of stores, the sale of cloth or things of that nature. My remarks should apply to the Managing Agents firms and not to mill companies.

Mr. Rahimtoola.—I would like you to give us a statement showing the different kinds of commission charged by the Managing Agents, because this subject has been engaging the very keen attention of the public at large in Bombay as well as in Ahmedabad and it must not be told so far as the Board is concerned that they did not make proper enquiry. That is why we went into it at considerable length with the Bombay Millowners' Association and

they supplied us with a statement giving the number of mills affected and the kinds of commission that the Managing Agents are drawing. They have said about Currimbhoys in that connection that an agent might have 16 or 17 mills. I am not insisting on your giving the statement to-day, but if you can send the statement later on, it will be useful.

Mr. Kasturbdhai.—I will ascertain the information and supply it to you. That is a rough estimate I have given.

GUJARAT HOSIERY FACTORY.

Evidence of Mr. C. C. DALAL, recorded at Ahmedabad,
Friday, 2nd September 1932.

President.—Mr. Dalal, your concern is a proprietary concern?

Mr. Dalal.—Yes.

President.—You are the sole proprietor?

Mr. Dalal.—Yes.

President.—How long ago was the factory started?

Mr. Dalal.—In 1908.

President.—Have you been making both cotton and woollen fabrics since 1908?

Mr. Dalal.—Before 1922 I was not manufacturing woollen fabrics, and since then I have been manufacturing both.

President.—In answer to the first and second questions you give us some figures of the number of factories and the number of hands employed. Where exactly did you gather these figures?

Mr. Dalal.—From the Director of Industries.

President.—That is to say, all these factories for which you give figures are factories which are recognised as such under the Factory Act?

Mr. Dalal.—Yes, and I would ask you to take also the Madras figures—14 factories and 579 hands employed.

President.—You know the figures published by the Director General of Commercial Intelligence and Statistics regarding the quantity of hosiery goods in India. What has been your impression? Are those figures correct?

Mr. Dalal.—They are somewhat lower because I suggested some two or three years back that there was a big hosiery factory in Madura and the Director General did not know of it.

President.—Is it worked by power?

Mr. Dalal.—Yes.

President.—Is it a joint stock concern?

Mr. Dalal.—I do not know.

President.—The total production of the Bombay Presidency according to the Director General of Commercial Intelligence is 359,000 lbs. for 1931-32. From your own general impression of the extent of hosiery production in Bombay do you think that figure is approximately correct for the Presidency?

Mr. Dalal.—That would be correct.

President.—For the Bombay Island his figure is 71,000 lbs. That would be correct too?

Mr. Dalal.—Yes.

President.—The process of manufacture of hosiery goods is a fairly simple process as far as I understand it. I observed your factory at work. What happens is that you get your yarn and the first step in the process is that you wind it on cones; that winding is done by machine worked by power and from the winding machine it passes on to the knitting machine where the thing is knit into fabric. It is then in grey condition, and then it passes on to the bleaching section: after it is bleached it is calendered and after calendering it is cut into pieces. That is done by hand, and then it goes into the tailoring department where the sewing is done on machine and the machine is worked by power, and after that it is simply a matter of folding and packing the material.

Mr. Dalal.—It is pressed before it is folded. It is pressed in a steam press.

President.—All except cutting in this process is done by power?

Mr. Dalal.—Yes.

President.—Suppose it was possible for textile mills in India to sell their yarn wound on cones then you could dispense with your winders?

Mr. Dalal.—Quite so but for the manufacturing of coloured goods it would be necessary to have our winding department because we do not know what colours we would require at any time. Colour would change according to the taste of the market.

President.—Supposing you got yarn of particular colours wound on cones available in a textile mill, then in that case you could dispense with your winding?

Mr. Dalal.—Yes.

President.—Apart from the fact that the yarn is wound on cones is there any other special feature about hosiery yarn which distinguishes it from ordinary yarn?

Mr. Dalal.—It should be softer than the reeling yarn and the counts should be spun from a higher quality of cotton.

President.—Is there any difference regarding the twist?

Mr. Dalal.—Yes, there is less twist.

President.—That is what makes it softer?

Mr. Dalal.—Softness depends entirely on the twist. If there is more twist it becomes harder, if there is less twist it is softer.

President.—So what you want is yarn with less twist?

Mr. Dalal.—Yes.

President.—If the hosiery yarn is softer yarn in the sense that the twist is less, may I take it that there is less work on it in the spinning mill: if you want more twist it will involve more work?

Mr. Dalal.—Broadly speaking if you use better quality of cotton you can get a higher production by giving less twist.

President.—If you put more twist obviously there would be more work in the spinning mill?

Mr. Dalal.—With less twist there is liability of breaking and the work has to be done more carefully so they have to use a better quality of cotton.

President.—What exactly do you mean by better quality of cotton? Are you speaking of the staple?

Mr. Dalal.—Supposing they are spinning 26s with a particular cotton: if out of that they spin 20s that would be good yarn.

President.—If you had cotton out of which you spin yarn of 25s, for hosiery purposes you would have to spin out of it 20s?

Mr. Dalal.—Yes.

President.—There is no other special feature?

Mr. Dalal.—None.

President.—What about the tensile strength?

Mr. Dalal.—It will be somewhat less than the weaving yarn.

President.—Because the strain put upon it on the knitting machine is less than on a loom?

Mr. Dalal.—There is less strain, but it gives a softer feel to the fabric if the yarn has less twist.

President.—Taking the kind of work done by a loom and comparing it with the kind of work done by a knitting machine, the material may be less strong in the case of a knitting machine because the strain put on the material is less. That is true?

Mr. Dalal.—Yes.

President.—Generally the yarn you use in hosiery is folded yarn?

Mr. Dalal.—No, because it would break the needle.

President.—You say in answer to question 3 that you buy your yarn from the local mills.

Mr. Dalal.—Yes.

President.—With regard to that I want you to look at your answer to question 10 where you say the yarn bought by you last year was 153,569 lbs. If you look at your total production given in answer to question 4, the total quantity of cotton hosiery that you produced was 26,403 dozens. If I take a dozen approximately as 3 lbs. then I get a figure of somewhere about 80,000 lbs. but you bought 153,569 lbs. What did you do with the rest?

Mr. Dalal.—A large quantity of yarn is used along with woollen yarn for mixed goods.

President.—The quantity of cotton yarn represented by 26,403 dozens is yarn used exclusively for pure cotton hosiery and the rest is used for mixtures?

Mr. Dalal.—Yes.

President.—Taking your production for 1931 can you tell me what approximately was the quantity of woollen yarn that you used?

Mr. Dalal.—It would be about 75,000 lbs.

President.—And about 72,000 lbs. of cotton yarn?

Mr. Dalal.—Yes.

President.—If you translated this into terms of woollen vests?

Mr. Dalal.—Woollen goods are mostly jerseys, pullovers, coats and we manufacture a very small quantity of underwears.

President.—I suppose I should be right in saying that taking your total production in 1931 the proportion of cotton production to woollen production is 90 : 75. That would be correct?

Mr. Dalal.—Yes. I can give you the value also. The value of woollen goods manufactured was Rs. 3,35,629 and of cotton goods Rs. 1,55,196.

President.—From where do you get your woollen yarn?

Mr. Dalal.—From France mostly.

President.—Can't you get it in India?

Mr. Dalal.—There are two woollen mills in Bombay and I gave them a trial in 1929 but I found that they were not able to supply the quality we wanted.

President.—You use a certain amount of Egyptian yarn?

Mr. Dalal.—I imported some but I did not use it.

President.—What exactly was the purpose?

Mr. Dalal.—For knitting undervests.

President.—Is it used in conjunction with ordinary yarn?

Mr. Dalal.—No, by itself.

President.—If you take a vest made entirely of Indian cotton yarn and a vest of the same dimensions made of Egyptian yarn approximately what will be the difference in price?

Mr. Dalal.—At the most we would make 3 to 4 annas more.

President.—Is there a big market for superior vests?

Mr. Dalal.—No.

President.—If you were to look into the import figures you would find that the imports of vests from England or from America are very small but almost the whole of it comes from Japan, and they are all cheap vests.

Mr. Dalal.—Yes.

President.—In 1931 did your factory work right through the year?

Mr. Dalal.—Yes.

President.—At full capacity?

Mr. Dalal.—No.

President.—When the market is dull and you find you cannot dispose of your goods and you have to consider curtailing production, generally what is the method you adopt for doing so: do you stop working for certain days or do you stop some of your machines?

Mr. Dalal.—We stop some of the machines.

President.—That is what happened I suppose in 1931?

Mr. Dalal.—Yes.

President.—The number of knitting machines that you have is 90?

Mr. Dalal.—Yes. This year I have imported 20 more machines: last year it was 70.

President.—Were all these 70 machines at work last year?

Mr. Dalal.—No.

President.—On an average how many of your machines were at work?

Mr. Dalal.—About 40.

President.—There would be a corresponding reduction I suppose in the working of your sewing machines?

Mr. Dalal.—The sewing machines we now have are quite sufficient for finishing the work done on half the number of machines. If I were to work at full capacity I would have to instal 14 or 15 more sewing machines.

President.—As the factory is at present arranged your sewing capacity is a little less than the knitting capacity?

Mr. Dalal.—Yes.

President.—What exactly do you estimate as the wastage of yarn in the manufacture of vests?

Mr. Dalal.—About 25 per cent. on the net weight of the goods manufactured.

President.—That is to say, if you produce 100 lbs. of ready vests then your loss is 25 per cent. of yarn: in other words on 125 lbs. of yarn you get 100 lbs. of vests. Is the wastage generally so high?

Mr. Dalal.—It is made up as follows:—

½ per cent. to 1 per cent. in winding.

2 per cent. in knitting.

10 per cent. in bleaching.

5 per cent. in cutting, and about

7 per cent. in sewing.

President.—There is no loss in calendering?

Mr. Dalal.—No.

President.—That is a much greater proportion of waste than in a textile mill.

Mr. Dalal.—That is so.

President.—So that when you pay this protective duty on yarn 25 per cent. of the duty you pay on the waste?

Mr. Dalal.—Yes.

President.—If you look at the details you have given in answer to question 5 what precisely was the kind of yarn you used in counts?

Mr. Dalal.—20s for plain vests.

President.—In a large number of Indian factories they use yarn of slightly higher count.

Mr. Dalal.—I don't think so. They are 20s or even coarser, 16s.

President.—If you have to buy counts higher than 20s, would you be able to get it locally?

Mr. Dalal.—We would be able to get 30s.

President.—If you made the whole of your hosiery up to your capacity of 30s, would you be able to get all the yarn you want?

Mr. Dalal.—30s would mean a very fine quality.

President.—What proportion of 30s could you expect normally to be saleable?

Mr. Dalal.—That quality is only saleable for three months in the year—March, April and May.

President.—The demand is seasonal.

Mr. Dalal.—Yes.

President.—What are the other materials that you use?

Mr. Dalal.—Sewing threads and oil.

President.—I should like to know how you have calculated your labour charges. You give a figure of 9 annas per dozen vests. How exactly is it calculated?

Mr. Dalal.—Every month we take down the labour costs divided by the number of dozens of vests produced every month.

President.—Supposing the previous year you were working 70 machines. . .

Mr. Dalal.—There was never a time when I worked the whole factory.

President.—Assuming that you worked 70 machines in the previous year and you are compelled to work down to 40 this year will you be able to correspondingly bring down the labour?

Mr. Dalal.—Yes.

President.—There is no standing labour whatever the output is?

Mr. Dalal.—No.

President.—Then you simply take the quantity of labour engaged per month, you take the output per month and then divide one by the other?

Mr. Dalal.—Yes.

President.—Then how do you allocate it on the woollen?

Mr. Dalal.—Manufacture of woollen or cotton does not make any difference at all in the labour.

President.—What you have done here is to take your wage bill for the month and then divide it by the total quantity of hosiery including both cotton and woollen?

Mr. Dalal.—Yes, but we make provision for coats, pullovers and jerseys wherein a little extra labour is employed. We make provision for 8 annas a dozen for those goods, subtract the amount and divide it by the whole output.

President.—You take the number of woollen garments that you have made during the period, multiply that by 8 annas, deduct that amount from the total costs and divide it by the total number of dozens.

Mr. Dalal.—Yes.

President.—Does your repairs and maintenance include the cost of needles?

Mr. Dalal.—Yes.

President.—What is the cost of these needles?

Mr. Dalal.—Formerly it was Rs. 10 per 100, now it is Rs. 4 per 100.

President.—Is there a standard gauge?

Mr. Dalal.—For plain vests generally it is 12, 16 or 20.

President.—What is the life of these needles?

Mr. Dalal.—It would survive a month.

President.—How exactly is your calculation made here?

Mr. Dalal.—We take the number of needles used up, take their costs and divide it.

President.—How are the allocation of supervision and establishment charges made?

Mr. Dalal.—That also is divided by the number of dozens.

President.—I don't quite understand this figure of 4 annas that you give.

Mr. Dalal.—That includes selling expense also.

President.—What part of it is selling expense?

Mr. Dalal.—I have got a man whom I pay Rs. 150 a month: he is my salesman. He goes to Bombay, Calcutta, Delhi and other places.

President.—I suppose his travelling charges are extra?

Mr. Dalal.—Yes.

President.—If it works out to 4 annas a dozen then on your total output of 1931, namely 26,403 dozens.

Mr. Dalal.—That is on cotton goods only.

President.—What figure would you like me to take for woollens?

Mr. Dalal.—24,000 dozens.

President.—That is about 50,000 dozens; that is about Rs. 12,500 per year. Then your supervision charges come to Rs. 1,000 a month.

Mr. Dalal.—That includes everything—supervision, establishment and office expenses.

President.—That is rather on the high side?

Mr. Dalal.—I have got to engage a mechanic for this small factory whom I pay Rs. 150 a month.

President.—Rs. 150 for the mechanic and Rs. 150 for the salesman and about Rs. 100 for travelling charges.

Mr. Dalal.—Travelling charges I calculate under miscellaneous. My engineer is paid Rs. 100; there are five sepoys: that is Rs. 100.

President.—Why do you want a regiment of sepoys?

Mr. Dalal.—For controlling the labour.

Mr. Boag.—What is the labour strength?

Mr. Dalal.—165. All of them are not at work; they work by rotation?

President.—I suppose it also includes a certain allowance for the management?

Mr. Dalal.—No. It is a proprietary concern.

President.—All this consists simply of actual outgoings?

Mr. Dalal.—Yes.

Mr. Rahimtoola.—The selling expense is only Rs. 150?

Mr. Dalal.—That is all.

President.—Rs. 1,000 a month for a factory of this size I should be inclined, subject to correction by you, to consider rather high—I mean for supervision charges. Would you be able to account for the whole of this?

Mr. Dalal.—Certainly.

President.—Every bit of it is salary paid to some individual employee?

Mr. Dalal.—Yes.

President.—Tell me how you do your packing?

Mr. Dalal.—We pack half a dozen in cardboard boxes. These are made outside.

President.—And each box has a lid having your own trade mark?

Mr. Dalal.—Yes.

President.—Where do you get your labels made?

Mr. Dalal.—We get them from Bombay. These are rather expensive: it costs us Rs. 6 per thousand.

President.—When you say you pack it at 3 annas, is it material or labour?

Mr. Dalal.—Material and labour combined, because we get these boxes made outside the factory.

President.—At what price do you buy these?

Mr. Dalal.—Rs. 6-4 per 100. That comes to 2 annas per dozen.

President.—In what form the imported hosiery goods are packed?

Mr. Dalal.—They are packed in cardboard boxes.

President.—More or less like yours?

Mr. Dalal.—Yes and one annas is the cost of the wooden case.

President.—How many boxes are there in a wooden case?

Mr. Dalal.—40 dozens.

President.—Half a dozen in a cardboard box?

Mr. Dalal.—Yes.

President.—You would have 80 cardboard boxes in a wooden case?

Mr. Dalal.—Yes.

President.—So that your cardboard box for half a dozen would cost you an anna each?

Mr. Dalal.—Yes. The wooden case costs me Rs. 2-8.

President.—At what rate have you calculated depreciation?

Mr. Dalal.—5 per cent.

President.—In this you have calculated at 5 per cent. 5 per cent. or what capitalisation?

Mr. Dalal.—5 per cent. on the cost of the machine.

President.—What exactly is the figure you have taken. How did you get this 5 annas. I take it this 5 annas is the average of both the cotton and the woollen.

Mr. Dalal.—Depreciation and interest.

President.—Interest on what?

Mr. Dalal.—Interest on the capital outlay.

President.—You mean interest on the block?

Mr. Dalal.—Yes.

President.—It also includes the interest on whatever working finance you require.

Mr. Dalal.—Yes.

President.—At what rate the interest charges are calculated?

Mr. Dalal.—6 per cent.

President.—Do you consider this 5 per cent. as satisfactory depreciation rate?

Mr. Dalal.—No.

President.—What do you consider a fair rate?

Mr. Dalal.—10 per cent.

President.—That is, 10 per cent. as a flat rate on the whole block?

Mr. Dalal.—Yes.

President.—Is there any difference as regards wear and tear between your knitting machines and sewing machines?

Mr. Dalal.—Sewing machines wear off much quicker than knitting machines.

President.—10 per cent. is the rate in America?

Mr. Dalal.—I have given you the rates.

Mr. Boag.—10 per cent. in England and 20 per cent. in America.

President.—Income-tax Department allows you 5 per cent.?

Mr. Dalal.—Yes.

President.—The same rate as the textile machinery?

Mr. Dalal.—Yes.

President.—Supposing we raise the depreciation rate to 10 per cent., can you make a rough calculation and tell me by how much you would have to raise that figures? What is your present capitalisation?

Mr. Dalal.—I have spent Rs. 2,10,000 on machinery and Rs. 75,000 on building. In building I calculate 2½ per cent. only.

President.—If we gave you 2½ per cent. which is the rate allowed by the Income-tax Department, it would come to Rs. 1,850.

Mr. Dalal.—Yes.

President.—On the other if we allowed you 10 per cent., it would come to Rs. 21,000.

Mr. Dalal.—Yes.

President.—The total number of garments is 50,000.

Mr. Dalal.—Yes. That would increase it by about 3 annas, though I myself have been writing down $7\frac{1}{2}$ per cent.

President.—The actual rate that you have taken here is 5 per cent.

Mr. Dalal.—Yes.

President.—The only point that I want to raise is this: when was the amount actually spent on machinery?

Mr. Dalal.—Gradually, not in one year.

President.—When was the last substantial expenditure?

Mr. Dalal.—For the last 4 or 5 years I have been spending Rs. 25,000 every year.

President.—If you were to put up a factory like yours to-day, taking buildings and machinery, what do you think it would cost. You have given us a figure which is somewhat lower than yours.

Mr. Dalal.—Some of the machines were jacquard. Here the figures I have quoted are for plain machines.

President.—If we proceeded on your figures here, we should be able to put up all the plant, machinery, power plant and so on for about one lakh of rupees. If I added about Rs. 50,000 for buildings, Rs. 1,50,000 ought to enable me to put up a plant.

Mr. Dalal.—I have put up a plant which is necessary for a big factory.

President.—Have you included that in your capitalisation?

Mr. Dalal.—No. I have put up a French knitting machine to supply neck pieces. It would be working not more than 20 days every year. It is necessary for me to have that machine so that my goods might be of good quality.

President.—What precisely does that machine do?

Mr. Dalal.—Knitting neck pieces only.

President.—That is to say all the neck pieces on the vests are done on that and when the neck pieces are done, that machine has nothing to do.

Mr. Dalal.—No. It is a big machine 44" diameter.

President.—Why did you omit it from your capitalisation?

Mr. Dalal.—Any knitting factory starting here can get neck pieces from me. I can supply 6 or 7 factories with that one machine.

President.—Could you not get a machine of smaller capacity?

Mr. Dalal.—There is the difficulty of sewing it, whereas this one knits one whole width in one round. If we are to buy a German machine, it knits that piece in six or seven revolutions and that has to be cut at the joints and there is a wastage. This goes on in a spiral way.

President.—Can't you get a smaller machine which goes on in a spiral way with a smaller capacity?

Mr. Dalal.—No.

President.—If the machine is so indispensable, it looks to me that it ought to find a place in your capitalisation.

Mr. Dalal.—I am given to understand that a monopoly is given in Japan to one factory and the other factories have to buy them from this factory.

President.—What is the price of that machine?

Mr. Dalal.—Rs. 5,000. 3 or 4 jacquard machines each costing Rs. 5,000.

President.—They are rather luxuries. You could do without them. I will give you one lakh of rupees for your plant and machinery and Rs. 50,000 for your buildings.

Mr. Dalal.—I have also to instal a very big French calendar machine.

President.—Why do you want such a big calendar machine?

Mr. Dalal.—For calendering that fabric. Without that my installing French neck machine would be useless.

President.—What does that cost?

Mr. Dalal.—Rs. 5,000.

President.—I give you another Rs. 5,000. That comes to Rs. 1,55,000. Is there anything more?

Mr. Dalal.—As regards buildings also we have got to keep big godowns, because we have to store our goods for six months.

President.—I am inclined to think that Rs. 1,50,000 would be a fair estimate of capitalisation.

Mr. Dalal.—Yes, for a factory producing about 200 dozens.

President.—In that case you can more or less leave the figure of 5 annas as it stands.

Mr. Dalal.—Even with 10 per cent. depreciation.

President.—May I take it then that if you realise Rs. 3-3-10, you would cover all your working expenses and your depreciation and you get a return of 6 per cent. on your capital.

Mr. Dalal.—Yes, but there is no agency commission or anything of that sort. I must get my profit. In the case of mills they have got an Agency commission of 3 or 3½ per cent.

President.—You have not included any charge for management?

Mr. Dalal.—No.

President.—I allow you 2 annas for that.

Mr. Dalal.—If we are able to make headway against Japan, even that 2 annas would be quite sufficient.

President.—If we gave you 2 annas, then Rs. 3-6 would make you thoroughly comfortable.

Mr. Dalal.—Yes.

President.—Let us come to the c.i.f. price of hosiery goods similar to yours.

Mr. Dalal.—Since then I have had to rectify this.

President.—What is the latest figure?

Mr. Dalal.—I have got individual samples and individual prices.

President.—That is since the yen began to depreciate.

Mr. Dalal.—These orders were placed in May. After sending this representation to you and the answers to your questionnaire, I asked some of my customers to give their individual figures and one of them was kind enough to send them to me and they are very interesting. (Handed in.)

President.—You had better give us the rupee prices.

Mr. Dalal.—Yes. (Samples shown and explained.) It is Rs. 1-15-9.

President.—Per dozen vests as against your Rs. 3-6.

Mr. Dalal.—And the duty is 25 per cent. Without that it is Rs. 1-15-9.

President.—Take it practically as Rs. 2 including the landing charges and so on.

Mr. Dalal.—Yes.

President.—Taking the present prices at the present rate of exchange you would require Rs. 1-6 per dozen vests?

Mr. Dalal.—Yes.

President.—That is the duty you would require?

Mr. Dalal.—Yes.

President.—But if the yen behaved better, you could do with a rupee.

Mr. Dalal.—It would depend upon the exchange.

President.—That is what I say. For argument's sake let us take the duty that you require as Rs. 1-6 per dozen, in what form should this duty be fixed? The obvious thing to do is to levy a duty of Rs. 1-6 per dozen vests, but then it occurred to us that if you did it in that form, the knitted fabric may be imported, the tailoring being done here, so that you can't fix it per unit of vests. Then the only alternative is to fix it per lb. of knitted fabric.

Mr. Dalal.—I do not know whether the poundage is given in the invoice.

President.—What is given in the invoice?

Mr. Dalal.—Only the number.

President.—What is your suggestion?

Mr. Dalal.—I think a specific duty or some percentage whichever is higher would suffice.

President.—If you have a specific duty, you must assess the specific duty on some kind of dimension.

Mr. Dalal.—If weight is given in the invoice, then there would be no difficulty.

President.—There is no other measurement given in the invoice.

Mr. Dalal.—No.

President.—Supposing for example next March the Legislature decide to have a specific duty on knitted fabric per lb., I suppose within 3 months from then invoices will begin to show the weight. What would happen in the meantime?

Rai Saheb.—The Customs will open the boxes and weigh it.

Mr. Dalal.—(Sample shown.) This is made out of 30s yarn, sleeveless. The price is 1 yen and 45 cents and at present exchange it comes to Rs. 1-10 and the average size is 36".

President.—You have never tried this.

Mr. Dalal.—We can never think of it.

President.—There is a large hosiery factory in Rangoon. They are manufacturing round about 30s. I think they get their yarn from the Harvey Mills, Madura.

Mr. Dalal.—Yes.

President.—If you like to think over this point as to, from your point of view, what would be the best way of assessing the specific duty, you might send us a note later on. I do believe the other difficulties are real difficulties.

Mr. Dalal.—Yes.

President.—The output of hosiery factories would be liable to excise duty.

Mr. Dalal.—Last time when the Tariff Board enquired, they didn't give us any protection at all and they levied an excise duty.

President.—Why did you not raise this question through your representatives in the Legislative Assembly when the 1930 bill was under consideration?

Mr. Dalal.—I wrote to the Commerce Member and he said that the matter was receiving the consideration of the Government of India.

President.—Somehow or other in Bengal they were not paying the excise duty.

Mr. Dalal.—It was I who brought that to the notice of the Government there. I was selling my goods in Calcutta and I found my competitors were not paying the excise duty. Till the last moment the factories in Native States never paid the excise duty. There is a very big hosiery department in the Bangalore Cotton and Woollen Mills.

President.—You don't like to pay any more excise duty?

Mr. Dalal.—If all are treated alike, it is a different thing.

President.—If you look at your list of machines that you give in your capitalisation estimate, what do these prices represent? Are these the latest prices that you have been able to get?

Mr. Dalal.—Very recently. Last year I installed about 3 French machines. They cost me about Rs. 2,600. Since then the exchange has gone up.

President.—That is how you calculated it.

Mr. Dalal.—It would cost more than Rs. 3,000. At this price you would be able to get English machines.

President.—Does a sewing machine cost Rs. 625?

Mr. Dalal.—Yes since the exchange went up; otherwise it was costing Rs. 525. They are all American machines, Singers.

President.—Sewing machines are American and the knitting machines are English?

Mr. Dalal.—Yes.

President.—The Hosiery Manufacturers in Japan are a very well organised body?

Mr. Dalal.—Yes.

President.—Most of their sales are done on a combined basis. There is a Japan Hosiery Manufacturers Association?

Mr. Dalal.—Quite so.

President.—Till 3 years ago it was possible for Indian manufacturers to make hosiery goods on the pattern of Japanese goods and sell them here with their own labels. You have not had any experience of that matter. Have you had any negotiations with Japan Hosiery Manufacturers Association regarding matters of sale?

Mr. Dalal.—No.

President.—In some parts of India I believe what happened was that the Indian importer of hosiery goods imported the hosiery goods from Japan and the Japan manufacturer allowed him to use his own Indian label. Three years ago the Association decided that should be stopped. It was then I think that quite a considerable number of importers in India began to think of manufacturing their hosiery goods.

Mr. Dalal.—At least not a single factory was started in Bombay. At least in Rangoon I was given to understand that a factory was started last year. He has his own office in Japan and he has started a factory in Rangoon.

President.—This is practically a cottage industry in Japan.

Mr. Dalal.—I have stated that in my representation. There the knitting is done in certain factories; bleaching is done somewhere else and sewing is done in a third factory. If you take it like that, it is a cottage industry.

President.—Knitting factories and sewing factories are not big factories. My own idea is that they are very small factories.

Mr. Dalal.—Each of them having 20 to 25 machines.

President.—It is really running on a cottage industry basis, but the advantage they have is in spite of these factories being on a cottage industry basis, they have been able to organise it efficiently so that for purposes of sales and so on they work practically as one organisation.

Mr. Dalal.—Yes.

President.—So that in that respect they have a great advantage over the Indian manufacturers?

Mr. Dalal.—Yes.

Mr. Rahimtoola.—I only want to ask one or two questions about yarn. In answer to question No. 11 you have mentioned here that you buy mostly Indian yarn. In the last paragraph you say that it doesn't pay the Indian mills to manufacture the same.

Mr. Dalal.—I mean Egyptian yarn.

Mr. Rahimtoola.—You say Egyptian yarn you have not used at all.

Mr. Dalal.—I was using 4,000 to 5,000 lbs. of foreign yarn. I buy mostly Indian yarn. The foreign yarn that I buy is deep coloured brownish Egyptian yarn. No cotton mill imports such deep coloured cotton.

Mr. Rahimtoola.—It is entirely used for the hosiery business?

Mr. Dalal.—Yes.

Mr. Rahimtoola.—Supposing protection is given, even then you would not be in a position to use completely Indian yarn? Would you be able to dispense with deep coloured Egyptian cotton?

Mr. Dalal.—That much small quantity of 4,000 to 5,000 lbs. I will have to import in a year.

Mr. Rahimtoola.—If protection is granted, production will go up?

Mr. Dalal.—Yes.

Mr. Rahimtoola.—To that extent this will go up?

Mr. Dalal.—Yes.

Mr. Rahimtoola.—Your present requirement is 4,000 to 5,000 lbs. of Egyptian yarn. That will also go up.

Mr. Dalal.—The demand for better class of goods is very small. If you look into the import figures, you will find that one machine for the whole of India will be manufacturing more than the imports.

Mr. Rahimtoola.—You are not concentrating on 30s?

Mr. Dalal.—No.

Mr. Rahimtoola.—You are using 4,000 to 5,000 lbs. of yarn on 20s?

Mr. Dalal.—The foreign yarn is of 30s counts.

Mr. Rahimtoola.—You are turning out a small quantity of 30s?

Mr. Dalal.—That is the Egyptian yarn. The sample I just showed is made from Indian or American cotton.

Mr. Rahimtoola.—What I want to find out is whether there will be any difficulty, supposing protection is granted to the Indian industry, for your finding suitable yarn from the Indian mills.

Mr. Dalal.—As I am myself putting up a spinning plant, I will spin it myself.

Mr. Rahimtoola.—The yarn which is spun in the mills is not suitable for you.

Mr. Dalal.—It is with the greatest difficulty that I am using it.

Mr. Rahimtoola.—There is no inherent difficulty if they choose to make it?

Mr. Dalal.—No.

Mr. Rahimtoola.—It is only because, according to your statement, the demand is small that they are not manufacturing it?

Mr. Dalal.—Yes.

Mr. Rahimtoola.—I would like to ask about competition with Japan. Japan is your chief competitor and you have put down that Japan supplies more than 75 per cent. of the imports. Can you tell us exactly what are the percentages of other countries?

Mr. Dalal.—Very little. Stockings and socks for 1931-32 from United Kingdom were 1,543 dozens and from Hongkong 167,764 dozens.

Mr. Rahimtoola.—They are all Japanese owned mills?

	Dozens.
<i>Mr. Dalal.</i> —Yes. Germany	8,302
Italy	1,339
Czechoslovakia	307
Japan	144,314
United States of America	11,976
Total	<u>835,798</u>

Mr. Rahimtoola.—And the percentage of India against the imported is only 13 per cent.

Mr. Dalal.—As regards Indian there is no classification and they are all given as hosiery. The figures that I gave just now are for stockings and socks and for underwear the figures are as follows:—

	Dozens.
United Kingdom	916
Germany	530
Japan	312,121

Out of a total import of 314,917 dozens, Japan's share was 312,121 dozens.

Mr. Rahimtoola.—That is a very big thing.

President.—On a rough calculation I suggest if you take the whole Indian market for hosiery goods, 85 per cent. is supplied by imports and 15 per cent. is supplied by Indian fabrics. These are rather misleading figures. We are proceeding merely on a poundage basis. I am converting the dozen figures into lbs. on an arbitrary basis.

Mr. Dalal.—Quite so.

President.—But the thing that interests me is this. If these figures are correct and if there is going to be a market for the hosiery goods and if the Indian industry is able to capture the whole of the import market, there is a market for 10 million lbs. of yarn.

Mr. Dalal.—There was a suggestion in the last Tariff Board's Report that the mills might take up the manufacture of hosiery goods. My suggestion is that the mills should not take up the hosiery manufacture. I would cite an instance. There was a Hosiery Department in the Morarjee Gokuldas Mill. They produced a large quantity of hosiery goods and they were not able to sell them. Therefore they had to stop manufacturing.

President.—I can't see the slightest advantage of a textile mill undertaking hosiery manufacture.

Mr. Rahimtoola.—There are mills in United Provinces having Hosiery Departments.

Mr. Dalal.—All of them are working on woollen only. Cawnpore Woollen Mills have got a department working on woollen only.

Mr. Rahimtoola.—What about internal competition?

Mr. Dalal.—At least this year I have found that internal competition has begun in woollen goods. As regards cotton goods we are not able to make any headway and all that we sell is due to the swadeshi movement.

Mr. Rahimtoola.—There is nothing like internal competition?

Mr. Dalal.—Not yet.

Mr. Rahimtoola.—The price is governed by the Japanese price?

Mr. Dalal.—Quite so. They pay us 4 to 6 annas more. That is due to the swadeshi movement. If you compared with Japan, we would not stand at all.

Mr. Rahimtoola.—I find you have given the number of factories in each province?

Mr. Dalal.—Yes. We got the information from the Director of Industries.

Mr. Rahimtoola.—My information is that in Bengal there are 46 and you have put down only 17. Is it in reply to your letter that he stated there are 17 at present?

Mr. Dalal.—Yes. There are the factories registered under the Factories Act.

Mr. Rahimtoola.—But then there may be many unregistered factories?

Mr. Dalal.—I can't say.

President.—I think the point is a factory is not registered unless it employs 20 and is also worked by power.

Mr. Dalal.—Yes.

Mr. Rahimtoola.—There may be small factories?

Mr. Dalal.—May be.

President.—If it is worked by power and the number of hands is less than 20, it does not come under the Factories Act.

Mr. Dalal.—It is at the discretion of the Factory Inspector. Even if the number of hands is 10, if he thinks that it should come under the Factories Act, it will come under the Act.

Mr. Boag.—There is only one thing I should like to ask you about. You said just now that you are putting up a spinning factory. Is that because you think it would be an economy to spin your own yarn?

Mr. Dalal.—It would give me better yarn.

Mr. Boag.—Simply to ensure a supply of better yarn?

Mr. Dalal.—Yes, because the plant that I am putting up is 4,000 spindle.

Mr. Boag.—When do you expect it to be working?

Mr. Dalal.—In November.

President.—What kind of output would you get out of 4,000 spindles?

Mr. Dalal.—About 2,000 lbs.

President.—Half lb. per day?

Mr. Dalal.—Yes, I would be spinning 14s and 20s.

THE HOSIERY MANUFACTURERS' ASSOCIATION.

Evidence of Messrs. MANO MOHAN MUKHERJI and LALIT MOHAN MUKHERJI recorded at Calcutta on Wednesday, 14th September, 1932.

President.—Mr. Mukherji, you are Vice-President of the Hosiery Manufacturers' Association?

Mr. Mukherji.—Yes.

President.—In your reply to question 1 you give us what you believe the total number of hosiery factories in Bengal. The number that you give is 150: out of that you say 44 are power driven and the rest are cottage factories of the ordinary type.

Mr. Mukherji.—Yes.

President.—What proportion of these factories, taking the power driven and the other factories, is represented in your Association?

Mr. Mukherji.—About 20 power driven factories out of 44.

President.—Are any of the cottage factories included in your membership?

Mr. Mukherji.—No.

President.—If you take the total output of hosiery goods in Bengal, roughly what do you think is the proportion represented by factories which are among your members?

Mr. Mukherji.—In the Association most of the big factories are represented.

President.—Would it be correct to say that if you take the total output of hosiery goods of all the factories in Bengal, the factories who are members of your association represent somewhere about 50 per cent. of the total output?

Mr. Mukherji.—It is more than 50 per cent. excluding the hand driven section. We have no idea of their production.

President.—You don't accept, I take it, the figures of production shown in the Government returns?

Mr. Mukherji.—No. Because so far as hand machines are concerned there is no law by which they can be compelled to give figures of production. So that portion goes out.

President.—I find in 1931-32 the figure returned in the publication of the Director General of Commercial Intelligence is 586,427 lbs. for Bengal which I suppose you would suggest is very much on the low side?

Mr. Mukherji.—Yes. They have mentioned only 15 factories in Bengal.

President.—Have you any idea on what basis these figures are collected probably all the cottage factories are left out and they have probably contained returns from the power driven factories?

Mr. Mukherji.—Not even all.

President.—What I am trying to get at is this; under the Factories Act does every power driven factory come within the scope of that Act?

Mr. Mukherji.—Even among the power driven hosiery factories those in which the number of labour is below 20 hands do not come under the Act.

President.—Therefore it is the figure of production in those power driven factories which come under the Factories Act which would be included in these publications: would that be a correct surmise to make?

Mr. Mukherji.—Yes.

President.—Your total figure of power driven factories is 44: you deduct 15 and that leaves 29. Would it be correct to say that all these power driven

factories employ less than 20 hands? In any case you contend that as far as power driven factories are concerned you represent more than 50 per cent.?

Mr. Mukherji.—Yes; practically most of the factories in Calcutta and its suburbs.

President.—Can you give me roughly the total output of your members?

Mr. Mukherji.—We have given the list of factories and their output in the Appendix.

President.—That comes to a little over 1 million dozens.

Mr. Mukherji.—That is the maximum on double shift.

President.—What do you call double shift?

Mr. Mukherji.—16 to 19½ hours.

President.—The discrepancy between your figure and the Director General's figure is so very great that either you must be very wrong or the Director General must be very wrong.

Mr. Mukherji.—We can't be wrong because there is the list of the factories with the capacity of each factory.

Mr. Boag.—How many of these machines are working to full capacity? What proportion of these 3,753,000 lbs. is actually being produced?

Mr. Mukherji.—Very few factories are working double shift this year.

Mr. Boag.—What relation does actual production bear to this capacity?

Mr. Mukherji.—Some of the factories have stopped work this year. Take Mill No. 9 in our Appendix it is partially working. A part of it is working under a separate name. No. 23 has stopped working. No. 26 has stopped working and sold. No. 28 has curtailed production. No. 36 has stopped working.

Mr. Boag.—No. 26 is a fairly big factory?

Mr. Mukherji.—Yes. It had all Japanese machines.

Mr. Boag.—If your suggestion is correct that most of the factories are working single shift and their single shift capacity may be taken as representing their actual output, then we may take about 1 million lbs. as their total annual production?

Mr. Mukherji.—Yes. That will leave about 2 million lbs.

President.—The first point I want to raise with regard to the general issue is this: I don't know if you remember the observations made by the Tariff Board regarding your industry in 1926. The statement that they made then was that if a protective duty were levied on hosiery goods, the advantage of that would mainly go to the textile mills having hosiery departments and therefore smaller hosiery factories would get very little advantage. That was put forward as an important consideration against the grant of any special assistance for the hosiery industry. I notice you deal with that point in the supplementary representation that you have sent us. I take it that your position is this: that the demand for particular kinds of hosiery goods is a demand which is so varied—variable partly from season to season and partly also variable from individual to individual or groups of individuals—that the result is that standardised production is extremely difficult and uneconomical. Therefore since standardised production is not likely to be economical in respect of hosiery goods large scale factories would not have any advantage over you. Am I right?

Mr. Mukherji.—That is exactly our contention.

President.—I put this point to the representatives of the Indian Chamber of Commerce one of whom is connected with the Keshoram Cotton Mills which has a hosiery department and the general kind of view that you suggest did not appear to them to be quite correct. They thought that the difference in designs and the difference in sizes on account of these variations was not so great as to render standardised production difficult, not to say impossible. What have you to say to that?

Mr. Mukherji.—In the first place, our submission is that even in England you will find that all hosieries are independent of big cotton textile mills. In the second place from the same report of the Tariff Board you will find that in Japan the average number of workers in hosiery factories is about 10.

President.—1,973 was the number of factories in Japan in 1924.

Mr. Mukherji.—Yes and the number of operatives employed was 8,027 men and 11,495 women. Many of these factories would be very small as it would be obvious from the fact that the number of operatives employed in them average less than 10.

President.—Does that exactly meet the point?

Mr. Mukherji.—That is one point. In the second place possibly you might have noticed that in Bombay some of these big mills tried to introduce hosiery manufacture and they have not succeeded very much.

President.—Supposing we gave them adequate protection, then they might find it worth while.

Mr. Mukherji.—If you like I could show you some of the things that are now sold in the market which would give you some idea of the difference in qualities.

President.—May I have a look at them?

Mr. Mukherji.—Yes, (samples shown). There is a very large difference in the kinds of yarn, in the prices and in shapes and sizes. There is a large difference in patterns. They change from time to time during the year and change after two or three years almost completely.

President.—You mean certain patterns and designs which had been in the market say for 3 or 4 years have now completely disappeared and other patterns and designs have taken their place and your point therefore is as patterns and designs are replaced with that frequency, then you must have a plant which is sufficiently small to adapt itself.

Mr. Mukherji.—Yes.

President.—If you take undervests made mainly of 20s can you tell me from your knowledge of the market how many different varieties are there in respect of size and in respect of design?

Mr. Mukherji.—Kesoram Mills are manufacturing only one particular kind, 16s.

Mr. Rahimtoola.—They are turning out different dimensions, chest measurement from 22 to 38.

Mr. Mukherji.—There are different sizes of machines to produce different sizes.

Mr. Rahimtoola.—They produce about 10 or 12 different sizes.

Mr. Mukherji.—Sample shown and explained. While samples were being shown, it was explained that the varieties in hosiery consisted mainly of:—

- (1) Varieties in sizes,
- (2) Varieties in shapes and designs in tailoring,
- (3) Varieties in textile produced from different counts and qualities of yarn,
- (4) Varieties of patterns and designs in fabric, viz., tucked stitch open mesh, etc., produced from different machines with small production.

The President enquired about the counts and qualities of yarns in the samples. From samples of one factory 9 varieties and patterns in texture and fabric were shown while from samples of two other smaller factories 5 such varieties from each factory were shown. It was further pointed out that there was hardly any smaller factory which was confined to only one kind of texture or pattern in fabric whereas Keshoram Cotton mill for example concentrated into manufacturing only one kind of texture, viz., that produced from 16s count. So that roughly speaking while the smaller factories were manufacturing all the 4 varieties mentioned above the Keshoram Cotton mill was manufacturing only the 1st and 2nd varieties partially.

Mr. Boag enquired, showing a particular open work variety, if it was impossible for cotton mills to manufacture that variety. It was explained in reply that it would not be economical for them to manufacture all these varieties. All these are from different patterns.

President.—Supposing a textile mill decided to produce these different kinds, would it be possible for them to manufacture?

Mr. Mukherji.—It is not possible, because they cannot supply all the counts in small quantities.

President.—The point is really not the material, but the machines.

Mr. Mukherji.—Both.

President.—What I mean is this: they don't make particular kind of yarn in their own mills. They can buy yarn and if they have got a certain number of machines they put the yarn on the machines and since they have a large number of machines and the power is derived from the same source both for the Textile and for the hosiery department, they run the machines more economically than you can and they get their yarn at the same price as you get.

Mr. Mukherji.—The difficulty is this: some of these yarns are American, some Egyptian, some of them are dyed yellow, some of them natural, some of them bleached, some are article silk and mercerised. If they have to purchase the entire output, they cannot find sufficient market in any part of India. It has got to be distributed all over India. In fact you will find the production of this factory sold all over India so that if the big mill has to purchase these different kinds of yarn in small quantities from different mills, they don't get any special advantage.

President.—I quite admit that. They are on the same footing as you are where it is yarn of different kinds which they have got to buy from outside. But the power with which the machines are run, that is a matter on which they are likely to have a fairly considerable advantage over you.

Mr. Mukherji.—I am coming to the power factor. Bombay has a unique advantage of having power at 2 pies per unit supplied by the Tata Hydro Electric Company in bulk. That is the unique position with regard to Bombay.

President.—Why do you call it unique?

Mr. Mukherji.—For the simple reason in Calcutta it was 2 annas per unit.

President.—I do not know what you are going to build on it, but I had better enter a caveat straightaway. If a mill on the Bombay side had its own generating plant, a mill of reasonable capacity a thousand looms and 30,000 spindles, they would be able to get their electricity cheaper than what they are getting from the Tata Hydro Electric Company.

Mr. Mukherji.—I am not sure of that, because coal in Bombay is very dear.

President.—Coal is equally dear in Ahmedabad.

Mr. Mukherji.—Yes, but not so in Calcutta. The price of coal is Rs. 18 a ton whereas in Calcutta it is Rs. 6 or Rs. 7. That is the advantage of Calcutta over Bombay so far as coal is concerned. That is why the Hydro Electric Company is growing very much in importance in the City of Bombay and to-day many big mills in Bombay are getting their supply of power from the Hydro Electric Power Company.

President.—As far as the cost of coal is concerned, Ahmedabad is in no different position from Bombay. In Ahmedabad I believe the cost of power in mills which have their own generating plant are lower than the rates at which electricity is supplied to the Bombay mills by the Tata Hydro Electric Power Company.

Mr. Mukherji.—I have never studied that question. What I want to submit to you is that so far as power in Calcutta is concerned it has taken an entirely different turn. You have possibly heard that the Calcutta Corporation has started making their own current at a very much cheaper cost, $\frac{1}{2}$ pice per unit and the Calcutta Electric Supply Company has recently introduced a new rate for small motors.

President.—Have they?

Mr. Mukherji.—Yes and it used to be 2 annas. Now it is 56 kilowatts for 2 annas and the additional units at only 2 pice a unit. In the consultative Committee I asked a question: what would be the rate for small power if a motor ran for 24 hours and the reply was '62 anna. That is almost 2 pice, the same as the Tata Hydro Electric Power Company. That is the present position so far as power is concerned.

President.—Your cost would stand at Bombay level.

Mr. Mukherji.—Yes so far as power is concerned. We have other disadvantages.

President.—About the tailoring department there is a factor where standardised production is not likely in the least to be economical.

Mr. Mukherji.—It has not yet been standardised to our knowledge in any part of the world, in England, in America, in Germany and certainly not in Japan.

President.—What I was inclined to think was that the strongest element in the case in your favour is that the tailoring charges are apparently the bulk of the labour cost in a hosiery factory.

Mr. Mukherji.—Yes.

President.—To the extent that standardisation cannot be undertaken in respect of tailoring, to that extent therefore a small factory which is in a position to give minute personal attention might have quite a considerable advantage over a large textile mill.

Mr. Mukherji.—Exactly. There is one point in this that if the hosiery mill started knitting the fabric alone and they could be sold in the market as fabric as the other big mills, and if it ended there, the big mills would have got an advantage over small mills and there would be no small mills in existence at all in the world. It is just as if a mill which manufactured longcloth said that it will start manufacturing shirts also.

President.—Where there is a duty on the finished product, where you can import a semi-finished product in order to escape the duty, whether you can do that economically will depend entirely on the extra proportion of cost borne by the process of finishing the semi-finished material into the finished product.

Mr. Mukherji.—Exactly.

President.—Your contention is that since that proportion leaves a very wide margin, it is not very likely that the textile mills would have the advantage over you which the Tariff Board supposed in 1926.

Mr. Mukherji.—Quite so. Following that example, if a textile mill which manufactures longcloth started manufacturing shirts also, there is very great difficulty and no one has ever tried to do it here.

President.—Then they have not tried to do that but at present there happens to be no inducement. Supposing there was a very high duty on shirts, what would be the position? Supposing on imported shirts we levied a duty of 75 per cent. and the duty on longcloth remained at 20 per cent.?

Mr. Mukherji.—Even then the duty would not be much, because the largest quantity of shirts are manufactured out of the country and I suppose a very small portion is imported as shirts. The difficulty in our case is accentuated more by the fact that in the manufacturing of the shirt, we need a special sewing machine. One kind of machine will do for sewing the shirts, but if you will kindly go through one of these banians, (sample shown) you will find how many kinds of sewing machines are necessary. (Samples shown and explained.)

President.—That is really how you get this large proportion of tailoring costs?

Mr. Mukherji.—Yes.

President.—I should like to get some idea of the difference between hosiery yarn and ordinary yarn. You have given us a statement of these things. As I understand it the position is this: hosiery yarn has got to be softer.

Mr. Mukherji.—Yes.

President.—It has got to be more uniform.

Mr. Mukherji.—Yes.

President.—It has got to be wound on cones.

Mr. Mukherji.—Preferably.

President.—Unless of course you have your own winding machines, is that right?

Mr. Mukherji.—It would be more costly to wind it from hanks.

President.—Therefore one special characteristic of hosiery yarn is that it must be wound up on cones. The question of softness in hosiery yarn is really the question of the amount of twist.

Mr. Mukherji.—Yes. The amount of twist is much smaller.

President.—When the twist is smaller?

Mr. Mukherji.—About 45 lbs. test.

President.—I am trying to understand it in a general way.

Mr. Mukherji.—About 45 is the test of yarn which is suitable for hosiery and a much higher test is necessary for the textile mills. The reason is this that in hosiery the yarn has got to pass through needles and therefore necessarily they have to be very elastic, so that when the needles go down, they will not break and they will stretch a little, and the loops are formed at that stage. Therefore in order to have a yarn which satisfies that requirement, necessarily the staple should be bigger.

President.—When your yarn is softer in order to provide the necessary tensile strength, you should have superior quality of cotton. Therefore in the case of hosiery yarn of 20s you have got to have for its manufacture cotton which is considerably longer in staple than what would be required for ordinary yarn of the same count.

Mr. Mukherji.—Yes.

President.—What about the manufacturing charges? Would they be higher in the case of hosiery yarn?

Mr. Mukherji.—They will use better quality of cotton and therefore the wastage will be smaller.

President.—The final price would be higher, but the cost of raw cotton would be counteracted by loss of manufacturing charges, because you don't have the same amount of twist. It makes very little difference.

Mr. Mukherji.—Yes.

President.—Have you any objection to our mentioning the cost of yarn publicly? I am not going into your other costs.

Mr. Mukherji.—I have no objection.

President.—You need not give me the price of a particular factory. May I take it that somewhere about 9 annas would be the cost of yarn?

Mr. Mukherji.—Now it is higher.

President.—That is 20s.?

Mr. Mukherji.—Yes.

President.—I remember that they have got a figure of somewhere about 6 annas 6 pies for 20s at a hosiery factory in another part of the country. How can there be this big difference?

Mr. Mukherji.—At that price we cannot get even weaving yarn in Calcutta.

President.—I cannot understand it. As far as I know, hosiery yarn is manufactured in India only by the Madura mills?

Mr. Mukherji.—Their staple is longer. They use Cambodia cotton.

President.—Where do you get this kind of yarn from?

Mr. Mukherji.—From Madura.

President.—What is the freight?

Mr. Mukherji.—About 3 pies per lb.

President.—If 9 annas was the price of hosiery yarn of 20s, what is the corresponding price of ordinary yarn of 20s?

Mr. Mukherji.—Rs. 5-8-0 per 10 lbs.

President.—What does that come to per lb.?

Mr. Mukherji.—8 annas 6 pies.

President.—It is a difference of about an anna between the hosiery yarn and the ordinary yarn?

Mr. Mukherji.—Yes.

President.—Is that the ordinary difference between the two?

Mr. Mukherji.—Yes, in India. The prices of American yarn and Egyptian yarn are still higher.

President.—But this 9 annas is not for yarn wound on cones?

Mr. Mukherji.—Yes, it used to be. It is this Madura yarn that is almost invariably used in all the factories.

President.—I find that it is being used practically all over the country?

Mr. Mukherji.—Yes.

President.—And in Burma?

Mr. Mukherji.—Yes.

Mr. Rahimtoola.—I am told that one mill in Bengal is turning out a large amount of yarn for hosiery purposes?

Mr. Mukherji.—I am not aware of any such mill.

Mr. L. M. Mukherji.—Dhakeswari mill is making but not much.

President.—That mill has just started?

Mr. L. M. Mukherji.—Yes.

Mr. Rahimtoola.—Have you tried that yarn?

Mr. L. M. Mukherji.—Some of the factories have tried it.

Mr. Rahimtoola.—How does that compare?

Mr. L. M. Mukherji.—They use a higher quality of cotton, so the cost is higher.

President.—They are using 40s for 24s?

Mr. Mukherji.—Yes.

Mr. Rahimtoola.—What is the difference in price between the Madura yarn and Dhakeswari yarn?

Mr. L. M. Mukherji.—One anna.

President.—I should like to ask you, if you take the factories in Calcutta as a whole, what proportion of the total output is represented by cotton and what proportion by wool or artificial silk? Is it possible to make an estimate?

Mr. Mukherji.—Cotton represents the major portion.

President.—By major portion would you say 75 per cent.?

Mr. Mukherji.—More than that.

Mr. L. M. Mukherji.—About 90 per cent.

President.—What about the rest?

Mr. L. M. Mukherji.—Next comes the artificial silk.

President.—For socks?

Mr. Mukherji.—For banians.

President.—Why is wool such a small proportion?

Mr. Mukherji.—Much capital will have to be sunk in it. Of course we do, but on a small scale.

Mr. L. M. Mukherji.—We have only one month's market.

President.—In respect of woollen goods you get a bigger market in Upper India?

Mr. Mukherji.—In Ludhiana they have some factories which manufacture woollen goods.

President.—Quite enough to supply the market there?

Mr. L. M. Mukherji.—Yes. They are also sending their articles to Calcutta during the cold weather.

President.—If you take the hosiery goods made of artificial silk yarn, is the industry able to hold its own?

Mr. Mukherji.—There is not much competition from Japan just now in that line.

President.—We were told on the other side of India in respect of woollen vests that the hosiery factory was able more or less to hold its own?

Mr. Mukherji.—Exactly. Possibly it is due to the fact that Japan has to pay a higher railway freight to upper India.

President.—The factory that I am thinking of is the Ahmedabad factory. The stuff is made in Ahmedabad and a good deal of it is exported from Ahmedabad. They have to pay the freight from Ahmedabad to Upper India markets just as the Japanese people have to pay the freight from Calcutta. In spite of that on the woollen part of the output, they can more or less hold their own. In fact, that part of the production is regarded as the stay-by of the industry?

Mr. Mukherji.—They have almost changed over to wool. They appeared before the last Tariff Board also and since then they have changed over completely to wool.

President.—Quite a large proportion of their output is cotton. In respect of woollen goods, for the Upper India market Ahmedabad stands more or less in the same position as you do and to a considerable extent the Ahmedabad hosiery factory can meet its losses on cotton hosiery by the surplus it is able to make on woollen hosiery goods. Why cannot the same thing be done here?

Mr. Mukherji.—The manufacture of woollen hosiery is a different thing altogether.

President.—It is the same plant?

Mr. Mukherji.—It requires a different machine.

President.—In what way are the machines different?

Mr. Mukherji.—The machines are entirely different.

President.—How do they compare in price with the cotton hosiery machinery? Are they much more expensive?

Mr. Mukherji.—Some of them are.

President.—The figure that we have for a cotton knitting machine is Rs. 2,500. Would the knitting machine for wool be somewhere about Rs. 3,000?

Mr. L. M. Mukherji.—Rs. 2,500 is not the price now.

President.—Have you any objection to discussing the prices of machinery in public? As soon as we come to your confidential figures we want to hold the sitting in camera. What about your answer to Question 7? These are current rates?

Mr. Mukherji.—Yes.

President.—The machinery is made in what country?

Mr. L. M. Mukherji.—Most of them are German machines, but all the sewing machines are American.

Mr. Mukherji.—Some of the machines are also English.

President.—You give a total capitalisation of Rs. 1½ lakhs?

Mr. Mukherji.—Yes.

President.—What do you estimate to be the capacity of a plant taking this cost? You can take some kind of standard size, say 30s. Supposing you take that as a standard product, what do you consider to be the maximum capacity?

Mr. L. M. Mukherji.—We have given that in the margin.

President.—I have to add these things up?

Mr. L. M. Mukherji.—Yes, about 120 dozens working single shift.

President.—In what time?

Mr. L. M. Mukherji.—Per day of 10 hours.

President.—Are you quite sure?

Mr. L. M. Mukherji.—8½ hours.

President.—100,000 lbs. of yarn is the annual capacity on a single shift approximately?

Mr. Mukherji.—There are some socks at about 1 lb. per dozen.

President.—Even if you made allowance for that, still the figure stands at that level. What do you estimate the total output to be on the basis of poundage of yarn?

Mr. L. M. Mukherji.—100,000 lbs.

President.—On a single shift?

Mr. L. M. Mukherji.—Yes.

President.—There is nothing really to prevent you from working double shift?

Mr. Mukherji.—Nothing except the market.

President.—If we gave you adequate protection and the market in this country was more easy to capture for you, then there is nothing to prevent you from going double shift? There is not the difficulty which the textile industry has about women. There is no such difficulty as far as you are concerned?

Mr. Mukherji.—None that we know of.

President.—Except that you have to incur a little more depreciation?

Mr. Mukherji.—I think that that would be much better from our point of view because if there is more depreciation, the machinery can be changed much oftener and we will be more up to date.

President.—If there is a big depreciation, you need not allow for obsolescence?

Mr. Mukherji.—The machinery is changing so rapidly that if any one has got to keep abreast of times, it has to be changed much oftener than we can afford.

President.—I should like to know at what rate on this block that you have estimated, depreciation should be calculated?

Mr. Mukherji.—We have said that for the purpose of income-tax 5 per cent. is now allowed but we think that 10 per cent. would be the proper figure.

President.—I am inclined to think that 5 per cent. allowed by the Income-Tax Department is not suitable.

Mr. Mukherji.—Further we have shown that so far as sewing machines are concerned, 5 years would be a useful life for these machines. They run at a very high speed.

President.—Supposing we accept the rates that you have proposed that is to say supposing we allow 10 per cent. on knitting machines, 20 per cent. on sewing machines and 5 per cent. on other machines—have you any other machines?

Mr. Mukherji.—No.

President.—Have you any boiler?

Mr. Mukherji.—No.

President.—And supposing we allow you 2½ per cent. on buildings, on that basis I want to know how much it would come to per lb.? You have to take, from the list given in reply to Question 7, the cost of all the machines. Can you give me the approximate cost per lb.? About Rs. 15,000 including buildings at 2½ per cent., that works out to about 2½ annas per lb.

Mr. Mukherji.—About that.

President.—That would be a fair rate on your figures. Even on the higher rates that you have proposed I think 2 to 2½ annas would be a fair rate to take.

Mr. Mukherji.—Yes.

President.—With regard to the current prices of imported hosiery that you give, are these the latest prices?

Mr. Mukherji.—They are for the month of June 1932.

President.—What are the current prices?

Mr. Mukherji.—They have gone down further.

President.—We have been getting information during the past two days as regards cotton piecegoods. The c.i.f. price in yen of Japanese piecegoods has gone up very considerably. I do not know whether that applies to hosiery. I do not know how far the statement is correct but yesterday the representatives of the Marwari Chamber of Commerce were here and they gave us the cost of Japanese cloth the invoice price of which has gone up in the course of two months from 4.5 yen to 6.7 yen.

Mr. Mukherji.—I can't say what would be the reason. The exchange is going down.

President.—There are two things, the first a rise in the price of cotton which started on about the 6th or 7th of August and then in addition to that it would appear that the costs of the Japanese industry in respect of indigenous material, power, labour and so on are going up by reason of the higher level of prices. After all depreciated currency means a higher level of prices. What I should like you to do is this: I want you to send us a statement of the latest prices of imported Japanese hosiery goods and give us if possible both the c.i.f. and the wholesale market prices.

Mr. Mukherji.—Would it be possible for you to write to the Customs Department?

President.—We will try to do that. As a matter of fact if you could get the current wholesale market prices we could work back on it and calculate the c.i.f. prices. What I should like you to do is to give us the wholesale market prices of Japanese hosiery goods. Give us the rupee prices.

Mr. Mukherji.—To-day's exchange is 89.

President.—It is not entirely a matter of exchange. If the suggestion made to us is correct that the invoice price is going up then you can't settle the question on the exchange ratio.

Mr. Mukherji.—To-day cotton has gone down by 31 points.

President.—What is the price to-day of Broach cotton?

Mr. Mukherji.—Rs. 215.

Mr. Rahimtoola.—But the yen has gone up: it is 89?

Mr. Mukherji.—Yes. Possibly there is an upward tendency because it was given out that the cotton prospect in America was very bright.

President.—What I should like you to get is to find out and give me the wholesale market price of imported hosiery goods of the same quality which is comparable with yours.

Mr. Mukherji.—Yes, but we would also submit that you might ask the Customs Department to quote figures in the interest of the industry concerned. To-day we understand the price for Japanese hosiery has gone down by another 10 per cent.

Mr. Rahimtoola.—I would like to draw your attention to your answer to question 10. You say you use about 91 per cent. of Indian yarn. Is it more or less on a compulsory basis? You understand what I mean, don't you? You know the swadeshi feeling in the country has given impetus to Indian mills and that is one of the reasons why they are using Indian yarn. Is that also the reason why you have been compelled to use Indian yarn?

Mr. Mukherji.—I am not sure.

Mr. Rahimtoola.—You gave us to understand that hosiery yarn should be softer and therefore you want long staple cotton. As you know, long staple cotton yarn at present is available only in small quantities for the hosiery industry, and having regard to the fact that you want to specialise in that quality of yarn, but using 91 per cent. of the yarn which is below 40s, doesn't that affect the quality of the goods you make?

Mr. Mukherji.—The position is this: with imported yarn the price becomes very much dearer and the market becomes very much restricted.

Mr. Rahimtoola.—You are not using it simply because of the price-factor, are you?

Mr. Mukherji.—I think mostly that is so.

Mr. Rahimtoola.—Supposing a man comes to buy goods in the market, does he enquire whether the yarn used is Indian or not?

Mr. Mukherji.—I can't exactly tell you because we are only selling to wholesale dealers.

Mr. Rahimtoola.—This point was strongly brought out in connection with the handloom industry that the man who wants to buy it will not buy unless he has satisfied himself by asking questions whether the yarn used by them is foreign or not.

Mr. Mukherji.—The answer to that is this, that there is with the consumers a certain amount of demand for articles made in India and the fact that it is so is borne out by the fact that Japanese manufacturers are sending out articles from Japan which bear the name of our own factory and are selling them in Calcutta.

Mr. Rahimtoola.—You are not able to tell me whether swadeshim has helped to market your goods?

Mr. Mukherji.—It has.

Mr. Rahimtoola.—If it is so then this method which you call an unfair method may be employed by foreigners to sell their goods.

Mr. Mukherji.—One reason for that is that the consumer wants Indian articles and the second is that the quality of Bengal hosiery goods is in certain respects better than Japanese goods.

Mr. Rahimtoola.—With reference to your supplementary representation, what we have been told as regards piecegoods is somewhat different. In the case of piecegoods the difficulty, it is said, is that the country of origin is not mentioned but they cannot use the same trade mark. They simply get the thing sold as Indian article because under the present law the country of origin need not be mentioned. What is the difference between piecegoods trade and hosiery goods trade in this respect?

Mr. Mukherji.—There is no distinction there except this that we have been making representations to the Government of India for a number of years: we first drew the attention of the Commerce Member to this fact and at our request a bill was introduced in the Legislative Assembly by Mr. K. C. Neogy to amend the Indian Merchandise Marks Act. There, if I remember aright, if an article is manufactured in India every detail has got to be printed on it in English—size and various other things—and

if they are not done penalties are attached to Indian manufactures. If a foreign manufacturer does not do any of the conditions which is imposed on the Indian manufacturer no penalty is attached to him. That is the loophole there which the Japanese manufacturers are taking advantage of, and you have possibly heard that even in textile articles like cloth and other things coming from Japan this is taking place: mill khadi coming from Japan is being sold as pure khadi here.

Mr. Rahimtoola.—Can you show us a representative article from Japan which competes with your goods and bears the same trade mark?

Mr. Mukherji.—Yes (shown).

Mr. Rahimtoola.—This is purely the work of the Indian dealers?

Mr. Mukherji.—Yes.

Mr. Rahimtoola.—On page 9 you say that all the important parts are repaired and replaced locally. Is it done departmentally by the small factories or is there a workshop?

Mr. Mukherji.—They are independent workshops.

Mr. Rahimtoola.—You simply hand it over to them?

Mr. Mukherji.—Yes.

Mr. Rahimtoola.—On page 2 of the supplementary representation you are complaining of the price of Indian cotton going up? Does it bear any relation to the yarn that you use?

Mr. Mukherji.—Yes. It has actually gone up since we have represented. We are now paying As. 9-6.

President.—You wrote this representation early in June?

Mr. Mukherji.—We are now talking of the supplementary representation.

President.—What I am thinking of is this price of 9 annas has now gone up to 9 annas 6 pies. Does that 6 pies represent the increased price of cotton?

Mr. Mukherji.—It is very difficult for us to answer that question.

Mr. Rahimtoola.—You are making a statement here and you should be in a position to answer that.

Mr. Mukherji.—We have entered into contract with the mills and whether that 6 pies is really due to the rise in the price of cotton, or not, I do not know.

Mr. Rahimtoola.—You are making one suggestion here that even if protection is granted to you, you are complaining of the apathy of the Bengal Government in not creating an institute for training people.

Mr. Mukherji.—The idea is this: in other countries you will find that there are some industrial schools where the workmen are taught, so that, that portion of the cost really belongs to the State.

Mr. Rahimtoola.—Do you find any difficulty in getting trained men?

Mr. Mukherji.—We have to train them and that goes to our cost. To that extent we are helping the industry. We have got a Weaving Institute run by the Industries Department. In Calcutta the Government has got a technical institute known as the Calcutta Technical Institute but owing to the difficulty of funds, these things are not started.

Mr. Rahimtoola.—There would not be any initial expenditure in having to create a separate Department?

Mr. Mukherji.—No.

President.—We proceed to examine the costs. Hereafter the examination will be in camera, so that any visitors who are not connected with Hosiery Manufacturers' Association will kindly withdraw.

THE NEW INDUSTRIES, LIMITED.

**Evidence of Messrs. NEHAL SINGH, SRIKISHANDAS JETHMAL
and MOHAMED SYED, recorded at Calcutta on Thursday,
the 15th September, 1932.**

President.—Mr. Nehal Singh, your concern is a limited liability company?

Mr. Singh.—Yes.

President.—What is the total capital?

Mr. Singh.—Five lakhs of rupees is the authorised capital, 1,00,000 is the actual paid-up capital. We could not get more than a lakh of rupees.

President.—You started operations in 1932?

Mr. Singh.—Before 1922 we were a private concern and then in 1922 it became a limited liability company.

President.—When exactly did the factory start operations?

Mr. Singh.—In 1919.

President.—So that the factory started in the boom period?

Mr. Singh.—Yes.

President.—What would be your total capacity if your plants were fully working?

Mr. Singh.—We had no chance so far to work to our full capacity. Our total capacity is about 2 lakhs of lbs. a year and we have done up to 90,000 lbs. so far, in 1929.

Mr. Rahimtoola.—You have given your figures in bundles?

Mr. Singh.—These are about one pound bundles.

President.—At present I suppose 60 per cent. of your plant is idle?

Mr. Singh.—Yes, Sir.

President.—That is since 1929?

Mr. Singh.—Mostly since 1929.

President.—Are there other braid factories in Calcutta?

Mr. Singh.—There are two others, but both of them are practically closed. One is working now and then when market is good.

President.—They have the same capacity as yours?

Mr. Singh.—About half the capacity of our factory. There are 10 braid factories at Dacca and four in Delhi. I am authorised and putting this case on behalf of the other Calcutta factories.

Mr. Rahimtoola.—They are all proprietary concerns except yours?

Mr. Singh.—Yes, Sir, and they join with me in this request for protection.

President.—Is it possible for you to give us what the total consumption is in Bengal?

Mr. Singh.—I tried to get actual statistics from the Customs Department and the Director General of Commercial Intelligence and they have given 1,200 to 1,500 cases, each case containing 100 lbs.

President.—You mean the total import is 150,000 lbs. in the Calcutta port?

Mr. Singh.—Yes, Sir.

President.—So that there is not enough market even for your full output?

Mr. Boag.—Is this braid used in any other parts of India?

Mr. Singh.—There is some importation into Karachi. The braid is used also in United Provinces, Bihar and Punjab and is sent from Calcutta.

President.—I take it that your factory would be able to supply the market in Calcutta?

Mr. Singh.—My factory is supplying practically the whole demand of Bengal. Even Punjab, United Provinces and Bihar take some quantity from Calcutta.

President.—The position is, leaving out the factories in Dacca and up-country, if you take 1929 as the normal year when you produced approximately 100,000 lbs. and the imports were about 200,000 lbs. a year, the total consumption in this part of India was about 300,000 lbs. Supposing you take that as the total consumption then your factory and the two existing factories in Calcutta together can just supply the requirements of the Calcutta market.

Mr. Singh.—The other two Calcutta factories made 50,000 lbs. in 1929, so that the total would come to 350,000 lbs.

President.—When was your machinery bought, all in 1922?

Mr. Singh.—After that we have also bought some machinery: that was two years ago, but we purchased most of the machinery in 1922.

President.—You must have bought them at the top price? The prices that you give for machinery, are those current prices? I notice that you take the exchange at 1s. 4d.

Mr. Singh.—There are the transport charges: we have to add that. Then again sometimes there is breakage, and such other kind of things has all been taken into consideration in fixing the exchange at 1s. 4d.

President.—These prices that you give for your machines are c.i.f. prices?

Mr. Singh.—Yes, Sir.

President.—And you have allowed 12½ per cent. for transport?

Mr. Singh.—What I have given in the statement is the price of the machine: at 1s. 4d. exchange also covers freight and insurance charges.

President.—You have roughly taken 12½ per cent. as allowance for freight and insurance?

Mr. Singh.—Yes, Sir.

President.—What about erection charges?

Mr. Singh.—I have put it very clearly in the estimate submitted and as low as possible.

President.—These are all German machines?

Mr. Singh.—Yes, Sir, but the part which is lying idle is American made.

President.—You have given us two cost statements of which I am finding it rather difficult to follow your more recent statement of costs. These are a sort of approximate estimates and the other is actual?

Mr. Singh.—That which I have submitted with my application is the actual; no depreciation, insurance, cost of building and selling commission, etc., are shown there.

President.—Let us proceed on the basis of this cost. The yarn that you use is double yarn?

Mr. Singh.—Yes, Sir.

President.—Where do you buy it?

Mr. Singh.—In Calcutta: Madura yarn and Mysore yarn are the best in the market; both are good quality long staples.

President.—9 annas is the current price of yarn?

Mr. Singh.—To-day it is 0-9-6.

President.—What kind of power are you using?

Mr. Singh.—Electric power: we are getting it from the Calcutta Electric Supply Corporation.

President.—What do you pay for it?

Mr. Singh.—2 annas per unit.

President.—The wastage of yarn you estimate at 6 pies per unit: that is approximately 5 per cent. Where does the wastage occur?

Mr. Singh.—When the yarns are broken at time the machines are working.

Mr. Rahimtoola.—You don't utilise the wastage in any way, do you? Are you able to sell the wastage?

Mr. Singh.—We did three or four years ago but the price fetched was nominal. At present no demand for same.

President.—How do you do your packing?

Mr. Singh.—In the same form as Japanese goods.

President.—Your selling commission is rather high?

Mr. Singh.—10 per cent. is not high: after all one has to live. I have seen in foreign countries they charge as much as 40 or 45 per cent. as profit on such class of goods.

President.—If you look at your statement of expenditure (Statement A) what you call stores consumed, that includes yarn?

Mr. Singh.—Yes, Sir.

President.—Your selling expenses are the highest, next to yarn?

Mr. Singh.—Yes, Sir.

President.—I have not seen any other industries where the selling expenses are so high in relation to other expenses. This c.i.f. price that you give of Japanese goods, how long ago was this price ruling?

Mr. Singh.—To-day's price is in the vicinity of 75 sen.

President.—If you take the exchange at 90 the price would be slightly higher than shown here.

Mr. Singh.—It would be 0-10-9 against 9 annas.

President.—So that the prices have slightly advanced?

Mr. Singh.—Yes. The exchange is going down from day to day.

President.—But the main difference in the price is due not to exchange but to the increase in cotton prices so that if we allow 6 pies more for your yarn and take the c.i.f. price of Japanese yarn at 0-10-6, it will be a fair comparison.

Mr. Singh.—The price of yarn at that time was 9 annas.

President.—Similarly take a price of 10 annas 6 pies for Japanese.

Mr. Singh.—Yes, Sir.

President.—What is the kind of duty that you want?

Mr. Singh.—Will you please see in this connection page 547, Volume IV of the last Tariff Board's report, which explains our full demands.

President.—What is your proposal?

Mr. Singh.—100 per cent. duty. Minimum period 10 years. There is no reason why other countries should be allowed to import if my country can produce. I can give satisfaction to my buyers. If there is any little trouble (which is even not) that can be arranged as we undertake production on a large scale to meet the demand of the whole country.

President.—If we take your cost and make a reasonable allowance for depreciation, profit and so on, and take the difference between that and the current Japanese prices and fix the duty at that level, whatever it is, it will be a fair way of doing it.

Mr. Singh.—This is a difficult question. 50 per cent. protection duty is nothing. You have given 50 per cent. for textile. How far is the Textile industry going to benefit? There is a hue and cry all over India that it should be on a sliding scale, owing to the very unsettled condition of exchange.

President.—What you want us to do is to fix the duty at such a high level that no amount of exchange variation can affect the protective scheme.

Mr. Singh.—Yes. That is really what I want as there is no question of monopoly here. There will be sufficient internal competition in this if protection is granted.

President.—It is rather a simple case and I don't think it is necessary to question further.

Mr. Rahimtoola.—You are at present confined to Japan.

Mr. Singh.—Yes, Sir, the only country that is importing into India is Japan.

Mr. Rahimtoola.—How would you compare the Japanese imports to total imports?

Mr. Singh.—No other country is importing. Czechoslovakia imported a small amount some time back but not now.

Mr. Rahimtoola.—What about Germany?

Mr. Singh.—Nothing is coming from Germany.

Mr. Rahimtoola.—At present the imports are entirely from Japan?

Mr. Singh.—Yes, Sir.

Mr. Rahimtoola.—It is entirely peculiar to Bengal.

Mr. Singh.—It is consumed mostly in Bengal and some quantity in Bihar, United Provinces and Punjab. Samples shown and explained (sample of plain braid and square braid known as Ghunsi and Muktakeshi).

President.—They are all called braids.

Mr. Singh.—Yes, cotton braid or Ghunsi; my prayer is also for square braid known as Muktakeshi.

President.—The Customs people have described it as cotton braid.

Mr. Singh.—Yes. In this connection I want to point out to you one thing and that is at the time when the excise duty was introduced, we had to pay.

President.—You don't want a refund of it?

Mr. Singh.—No. Government are too poor to pay it. Whenever an enquiry is made into the Textile industry, we are neglected. If we are to submit our statement to the Statistics Department and to pay such duties as may be levied on the Textile industry—if there is to be a cess for the improvement of cotton, we will also be asked to pay it, I am sure. We request that we may be given the benefit of such duties as may be levied on imports for the improvement of the Textile industry. Last time the duty was again increased on non-British goods, but braids were left out. The next point I want to urge is that the Customs be advised to keep separate statistics to enable me

President.—You mean the actual imports of cotton braid?

Mr. Singh.—Yes. Cotton braid and square braids and not to be lumped with other things. That is a very important point. This is an article of pure luxury. As I told you it is worn round the neck, waist, arms, etc., so it is not an article of necessity at all.

President.—If we were to place braids on the same footing as piecegoods would you be satisfied with the same rate of duty?

Mr. Singh.—No, Sir.

President.—You want to come into that category?

Mr. Singh.—There are things which come in like the artificial silk under textiles. My article is purely a luxury. Supposing 10 years after protection goes out, I should stand on luxury basis and will be able to compete as the proper luxury duty will protect us.

President.—That question does not clearly come under the protective scheme.

Mr. Singh.—I have been memorialising the Government of India ever since 1927. Now that you are taking up this matter and going to write your report, I hope that you will be good enough to take into consideration what I have urged and make suitable recommendations for the protection of the braids (Ghunsi and Muktakeshi) on such a basis that no amount of exchange variation can affect the protective scheme and this industry is saved from ruin from foreign unfair competition.

THE CALCUTTA FLOUR MILLS ASSOCIATION.

Evidence of Messrs. H. C. LEWIS, D. McEWAN, F. C. FYFFE and J. S. WRIGHT, recorded at Calcutta on Thursday, the 15th September, 1932.

President.—Gentlemen, you represent the Calcutta Flour Mills Association?

Mr. Fyffe.—Yes.

President.—When was the Association started?

Mr. Fyffe.—In January this year.

President.—How many members are there in your Association?

Mr. Fyffe.—Seven.

President.—Are there any mills outside your Association in Calcutta?

Mr. Fyffe.—Yes. There are two mills, and one under erection.

President.—Seven out of 9 are your members?

Mr. Fyffe.—No. I should say 7 out of 10 because there is one mill under erection. The larger mills are members of our Association.

President.—The greater part of the output in Calcutta is represented by your Association?

Mr. Fyffe.—That is correct.

President.—The total grinding capacity of the mills represented by your Association is considerably in excess of the Indian consumption, is it not? That is what you try to make out?

Mr. Fyffe.—Yes.

President.—Taking your figures, the total capacity in maunds of wheat amounts to 43,23,000?

Mr. Fyffe.—Yes.

President.—That is about 13 lakhs cwts. of wheat?

Mr. Fyffe.—Yes.

President.—I am trying to compare that with the Indian consumption which may be calculated in this way. The Indian production that you give for 1931 is about 30,000 maunds. That is the output of the mills who are members of your Association, or is it the output of all the Calcutta mills?

Mr. Fyffe.—This is the output of the membership mills.

President.—The total output in Calcutta would be somewhere about 35,000 maunds. If I take the total output of the mills in Calcutta in 1931 and not merely of your members, it would be something more than 29,916 maunds, or approximately 35,000 maunds.

Mr. Fyffe.—I can't say anything on that with any degree of accuracy. I am not quite sure what the capacity of the mills outside the Association is. This figure of 29,916 is not our capacity.

President.—It is your output?

Mr. Fyffe.—Not even our output.

President.—What is it then?

Mr. Fyffe.—You can take that as our sales.

President.—Did you produce very much more than that?

Mr. Fyffe.—We regulated our production according to our sales.

President.—Therefore that may be taken as your actual production on that date?

Mr. Fyffe.—Quite so. If you add another 15 per cent. or say 20 per cent. on that for the outside mills that would be somewhere about the total production.

President.—That would be somewhere about 35,000 maunds.

Mr. Fyffe.—Just about that.

President.—The total imports of starch in 1930-31 was 438-096 cwts.

Mr. Fyffe.—Yes.

President.—This 35,000 maunds would come to 26,000 to 27,000 in cwts. so that altogether you get a total Indian consumption of starching material in 1931 of approximately 500,000 cwts.

Mr. Boag.—Are there mills in other parts of India making starching material?

Mr. Fyffe.—Yes, there are in Cawnpore area. I think they purchase their flour from the local mills because we have been asked on several occasions to tender for annual requirements to these mills and our prices have been our main hindrance because there are mills nearer than ours to compete.

President.—Are there any published figures of the output of flour in India?

Mr. Fyffe.—Not at present but these figures are under compilation.

President.—By your Association?

Mr. Fyffe.—By the Director General of Commercial Intelligence. We have been asked to give figures.

President.—In any case it is perfectly clear that your total capacity, taking the whole production in India, would be considerably above the Indian consumption?

Mr. Fyffe.—Certainly. We only took our figures. We have eliminated Bombay and other places.

President.—At present you are using mainly Indian wheat, are you?

Mr. Fyffe.—Yes.

President.—That is since the duty was levied?

Mr. Fyffe.—Since April 1931.

President.—Is it possible for you to give us some idea of the extent to which the import duty on wheat is reflected in the price of Indian wheat as compared with imported wheat?

Mr. Fyffe.—If I understand your question aright, it works out like this: Australian wheat at to-day's market price is roughly 29 shilling U. K. per quarter. Eliminating the factor of exchange on 29 shillings U.K. basis, you can get Australian wheat c.i.f. Calcutta, including landing charges and duty at Rs. 1-13-0 per maund, costing about Rs. 4-15-0 per maund landed including duty.

President.—On that calculation you would not be able to give me what I want.

Mr. Fyffe.—Without duty the price of Australian wheat is Rs. 3-2-0 and Indian wheat to-day is about Rs. 4-3-0 in Calcutta, delivery at mill siding per maund.

President.—That includes the freight: approximately what is the freight?

Mr. Fyffe.—Rs. 1-3-6 Montgomery, Rs. 1-4-0 to 1-4-6 Lyallpur.

President.—If you deduct the freight the price of Indian wheat less freight is slightly less than the c.i.f. price of imported wheat?

Mr. Fyffe.—I have given you a figure of Rs. 4-3-0. You want to know the freight from Lyallpur?

President.—That gives you Rs. 2-15-0 Indian.

Mr. Fyffe.—Against Rs. 3-2-0 for Australian.

President.—Are these comparable classes of wheat?

Mr. Fyffe.—No.

President.—Are they the same kind of wheat?

Mr. Fyffe.—Australian is superior in quality.

President.—Would you put any money value on the difference in quality?

Mr. Fyffe.—It would depend whether it is Western Australia or Southern Australia. Western Australia is usually the better wheat. I should put the difference in value at 5 annas per maund in favour of Western Australian Wheat.

President.—Putting the Indian wheat on a comparable basis, the Indian wheat would be in price about 2 to 3 annas per maund. That would mean about 4 annas a cwt. in excess.

Mr. Fyffe.—Yes.

President.—So that out of a duty Rs. 2-8-0 you get 4 annas actually reflected in the price. That is the total extent to which the import duty has caused the wheat to advance.

Mr. Fyffe.—I have given you a figure of Rs. 4-3-0 as to-day's price, but it has been very much higher than that. Up to Rs. 4-7-0 to Rs. 4-9-0.

President.—I will take Rs. 4-7-0. Supposing we put the excess in the Indian price normally as 8 annas, that would be a good outside figure to make.

Mr. Fyffe.—Yes.

President.—What I want to do is this: you give your wastage. Out of 186 lbs. you get 112 lbs. of flour.

Mr. Lewis.—Yes at 60 per cent. extraction.

President.—That is to say wastage is 40 per cent.

Mr. Lewis.—It is not wastage actually.

President.—If you took 186 lbs. of wheat, you could get out of it 112 lbs. of flour.

Mr. Lewis.—Yes.

President.—What happens to the rest? Is it sold?

Mr. Lewis.—Yes.

President.—What kind of price does it realise?

Mr. Lewis.—It would really depend on the demand.

President.—Supposing you took a normal demand, if you took the average of the past year?

Mr. Lewis.—Bran is a commodity that fluctuates according to the demand.

President.—What price did you realise on your bran last year?

Mr. Fyffe.—Rs. 1-10-0 to Rs. 1-12-0 per maund.

President.—On the wastage of 40 per cent., taking 74 lbs. as the wastage you realise about Rs. 1-12-0.

Mr. Fyffe.—I don't quite follow your calculations. I have a table showing the quantity of wheat required to produce a certain per cent. of white flour at various per cents. of extraction.

President.—You can't give it at 60 per cent.? Is it a difficult calculation?

Mr. Fyffe.—I can give you the calculation later.

President.—On the figures of wastage that you have given, if you take 100 lbs. about 40 lbs. is the wastage.

Mr. Fyffe.—On 70 per cent. extraction it would require 400 lbs. wheat to produce 280 lbs. of flour.

President.—120 lbs. is the wastage.

Mr. Fyffe.—Yes. Flour is described as white flour. They may be of different grades and the balance of 120 lbs. is termed as low grade attah and bran.

President.—That makes the calculation much too detail for our purpose. All that I want you to give me is this—if at 60 per cent. extraction it means 40 per cent. is wasted, but it has a selling value in the form of bran. If you realise the average price of the market for that 40 lbs. of bran, what in terms of wheat or in terms of value that means? I want to know your nett wastage leaving out the value that you realise for your utilising the waste.

Mr. Fyffe.—We reckon that if we realise half wheat price for bran and about wheat price for attah, we are running on a level cost neither make a profit nor loss.

President.—That would not meet my point. Let us take it like this. You are using 100 lbs. wheat; you get 60 lbs. flour and you lose 40 lbs. On this 40 lbs. you realise a value which in terms of wheat would be how many lbs., so that I may add that to the 60 lbs. and the difference between that and 100 lbs. would be your nett wastage, is not that right?

Mr. Fyffe.—Wastage in value or wastage in wheat?

President.—Wastage in value?

Mr. Fyffe.—For the purpose of calculation let us take 100 maunds of wheat. We get 60 maunds of flour and 40 maunds say of wastage (other products). On to-day's market price for 60 maunds of white flour, we will get Rs. 5-2-0 per maund *ex mill*, with bag. In 40 maunds of other products we will get about Rs. 2-12-0 per maund.

President.—Supposing I took it at Rs. 5, I would be right.

Mr. Fyffe.—Yes, about right.

President.—May we take the wastage as half of it? In other words your nett wastage would be 20 maunds.

Mr. Lewis.—It would be a little less on these figures.

President.—How much less?

Mr. Lewis.—That depends on the price you are taking for wheat.

President.—If you make allowance for variations in the price, you can roughly say that the nett wastage would be 20 per cent.

Mr. Lewis.—Yes.

President.—If you take 100 maunds of wheat you get 60 maunds of flour and the balance of 40 maunds you sell in various ways. We consider your realisations as having fetched back your wheat. Therefore the nett wastage is 20 per cent. On that you get no value. That is clear waste. The duty you pay on that is absolutely lost?

Mr. Lewis.—Yes.

President.—If 8 annas a maund is the excess in the Indian price on account of the duty, that per cwt. would be about 10 annas 6 pies. To that you have got to add $1/5$ th which is the wastage on which your duty is completely lost. That gives you very nearly 12 annas 6 pies. That is what the Government of this country ask you to pay, while they allow the imported production to come in free. That is to say on every cwt. of flour that you make in this country, you have to pay 12 annas 6 pies.

Mr. Fyffe.—Yes.

President.—Including the duty payable on the wasted material, it comes to 12 annas 6 pies, whereas the man who makes flour abroad and exports to this country is allowed to land it in India duty free; so that comparing your position as producers of starching material with the producers abroad, your disability works out to 12 annas 6 pies?

Mr. Fyffe.—Yes, per cwt.

President.—Now the c.i.f. price of Farina starch is Rs. 8 per cwt. You give a price of Rs. 5-14-0 per maund. Have you got any later quotation? What is the latest you have? Farina I take it is the commonest kind of starch?

Mr. Fyffe.—That is the most common starch.

President.—We had better base our calculation on that?

Mr. Fyffe.—Yes.

President.—What is the c.i.f. price now?

Mr. McEwan.—Rs. 7-8-0 per cwt.

President.—I am inclined to think that it would be lower.

Mr. McEwan.—Rs. 7-8-0 is the figure to-day.

President.—Rs. 7-8-0 is a price which suits our calculation.

Mr. Fyffe.—I have a quotation dated the 22nd August from a firm in Bombay. There are two qualities—Superior Farina Rs. 8-4-0 and Rino brand extra superfine Rs. 8-12-0.

President.—Is that c.i.f.?

Mr. Fyffe.—That is the price f.o.r. Bombay.

President.—Are landing charges included?

Mr. Fyffe.—Yes. That is the price at which the firm in Bombay will despatch to Calcutta.

President.—There is no duty on that?

Mr. Fyffe.—No.

President.—Is it the c.i.f. plus landing charges?

Mr. Fyffe.—Yes, to f.o.r. Bombay.

President.—So that if you took it as Rs. 8-4-0, then 12 annas 6 pies would be somewhere about 12 per cent. If we took 12 annas 6 pies as the duty that you had to pay, and if we were going to equalise your position with that of the importer, then we would have to levy only a duty on their starch of 12 annas 6 pies per cwt.

Mr. Fyffe.—Yes.

President.—If we gave you 15 per cent., it would be all right?

Mr. Fyffe.—Yes, plus surcharge.

President.—So that what is required in order to provide tariff equality for the Indian manufacturer on starching material is a duty of 15 per cent.?

Mr. Fyffe.—Yes, by that method of calculation?

President.—If you like, you can look into that calculation and see whether there is any flaw in it. If there is, you can send us a note later.

Mr. Fyffe.—We will do so.

President.—Your suggestion is that the duty on starching materials should be levied at the same rate as on chemicals or ordinary kinds of wheat and flour.

Mr. Fyffe.—What we are really asking for is an *ad valorem* duty of 20 per cent. as in the case of Wheat and Wheat Flour.

President.—Since you require about 15 per cent. in order to make your position at present prices equal to that of the importer and since 15 per cent. is the normal revenue duty in this country, we can make a proposal that starching materials should bear the general duty. For the present the general ordinary duty is 25 per cent. and a surcharge of 20 per cent., so that your proposal is justified on the costs that you have.

Mr. Fyffe.—That would be 15 per cent. plus the surcharge. That would be the measure of protection.

President.—It won't be protection; it will be simply giving you tariff equality.

Mr. Fyffe.—Yes, if you express it that way.

President.—We have figures from cotton mills to show the extent to which a duty of 20 per cent. would raise the cost of the Indian manufacturer. We have got no figures from jute mills. Supposing we decide to levy a duty of 20 per cent. by how much would that raise the cost of manufacturing jute? Would you be able to give me a calculation? Obviously that is a point which we have to consider.

Mr. Fyffe.—It is not going to be heavy.

President.—It is not negligible. Would you be able to give us a statement on that?

Mr. Fyffe.—Yes.

President.—Please send us a note later showing the extent to which a duty of 20 per cent. on starching material is likely to affect the cost of jute manufactures.

Mr. Fyffe.—Yes.

Mr. Boag.—Some of the Cotton Mills whom we have been hearing this week have said that starching materials made in this country are not suitable for sizing all qualities of cloth. They have mentioned particularly the finer quality of cloth and said that for that quality it is necessary for them to use imported starch.

Mr. Fyffe.—In reply to that we can say that in 1926-27 170,163 cwts. were only imported as against 438,096 cwts. in 1931-32.

Mr. Boag.—But the mills have only in the last few years been making the finer qualities of cloth.

Mr. Fyffe.—Certain tests have been carried out with gum dragon and it has been found that our flour gives very good results from this mixture so far as the question of adding weight is concerned and reducing the percentage of breakage.

Mr. McEwan.—I am prepared to make a statement that wheat flour with China clay, gum dragon and the usual antiseptics will give equally good results on any counts on which they may want to use it.

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