



Report
of the
Indian Tariff Board

(Cotton Textile Industry Enquiry)

1927

Volume IV

Evidence of Individual Witnesses

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5767

CONTENTS

VOLUME II

EVIDENCE OF THE BOMBAY, AHMEDABAD AND BARODA
MILLOWNERS' ASSOCIATIONS

		Page	
Press Communiqué		1	
Questionnaire		2	
No.	Name of witness	Written statement	Oral evidence
1	The Bombay Millowners' Association ..	12, 131, 278	159, 298
2	The Ahmedabad Millowners' Association ..	390, 492	404, 493
3	The Baroda Millowners' Association ..	526	528
	Graph showing the relation between the price of raw cotton (Broach) and the price of longcloth (standard quality)		Facing page 274
	Graph showing the relation between Rupee-Yen Exchange and the quantity of cloth imported into British-India from Japan		Facing page 284

VOLUME III

EVIDENCE OF LOCAL GOVERNMENTS, OFFICIAL WITNESSES,
CHAMBERS OF COMMERCE, LABOUR ORGANISATIONS,
AND OTHER ASSOCIATIONS

Press Communiqué		i	
Questionnaire		ii	
No.	Name of witness	Written statement	Oral evidence
LOCAL GOVERNMENTS			
4	The Government of Madras		
5	The Government of Bombay		
6	The Government of the Punjab		
7	The Government of Burma		
8	The Government of Bihar and Orissa		
9	The Government of the Central Provinces		
10	The Government of Assam	25	
11	The Chief Commissioner, Ajmer-Merwara	26	
OFFICIAL WITNESSES			
12	Mr. W. W. Nind, Collector of Customs, and Mr. N. E. Khote, Appraiser, Custom House, Bombay		28
13	Mr. G. S. Hardy, I.C.S., Collector of Customs, Calcutta		35
14	Mr. H. Mookerji, Appraiser, Custom House, Calcutta	44	
15	Mr. T. A. Stewart, I.C.S., Collector of Customs, Madras		56
16	The Director of Information and Labour, Govern- ment of Bombay	61	78
17	The Director of Industries, Bombay	87	88
18	The Director of Agriculture, Bombay	94	
19	Mr. D. M. Amalsad, Textile Expert, Government of Madras	95	97
20	The Director of Industries, Bengal	113	114
21	The Director of Agriculture, Bengal	122	
22	The Director of Industries, United Provinces	124	125
23	The Director of Agriculture, United Provinces	132	



		<i>Page</i>
<i>No.</i>	<i>Name of witness</i>	<i>Written statement</i> <i>Oral evidence</i>
24	The Industrial Surveyor, Delhi	133 138
25	The Director of Industries, Punjab	144 146
26	Mr. G. W. Burley, Acting Principal and Secretary of the Victoria Jubilee Technical Institute, Bombay .. .. .	.. 153
RAILWAYS		
27	The Bombay, Baroda and Central India Railway Company	161 ..
28	The Great Indian Peninsula Railway	165 ..
29	The Madras and Southern Mahratta Railway Co., Ltd.	173 ..
ASSOCIATIONS AND COMMITTEES		
30	Mr. T. Tamagaki, Agent, the Japan Cotton Spinners' Association, Bombay	177 ..
31	The Japan Cotton Spinners' Association, Osaka, Japan	193 ..
32	The Indian Central Cotton Committee, Bombay	201 ..
33	The East India Cotton Association, Bombay	206 214
CHAMBERS OF COMMERCE		
34	The Bombay Chamber of Commerce	238 ..
35	The Indian Merchants' Chamber, Bombay	242 247
36	The Marwari Chamber of Commerce, Ltd., Bombay.	280 ..
37	The Southern India Chamber of Commerce, Madras.	286 290
38	The Bengal Chamber of Commerce	305 310
39	The Indian Chamber of Commerce, Calcutta	326 328
40	The Marwari Chamber of Commerce, Calcutta	350 355
41	The Upper India Chamber of Commerce, Cawnpore.	359 ..
42	Mr. V. F. Grey, President, Punjab Chamber of Commerce .. .. .	.. 362
43	The Karachi Chamber of Commerce	378 ..
OTHER CORPORATE BODIES		
44	The Buyers and Shippers Chamber, Karachi	380 ..
45	The Calcutta Liners Conference	382 ..
46	The Bombay Country Fancy Piece-Goods Merchants' Association	383 388
47	Bombay Native Piece-Goods Merchants' Associa- tion	405 ..
48	The Madras Piece-Goods Merchants' Association	406 409
49	The Piece-Goods Association, Amritsar	415 416
50	The Mechanical Engineers' Association, Bombay	427 ..
51	The Indian Institute of Political and Social Science, Bombay	428 429
LABOUR ORGANISATIONS		
52	The Bombay Textile Labour Union	437 481
53	The Girni Kamgar Mahamandal, Bombay	561 568
54	The Madras Cotton Textile Labour Union, Madras	571 573
55	Mr. S. H. Jhabwala, Honorary General Secretary of the Central Labour Board, Bombay	586 589
<hr/>		
56	Messrs. A. F. Ferguson & Co., Chartered Accoun- tants, Bombay	596 609
57	Messrs. Greaves Cotton & Co., Ltd., Bombay	612 ..

VOLUME IV

EVIDENCE OF INDIVIDUAL WITNESSES

No.	Name of witness	Page	
		Written statement	Oral evidence
	Press Communiqué	i	
	Questionnaire	ii	
BOMBAY			
58	Sir N. N. Wadia, K.B.E., C.I.E.	1	..
59	Sir Purshottamas Thakurdas, Kt., C.I.E., M.B.E..	2	9
60	Mr. B. F. Madon	32	40
61	Mr. J. A. Wadia	73	80
62	Professor M. J. Antia, Sydenham College	97	110
63	Mr. Chunilal B. Mehta	133	135
64	Mr. A. H. Manek	148	163
65	Mr. P. A. Baptista	176	181
66	Mr. A. B. Tata	203	206
67	Messrs. N. Sirur & Company	211	213
68	Mr. Narandas Purshottam	226	230
69	Mr. B. N. Karanjia, J.P.	234	238
70	Mr. C. M. Gupta	246	254
71	Mr. G. N. Iyer	259	267
72	Mr. C. I. Parekh	285	288
73	Mr. J. Addyman	294	..
74	Mr. Y. S. Thackeray	296	..
75	Mr. K. S. Deshpande	305	..
76	Mr. Shrivam Khushaldas	312	..
77	Mr. Ratilal T. Thakar	318	..
78	Mr. J. H. Warden	321	..
79	Mr. K. D. Gordhan	324	..
AHMEDABAD			
80	Mr. G. Findlay Shirras, Principal and Professor of Economics, Gujerat College	325	362
81	Mr. H. B. Shivdasani	330	382
82	Mr. Jivanlal V. Desai	394	397
83	The Managing Agents of the following mills:—		
	(1) The Ahmedabad Fine Mills, Ltd.		
	(2) The Ahmedabad Shri Ramkrishna Mills Co., Ltd.		
	(3) The Shri Vivekanand Mills Co., Ltd.		
	(4) The Hirabai Manufacturing Co., Ltd.		
	(5) The Shri Laxmi Weaving and Manufacturing Co., Ltd.	412	..
	(6) The Raipur Mills Co., Ltd.		
	(7) The Ahmedabad Jupiter Spinning, Weaving and Manufacturing Co., Ltd.		
	(8) The Mohini Mills, Ltd., Kushtia, Bengal		
84	Mr. G. I. Patel, Managing Agent, the Ahmedabad Fine Mills Co., Ltd.	413	415
85	The Fine Knitting Co., Ltd.	420	427
86	Mr. R. G. Shah	438	438
87	Mr. Lalbhai Bogilal	448	453
	Mr. Hirabai Keshavlal and others	451	
88	Mr. B. C. Sutaria	459	465
89	Messrs. Kasturbhai Lalbhai & Co.	474	480
90	Mr. Ambajal Sarabhai	485	..
91	Mr. C. C. Dalal	489	..
92	Shareholders in the Textile Mills Co., Ltd.	490	..
93	Mr. Motilal Jeshingbhai Sheth	491	..
94	Mr. Jivanlal C. Shah	501	..



No.	Name of witness	Page	
		Written statement	Oral evidence
MADRAS			
95	The Buckingham and Carnatic Mill Co., Ltd.	.. . . .	506
96	Mr. Ramnath Goenka .. .. .	.. . . .	522
97	Mr. N. G. Ranga, Nidubrolu, Cuntur District	528	..
CALCUTTA			
98	Sir Hariram Goenka	531	532
99	Mr. K. M. Mukerji	540	..
100	The Hosiery Manufacturers' Association of Bengal.. .. .	542	..
101	The New Industries, Ltd.	547	..
DELHI			
102	The Delhi Cloth and General Mills Co., Ltd.	550	568
SHOLAPUR			
103	The Managers of the mills in Sholapur Town	596	..
104	The Sholapur District Weavers' Central Co-operative Union	602	..
105	Mr. S. R. Tikekar	607	..

PRESS COMMUNIQUE

In the Resolution of the Government of India in the Department of Commerce, No. 341-T. (9), dated the 10th June 1926, a second Tariff Board was appointed for the purpose of enquiring into the present condition of the Cotton Textile Industry in India. The terms of reference were :—

- (1) To investigate the condition of the Cotton Textile Industry in India, with special reference to the industry in Bombay and Ahmedabad ;
- (2) To examine the causes of the depression in the industry and to report whether they are of a temporary or permanent character ;
- (3) In particular, to consider whether, and if so to what extent, the depression is due to the competition of other countries in the home and export trade ;
- (4) To report whether, having regard (i) to the fact that the industry has long been established in India and (ii) to the interests of the consumer and to all other interests affected—
 - (a) the industry is in need of protection, and
 - (b) if so, in what form and for what period protection should be given ; and
- (5) To make any other recommendations that are germane to the subject.

The Board has now received a representation from the Bombay Millowners' Association reviewing the causes which, in the opinion of the Association, have led to the present condition of the industry and putting forward the following proposals :—

- (1) The abolition of the duties on machinery and mill stores ;
- (2) The abolition of company super tax and the Bombay town duty of one rupee per bale ;
- (3) Reduction of railway freights from Bombay to the principal up-country markets ;
- (4) Negotiations with steamship companies for the reduction of shipping freights from Bombay to all export markets ;
- (5) The appointment of Trade Commissioners in various countries to assist India's export trade ;
- (6) The adoption of a scientific tariff which will protect goods manufactured in India from unfair competition from foreign countries.

The Association consider that, in order to place the cotton textile industry in India on an equality with foreign countries in respect of costs of manufacture, additional protection to the extent of 13 per cent. is required and that further protection to enable the mills to make the necessary allowances for depreciation to plant and machinery should also be given.

2. The Board will be glad to receive representations from those public bodies, firms and persons who desire to express their views on the subject matter of its enquiry.

The representation from the Bombay Millowners' Association and the Board's questionnaire have been printed in book form and copies can be obtained from the Board's office at the Bombay Town Hall, Provincial Government Book Depôts and authorised book-sellers.

3. Replies to the Board's questionnaire, which should be addressed to the Secretary should reach the Board's office, Town Hall, Bombay, not later than the 21st of August 1926, together with 5 spare copies. Firms and persons who desire to tender oral evidence should inform the Secretary not later than the 15th of August. The Board's programme will be notified to the public from time to time and arrangements will be made for the examination of witnesses other than those from Bombay at the nearest convenient centre included in the Board's programme.

4. Some of those who desire to be heard may find it convenient to submit detailed answers to the questionnaire, while those who prefer to express their views in a more general form may find the questionnaire useful as indicating the points on which the Board desires to be informed. Some of the questions cannot be answered without local or technical knowledge and answers of firms and others with such knowledge will be of special value. Witnesses who desire any part of their evidence to be treated as confidential are requested to mark such part clearly.

Bombay, the 1st August 1926.

D. F. KEEGAN,
Secretary, Indian Tariff Board
(Cotton Textile Industry Enquiry).

QUESTIONNAIRE

SECTION I

General

1. Do you consider that the present depression in the Cotton Textile Industry is confined to Bombay or that it also extends to Ahmedabad and to up-country centres generally? Does it affect all mills in the same centre alike?
2. To what extent do you consider the depression due to the operation of world factors, of factors special to India or of factors special to a particular locality in India?
3. Do you consider that the causes of the present depression in the industry are of a temporary or permanent character?
4. Do you consider that, unless the present margin between the price of raw cotton and the price of yarn and piece-goods increases, any mills now working will be compelled to close down?
5. Do you consider that producers of yarn and piece-goods generally (a) in Bombay, (b) in Ahmedabad and (c) in up-country centres with which you are acquainted are at present realising no profit on their sales or selling at a loss?
6. What effect do you consider that a further fall in the price of raw cotton would have on the prosperity of the industry?
7. How far can the present depression in the industry be attributed to lack of confidence in the stability of the present level of prices of raw cotton, of yarn and of piece-goods?
8. How far do you consider that the depression in the industry can be attributed to the fact that the fall in the price of cloth has not corresponded with the fall in the price of cotton and that of other commodities?
9. Do you consider that there has been a fall in the purchasing power of the ryot since the war, and if so, to what extent has this fall in purchasing power contributed to the depression in the mill industry?
10. Do you agree with the view that, owing to the low prices of gold and silver, consumers prefer to invest their savings in the precious metals and to restrict their purchases of cloth to a minimum?
11. How far can the present depression in the industry be attributed to lack of organisation among the mill-owners generally or in any specified directions?
12. How far has the depression in the industry been reflected in the number of mills which have (a) changed hands, (b) closed down, (c) gone into liquidation since 1922 and in that of projected mills in which work has not been started or has been suspended since that date? If you are in a position to give information in regard to a particular mill falling under any of these heads please do so.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. How far do you consider that the present depression in the industry can be attributed to the loss of the Chinese market for yarn? How far do you consider that the heavy fall in the exports of yarn to China since 1917 can be attributed to foreign competition, to scarcity and dearness of freight, to the expansion of the weaving industry in India or to a combination of all these causes?
14. How far do you consider the present depression in the industry due to increasing competition both in regard to quantity and price of imported yarn and piece-goods (a) from Japan and (b) from other countries?
15. What counts of imported yarn and lines of imported piece-goods compete directly with the production of Indian mills?
16. Please give as complete a range of figures as you can covering as long a period as possible of prices *ex-godown* Bombay or Calcutta of imported yarn and piece-goods which compete with yarn and piece-goods manufactured in India. The prices *ex-mill* of the Indian manufactures with which the imported goods compete should also be given.
17. Do you consider that any yarns or piece-goods imported from Japan or other countries are placed on the Indian market at prices which would not cover their cost of production in India or at prices which are lower in India than those at which they are

placed in other markets (excluding freight and duty)? If so, please furnish samples of such yarn or piece-goods, if possible, with particulars of prices. Can you furnish any evidence to show that such goods are placed on the Indian market at prices which after deducting freight and incidental expenses would not cover the cost of their production in the exporting country?

18. Do you consider that any yarns or piece-goods exported from Japan or other countries are placed on any foreign market at prices which are lower than the cost of production of similar Indian goods plus freight and import duty? To what extent, if any, has India lost foreign markets as a result of such competition?

19. The total imports of yarn of counts under 30s into India in 1924-25 were less than 1.3 per cent. of the production of Indian mills. In these circumstances do you regard the competition of imported yarn as a serious factor, and if so, why? Do you consider the percentage likely to increase?

20. It has been estimated that before the war not more than 3 per cent. of the imports of piece-goods from the United Kingdom competed directly with the production of Indian mills and that since the war the percentage has not been more than 1 per cent. Do you accept these figures? If not, please give your reasons.

21. It has been estimated that 70 per cent. of the imports of piece-goods from Japan compete directly with the production of Indian mills. Do you accept this figure? If not, please give your reasons.

22. It has been estimated that 10 per cent. of the imports of piece-goods from countries other than the United Kingdom and Japan compete directly with the production of Indian mills. Do you accept this figure? If not, please give your reasons.

23. Do you consider the imports of piece-goods into India from the United Kingdom, Japan, Italy or any other country likely to increase, and if so, why?

24. To what extent do you consider that imported piece-goods from Japan compete with those (a) from the United Kingdom and (b) from other countries? Do you consider this competition likely to increase in the future?

25. To what extent do you consider that the competition of imported piece-goods from Japan with the production of Indian mills has been accentuated by the fall in the Japanese exchange? Please give figures in support of your view. Have you any criticisms to offer of the table given in paragraph 57 of the representation of the Bombay Millowners' Association and of the assumptions on which it is based?

26. To what extent do you consider that the competition of imported goods from countries other than Japan with the production of Indian mills has been accentuated by fluctuations in the exchange of the exporting countries? Please give figures in support of your view. Do you consider that the competition from foreign countries other than Japan is likely to increase in the future owing to the exchange factor?

27. To what extent do you consider that the competition of imported goods with the production of Indian mills has been accentuated by fluctuations in the sterling rate of the rupee? If the rupee is stabilised at 1s. 6d., what effect will it have on the industry?

28. To what extent do you consider that the competition of imported piece-goods with the production of Indian mills is facilitated by the difference between the conditions of labour in the exporting country and in India?

29. To what extent do you consider that the competition of imported piece-goods with the production of Indian mills is promoted by direct or indirect State assistance to the industry in the exporting country? Are you in a position to give any specific information on this point?

30. Do you consider that the competition of imported piece-goods with the production of Indian mills is in any way assisted by special facilities in the matter of credit obtained by the exporting houses in their own country or offered by them to buyers in India?

31. How far do you consider that the competition of imported piece-goods with the production of Indian mills is facilitated by greater attention paid by exporters to the requirements and preferences of Indian middlemen and consumers in regard to such matters as quality, finish and packing?

32. Has there been any marked change in the quality of piece-goods imported into India of recent years from Japan or any other country?

33. Can you give any specific instances in which any line of Indian yarn or piece-goods has been ousted from or seriously handicapped in the home or foreign market or any part of it by imports from Japan or any other country ?

34. Do you consider that there are any signs of a growing preference on the part of Indian consumers for finer qualities of cloth than those ordinarily produced in Indian mills and that this preference is working to the disadvantage of Indian mills as compared with their competitors ?

SECTION III

Internal competition

35. To what extent, if any, do you consider that the extension of mills and the establishment of new mills in up-country centres have affected the prosperity and future prospects of the industry (a) in Bombay and (b) in Ahmedabad ?

36. What advantages, if any, do you consider that Bombay mills have over mills in Ahmedabad and up-country centres ?

37. Can you give an estimate of the relative advantages that mills in (a) Ahmedabad and (b) any up-country centre with which you are acquainted have over mills in Bombay owing to (a) proximity to large up-country markets, (b) proximity to coal fields, (c) proximity to sources of supply of raw materials ?

38. To what extent does the handloom industry compete with the mill industry ? Has there been any change in this respect of recent years ?

39. Can you furnish any information as to the extent of the production of hand-spun yarn and handloom piece-goods ?

SECTION IV

Mill management

40. The British Safeguarding of Industries Act lays down *inter alia* that no order shall be made under Part I unless it is established that the industry manufacturing similar goods in the United Kingdom is being carried on "with reasonable efficiency and economy." Do you consider that this criterion is satisfied by the industry (a) in Bombay and Ahmedabad and (b) in India generally ?

41. Please state your views in detail on the managing agency system. If you consider the system defective, please state in what way you regard it as defective. Do you consider any efficient substitute for the managing agency system possible ?

42. Is the system of remuneration to managing agents by commission on profits or that by commission on production the more common ? Which do you consider preferable ?

43. In addition to remuneration by commission on production or on profits do managing agents also receive an allowance for office expenses and commission (a) on purchases of cotton, (b) on purchases of machinery, mill stores and coal, (c) on sales of cotton, (d) on sales of yarn and cloth and (e) on insurance, advertisement or other activities ? Where the commission is on production does the agency agreement usually provide for a minimum commission irrespective of profits ?

44. Is the association of managing agents with any other classes or kinds of business common and, if so, do you consider it is in any way detrimental to the interests of the industry ?

SECTION V

Mill finance

45. To what extent can the present depression in the industry be attributed to the over-capitalization or the under-capitalization of the mills in the Bombay, Ahmedabad, and up-country centres ?

46. To what extent can the present depression in the industry be attributed to extensions of mills and replacements of machinery undertaken when prices were at their highest ?

47. Do you consider that there was an unduly liberal distribution of profits by mills between 1917 and 1923 ? If so, please give figures in support of your view and state whether you consider that the present depression in the industry can to any extent be attributed to this cause.

48. Have you any criticisms to offer of the way in which mills have obtained their capital, *i.e.* of the way in which it is divided between (a) ordinary shares, (b) preference shares, (c) debentures, (d) loans, (e) reserve fund and (f) depreciation and other funds ?

49. Have you any criticism to offer of the way in which mills obtain their working capital? To what extent is the system of obtaining this capital by means of short term loans from the general public prevalent (a) in Bombay, (b) in Ahmedabad and (c) in up-country centres ? Do you consider this system a sound one ?

50. How far is it the practice of the mills to invest funds in allied concerns? Do you consider this practice a sound one ?

51. Do mills now experience greater difficulties in obtaining finance than in pre-war years ? If so, to what extent has this contributed to the general depression in the industry ?

52. Can you give any information as to the rate at which money is borrowed by the industry in India and in Japan ?

SECTION VI.—COSTS OF PRODUCTION

(a) General

53. What size do you consider a mill with both spindles and looms should be in order to ensure the most efficient and economical working ? Can you give an approximate estimate of the capital required in pre-war conditions and at the present time to establish such a mill (a) in Bombay, (b) in Ahmedabad and (c) in up-country centres ? Can you give an idea of the approximate cost per spindle of establishing such a mill in 1914 and 1926 respectively in India as compared with the United Kingdom and Japan ?

54. Are mills generally (a) in Bombay, (b) Ahmedabad and (c) up-country centres of a size, type and lay-out conducive to economical working ?

55. To what extent do you consider that the efficiency of Indian mills is hampered by the use of old machinery ?

56. Please give for any mill in regard to which you are in a position to give such information a statement in the form attached as Appendix A of the costs of production in pias per pound for one pound of grey yarn of 20s counts and for one pound of standard grey calendered long cloth. For purposes of comparison the figures should be given for 1913, 1914, 1920, 1924 and 1925 (if available).

N.B.—The exact period covered, where this differs from the Calendar year, should be stated. The counts of warp and weft used for and the reed and pick of the standard long cloth should also be stated.

57. In which of the elements making up the cost of production do you consider Indian mills are at a special disadvantage as compared with their competitors ?

58. In which of the elements making up the cost of production are mills in Bombay at an advantage or disadvantage as compared with mills in Ahmedabad and up-country centres ?

59. To what extent, if any, are the costs of production in Bombay as compared with those in Ahmedabad and up-country centres affected by the greater humidity of its climate ? To what extent does the provision of humidifiers add to or lower the cost of production ?

(b) Raw material

60. Please describe in detail the methods adopted by the mills in purchasing raw cotton (a) in Bombay and (b) in the cotton districts. Please state how these differ from those adopted in Lancashire and Japan.

61. How far do you consider that speculative purchases of (a) spot cotton and (b) cotton futures have contributed to the present depression in the industry ? Can you suggest any method by which the element of speculation in such purchases could be reduced ?

62. It has been frequently stated that the prices at which cotton is purchased by Indian mills are often higher than the prices paid for cotton for export. Do you consider this statement correct ? If so, can you give any information as to the margin between the two prices ? Can you suggest any reason why there should be such a margin or any means by which it can be avoided ?

63. To what extent can the present depression in the industry be attributed to the purchase of cotton at prices higher than those now prevailing ?

(c) *Labour*

64. The Bombay Millowners' Association hold that "the main factor which has contributed to the present increased cost of manufacture is the higher remuneration given to labour for a smaller unit of work as compared with pre-war years." Do you accept this view? How far does it also apply to Ahmedabad and up-country centres?

65. Do you consider that there was an unduly liberal distribution of bonuses to operatives between 1918 and 1923? If so, please give figures in support of your view and state whether you consider that the present depression in the industry can to any extent be attributed to this cause?

66. To what extent, if any, did (a) spinning and (b) weaving production suffer as a result of the reduction in the hours of labour in 1922? Please give comparative figures for 20s yarn and standard grey calendered long cloth before and after the reduction.

67. Please state for any mill with which you are acquainted:

- (a) the number of spindles in the ring frames, the lift of spindle and number of ring spindles per competent spinner;
- (b) the number of looms per competent weaver;
- (c) the total operatives in the spinning department per 1,000 spindles up to and including reeling and the average counts spun;
- (d) the total operatives in the weaving department per 100 looms for grey and coloured goods respectively.

Please explain in detail how you have arrived at your figures.

68. Please give the rates of wages paid in the spinning and weaving department of any mill with which you are acquainted with particulars of any changes in these since 1914.

69. Please state the average spinner's wage per pound of 20s yarn and weaver's wage per pound of standard grey calendered long cloth produced for any mill with which you are acquainted.

70. To what extent do you consider the textile industry in India is hampered in comparison with its competitors by the inefficiency of Indian labour? How does the efficiency of labour in Bombay compare with that in Ahmedabad and in up-country centres?

71. What is the percentage of absenteeism (a) in Bombay, (b) in Ahmedabad and (c) in any up-country mill with which you are acquainted? How far does the percentage of absenteeism vary from day to day in the week and how far is the variation seasonal? Is the percentage larger amongst female than amongst male operatives? To what extent do you consider that absenteeism could be reduced by the grant of good attendance bonuses and other privileges? Are such bonuses commonly granted?

72. How far does the "budli" system affect the efficiency of labour?

73. Can you furnish an estimate of the rate of labour turnover in the cotton textile industry (a) in Bombay, (b) in Ahmedabad and (c) in up-country centres?

74. How far are mills in Ahmedabad and in up-country centres at an advantage or disadvantage over those in Bombay in regard to the continuity of labour supply? To what extent do you consider that continuity could be secured by the grant of long service bonuses and the institution of provident funds? Are such bonuses and provident funds common?

75. To what extent do mills in Bombay, Ahmedabad and up-country centres house their labour and what return do they get on the capital invested in such housing? Do you consider that improved housing conditions would result in any improvement in the efficiency of labour? How far is it possible to secure such conditions in Bombay and Ahmedabad?

76. What are the present facilities for technical education (a) for operatives, (b) for supervising staff? To what extent is use made of these? To what extent do you consider that the efficiency of labour could be improved by increasing them?

77. The Bombay Millowners' Association express the view that wages in the cotton textile industry are higher than those generally prevalent in any other industry in India. Do you accept this view? If so, please give facts in support of your opinion.

78. Has there been any marked change in the standard of living of operatives since the war.

79. Do you consider that there is any scope for a reduction in the labour costs in mills in India by the introduction of automatic looms or of other labour saving appliances?

Would any such reduction be more than counterbalanced by additional expenditure in other directions ?

80. Do you consider that there is any reasonable prospect of securing a reduction in labour costs in the near future by training operatives to tend more spindles or looms ? Has there been any improvement in this respect in recent years ?

81. Do you accept the figures given in paragraph 129 of the Bombay Millowners' representation in regard to the saving in the cost of cloth as a result of working double shifts ? Can you furnish an estimate of the saving that would be secured by double shift working for any mill with which you are acquainted.

82. Would it be possible or advisable to introduce double shift working in mills (a) in Bombay, (b) in Ahmedabad and (c) in up-country centres ?

83. To what extent, if any, has legislation in recent years affected the cost of production ? Please give full details under each head as far as possible.

(d) *Overhead charges*

84. The Bombay Millowners' Association in their representation have supplied full details of the local taxation imposed in Bombay. Please supply similar details for any up-country centre with which you are acquainted.

85. For what purposes is insurance effected by the Indian mills ? Do you consider the present position in regard to the amount of insurance and the methods of effecting it satisfactory ?

86. What do you consider the correct percentage which should be allowed for depreciation and how should the depreciation fund be utilised ? Do you consider that depreciation should be reckoned as a charge on cost of production or as a charge on profits ? How far does the ordinary mill practice coincide with your views on these points ?

87. On what principle are the stocks of cotton, mill stores and manufactured goods held by Indian mills valued for purposes of balance sheets ? Is there an independent valuation or are the auditors content with certificates from the managing agents ?

88. Is the audit of mill accounts a running audit or an annual one ?

(e) *Sales*

89. Please describe in detail the different systems adopted by the mills in selling their products. Which system you consider preferable and why ? Can you give any figures in support of your views ?

90. Is the system of sales on long credit prevalent ? What are your views regarding it ?

91. Please give full details of the additions which have to be made at the present time to the prices of Indian and imported yarns and piece-goods *ex* mill and *ex* godown respectively to make up their cost to the consumer. How do these compare with those ruling in 1913 ? Are they the same in all cases for Indian and imported goods ?

92. Do dealers in piece-goods now experience greater difficulties in obtaining finance than in pre-war years ? If so, to what extent has this contributed to the present depression in the industry ?

(f) *Transport*

93. Please give as full particulars as you can of the freights on cotton from India to the United Kingdom, Japan and Italy and on cotton from America, Egypt and Uganda to the United Kingdom, Japan, Italy and India.

94. Please give as full particulars as you can of the freights on piece-goods from the United Kingdom, Italy and Japan to India.

95. Can you give any instances of discrimination between Bombay, Ahmedabad and up-country centres in the rates of railway freight charged for the carriage of raw cotton, yarn, piece-goods and mill stores inwards or outwards ?

SECTION VII.—SUGGESTIONS AS TO REMEDIAL MEASURES

(a) *Suggestions put forward by the Bombay Millowners' Association*

96. Are you in favour of the proposal that the customs duty on machinery and mill stores should be abolished ? What difference in pice per pound of yarn or cloth produced would this make to the cost of production of any mill with which you are acquainted ?

97. What are your views on the proposal that the Company super tax should be abolished ?

98. What are your views on the proposal that the town duty of Re. 1 per bale levied in Bombay should be abolished ?

99. Can you suggest any improvements in the present railway facilities for the movement of cotton, yarn and piece-goods ?

100. Do you consider that any case can be made out for a reduction in the present rates of railway freight charged on cotton consumed by Indian mills and on piece-goods and yarn manufactured in India ?

101. What are your views on the suggestion that the Government of India should negotiate with the steamship companies with a view to reducing the shipping freights from Bombay to Madras, Calcutta, Singapore, Basra, Zanzibar, Mombasa, Port Said, the Levant and all other export markets ? Can you give a comparative statement showing the present freights between Bombay and these ports and those which ruled before the war ?

102. What are your views on the suggestion that the Government of India should appoint Trade Commissioners to assist the export trade ?

103. Can you suggest any other measures by which (a) those overseas markets for Indian yarn which have been lost could be recovered, (b) the present overseas markets for Indian yarn and piece-goods could be extended and (c) new markets could be opened ?

104. The Bombay Millowners' Association have suggested the imposition of an additional duty of at least 13 per cent. on yarn and piece-goods imported from foreign countries which compete unfairly with India. Are you in favour of the imposition of such a duty (a) on imports from Japan alone, (b) on all imports, (c) on yarn of certain counts and on cloth of certain qualities ? If the last, please state the counts and qualities on which you consider the duty should be imposed.

105. If you are in favour of such a duty, do you consider that it should be imposed as a temporary or a permanent measure ?

106. Do you consider that the imposition of the proposed protective duty would result in a temporary or permanent increase in the price of all yarn or cloth or only of the yarn and cloth on which the duty was imposed ? In either case, to what extent would the increased price affect the cost of living of the middle and lower classes ?

107. Do you consider, on the other hand, that the result of the imposition of the proposed additional duty would merely be such increase in sales as might result from the displacement of imported yarn and cloth ?

108. Do you consider that the internal competition between Indian mills would operate to restrict the increase in the price of yarn and cloth throughout the whole of India or only in local areas ?

109. Do you consider that an increased import duty should be levied even if it increases the prices of yarn and cloth to consumers ?

110. Do you accept the view of the Bombay Millowners' Association that the raising of the import duties to 11 per cent. did not raise the price of cloth or check its consumption ? If so, please give figures in support of your views.

111. Do you consider that an increase in the duty on imported yarn and cloth would act as a restriction on the consumption of yarn and cloth ? If so, do you consider that this would be in the best interests of the mill industry in view of the fact that the figures in paragraph 121 of the representation of the Bombay Millowners' Association show that exclusive of the production of hand looms the cloth available for consumption in India in 1924-25 was still 638 million yards below the figures for 1913-14 in spite of the increase in population in the interim ?

112. To what extent, if any, do you consider that the increase in the duty on imported yarn and cloth would, by diverting yarn and cloth from India, unfavourably affect the position of Indian yarn and cloth in overseas markets ?

113. What do you consider would be the effect on the hand loom industry of the increase in the duty on imported yarn from 5 to 18 per cent. ? In this connection, your special attention is drawn to the views expressed in paragraph 116 of the Fiscal Commission's Report.

114. The Bombay Millowners' Association have asked for the adoption of a scientific tariff by which presumably is meant the adoption of specific duties on yarn and cloth in lieu of *ad valorem* duties. What are your views on this suggestion and how would you propose that such a tariff should be framed (a) to maintain the protection given at its present level, (b) to achieve the objects desired by the Bombay Millowners' Association?

114A. With reference to question 114 of the Board's original Questionnaire the following scheme for recasting Article 103 of the present Tariff Schedules has been submitted for the consideration of the Board. Please state your views in regard to it. Can you suggest a scheme for basing the valuation on weight per square yard and number of threads in a square one inch side?

Serial No.	Name of Articles	Per	Tariff valuation	Duty
				Per cent.
103	Cotton Piece-goods, excluding the descriptions given below: ..	....	<i>Ad valorem</i>	11
			Rs. s. p.	
	Grey plain— Madapollams	Square yard ..	0 1 9	11
		*lb. ..	1 2 0	11
	Mulls	Square yard ..	0 2 11	11
		*lb. ..	1 10 0	11
	Jaconets, Shirtings, Sheetings, T. Cloths	Square yard ..	0 4 8	11
		*lb. ..	1 3 0	11
	White plain— Shirtings, Mulls, Nainsooks, Jaconets	Square yard ..	0 5 0	11
	Coloured woven and dyed— Shirtings, Mulls, Jaconets, Madapollams, from the United Kingdom .. .. .	.. ..	0 4 6	11
	Do. do. from Japan .. .. .	.. ..	0 3 8	11
	Umbrella cloths, Italians, Sateens, Cambrics, Flannels, Flannel-lettes, Loongies, Sarongs, from Japan .. .. .	.. ..	0 7 6	11
	Do. do. from other countries .. .. .	.. ..	0 9 8	11
	Printed— Saries, Scarves, Chintz, Choo-neries, Chagras, Cambrics, Splits, Twills, Muslins, Spots, Stripes, Jeans .. .. .	.. ..	0 7 0	11
	Tape-bordered Chadars and Scarves, all kinds .. .. .	.. ..	0 3 7	11
	Drills and Jeans, all kinds except Printed Drills and Printed Jeans, from Japan .. .. .	.. ..	0 6 7	11
	Twills all kinds, of any width from 30" to 35" except Printed Twills— From United Kingdom .. .. .	.. ..	0 7 10	11
	From other countries .. .. .	.. ..	0 5 5	11
	Bordered Dhutis, Saris, Scarves, Chadars (except Printed Saris and Scarves and tape-bordered Scarves and Chadars), Dukries, Tikris and Jaconets, all kinds .. .. .	.. ..	0 4 6	11

* The tariff valuation per lb. is suggested as a possible alternative to the valuation per square yard.

115. The Bombay Millowners have asked for additional protection beyond 13 per cent. to enable mills to make the necessary allowances for depreciation to plant and machinery. Do you support this proposal? If so, what additional protection do you consider would be required?

(b) *Other suggestions*

116. Are you in favour of an export duty on cotton? If so, at what figure would you place it? To what extent do you consider such a duty would affect (a) the income of cotton growers, (b) the area under cotton, (c) the price of cotton in India and (d) the price of Indian cotton in overseas markets?

117. To what extent, if any, do you consider that the imposition of a duty on cotton at the rate you suggest would result in the replacement of Indian cotton in overseas markets by American or other cotton?

118. Can you suggest any improvements in the banking facilities at present available to the industry?

119. Do you consider that the position of the industry could be improved by better organisation of the millowners, i.e., by greater co-operation between the mills in such matters as the purchase of cotton, machinery and mill stores, the state of the finished products, the standardisation of lines and prices or by any other combined action?

120. How far would progress in spinning finer counts, i.e., counts above 30s in India affect the condition of the industry?

121. Do you consider that it would benefit the mill industry if different mills were to specialise to a greater extent than at present on certain counts of yarn or on certain types of cloth? Are mills at present equipped for specialisation?

122. Do you consider that the mill industry as a whole would benefit by extending its range of production and that, e.g., the Bombay mill industry would benefit if it were to pay greater attention to the requirement of the Calcutta market?

123. Do you consider that greater attention should be paid by the Indian mills to bleached, dyed and printed goods, to the utilisation of waste and to subsidiary branches of production such as hosiery?

124. Do you consider that the full effect of the remission of the excise duty has yet been felt?

125. If there are any causes which, in your opinion, contribute to the depression in the industry other than those mentioned above, please state them with suggestions as to possible remedies.

126. Can you suggest any methods of assisting the industry other than those which have been referred to in the above questions?

SPECIAL QUESTIONS FOR THE BOMBAY MILLOWNERS' ASSOCIATION

1. In paragraph 130 of their representation, the Association have asked for the adoption of "a scientific tariff" so that the goods which Indian mills can manufacture and supply to India shall not be open to unfair competition from foreign competitors. Please explain exactly what is meant by a scientific tariff and how the Association consider it should be framed to achieve the object they have in view.

2. In paragraph 131 of their report, the Association ask for protection in addition to the 13 per cent. proposed in that paragraph to enable mills to make the necessary allowances for depreciation to plant and machinery. What additional duty do the Association consider should be imposed for this purpose?

3. Please give an account of the working of the Millowners' Association Mutual Insurance Fund for workmen's compensation and state whether the Millowners' Association has under contemplation any similar scheme for fire and other insurances.

APPENDIX A

A. Cost of production of one pound of grey yarn

	Pies	Percentage of total cost
1. Cost of cotton required to manufacture 1 lb. of grey yarn.		
<i>Manufacturing charges</i>		
2. Cost of fuel and power
3. Cost of water for power purposes
4. Cost of water for all purposes other than power
5. Cost of stores consumed
6. Repairs and upkeep of machinery
7. Wages to operatives inclusive of bonus and all allowances.
8. Superior supervision
<i>Overhead charges</i>		
9. Rates, taxes, licenses and fees
9A. Interest and brokerage on working capital
10. Insurance
11. Repairs and upkeep of buildings
12. Depreciation
13. Office expenses (a) at mill, (b) at registered offices of company.
14. Brokerage and commission
15. Schools, welfare work and dispensary
16. Provident fund
17. Miscellaneous expenses not otherwise specified
Total cost		

B. Cost of production of one pound of standard grey calendered long cloth

	Pies per lb.	Percentage of total
1. Cost of yarn used for manufacturing one pound of cloth ..		
<i>Manufacturing charges</i>		
2. Cost of fuel and power
3. Cost of water for power purposes
4. Cost of water for all purposes other than power
5. Cost of stores consumed
6. Repairs and upkeep of machinery
7. Wages to operatives inclusive of bonus and all allowances
8. Superior supervision
<i>Overhead charges</i>		
9. Rates, taxes, licenses and fees
9A. Interest and brokerage on working capital
10. Insurance
11. Repairs and upkeep of buildings
12. Depreciation
13. Office expenses (a) at mill, (b) at registered offices of company.
14. Brokerage and commission
15. Schools, welfare work and dispensary
16. Provident fund
17. Miscellaneous expenses not otherwise specified
Total cost		

Witness No. 58

Sir N. N. WADIA, K.B.E., C.I.E.

Written Statement dated Bombay, the 27th August, 1926

With reference to the evidence given by the Mill-owners Association, you will remember that on the question of an export duty on cotton, all members of the deputation who gave evidence before the Tariff Board were left to express their own views as per Mill-owners Association's representation. I therefore desire to place on record my views before I leave India for England to-morrow.

If it had not been for the present exchange policy of the Government of India, and the far greater harm done by it to the cultivators of cotton than any export duty on cotton could possibly inflict, I am of opinion that an export duty on cotton to the extent of as much as 10 per cent., the same as is levied in China on the export of cotton from there, would have been a most practical solution of the difficulty of competition which our industry has to face. If such a heavy duty on the export of cotton is levied, then I think the local industry can very well face the competition of Japan in overseas markets for our export trade. It is rather an anomalous position that Japan should be able to buy cotton in India, export it to Japan, and with the cloth manufactured from that cotton, be able to compete with us in Indian as well as foreign markets. As the Association maintains, on the present basis of Rs. 320 for Oomra, the cotton cultivators are getting about Rs. 40 per candy less than they would have received if the exchange had been *1s. 4d.* for the simple reason that cotton being an international commodity, its price in the markets of the world is based on the gold value of the crop, and it is of course chiefly regulated by the price of American cotton.

If it had not been for this fact, I am certainly of opinion that an export duty on cotton would be the best method of protecting the local industry, specially as it would leave no difficulties in the way of the Government of India protecting us against foreign countries.

If such a duty is feasible in the opinion of your Board, then I would recommend that the proceeds of such a duty should be utilised entirely for the benefit of the cultivators of cotton as mentioned in answer to Question No. 116 of our Association.

Witness No. 59

Sir PURSHOTAMDAS THAKURDAS, Kt., C.I.E., M.B.E.

Written Statement dated 30th September, 1926

SECTION I

General

1. Bombay being a sea-port, is exposed to the full blast of world-competition, and so the depression in the cotton textile industry is being felt in the most acute form in Bombay. But it extends further to interior markets, including Ahmedabad. While all mills in the same centre do not suffer from depression to exactly the same extent, it must be made clear that the effects of general trade depression are felt by all the mills. While a mill which has slender resources may not be able to withstand world-competition, but may go to the wall, a mill with powerful resources or strong reserves at its back may be able to stand the strain, but not without sacrificing its reserves or its resources. In the first case the adverse effects are patent to all, but in the latter case the harmful results of a period of depression may not be so easily obvious.

2. The depression while primarily due to the operation of world factors, is accentuated by factors special to India, and aggravated by factors special to Bombay. In the former category I would cite the unsatisfactory management of Indian currency, and in the latter, the high local taxation which is now being felt as oppressive.

3. In so far as the depression is due to world factors it is extremely difficult to say how long these world factors will continue to operate, to the detriment of the Indian industry. It is, however, not impossible that the world factors will continue to depress this industry for at least the next four to five years.

Among the factors special to India, the mismanagement of the Indian currency may be said to be a temporary factor, but its injurious effects may be of a more lasting nature and extend so far ahead as we may care to look at present. The policy of drastic deflation resorted to by the Government of India has been directly responsible for tripling the credit resources of many an industrial concern. The forcing up of Indian exchange to 1s. 6d. has given a handicap to the industry of 12½ per cent. And this handicap is likely to continue so long as full adjustment of prices, wages, transport, etc., has not taken place to the higher rate. No one can say how long it would take for an adjustment to take place. Assuming that it would take some ten years for such an adjustment, it is not improbable that the harm done to the Indian industry would last for a further decade. For all practical purposes therefore the handicap, due to the special Indian factors, to the Indian industry may continue for this generation.

The same may be said of the Bombay factors (e.g., local taxation), some of which have been rendered necessary by the costly and risky schemes into which the Presidency has embarked. The Meston Settlement also by depriving Bombay of its growing and natural sources of revenue has rendered necessary increased local taxation. It does not seem likely that Bombay will get any relief from these sources for another five years.

4. Yes. Few mills can subsist on their own resources for ever, even on a margin which keeps them hovering between life and death.

6. A further fall in the price of raw cotton would confer no benefit on the industry if it were accompanied by an equal fall in the price of yarn and piece-goods. As a rule a fall in the price of cotton is always accompanied by a corresponding drop in the price of manufactured goods, and this is likely to continue so long as the manufacturing costs in this country and competing countries are not altered relatively.

Again a further decline in the price of raw cotton would mean a substantial decrease in the purchasing power of the ryot, a decrease which would nearly remove any advantage which might be conferred on the Indian industry by a fall in the price of raw cotton.

7. Only to a small extent. Lack of confidence in the present level of prices is due in no small measure to the continued depression in the markets accentuated by the deflationist policy of the Government. It is therefore more the effect than the cause of the depression.

8. To a certain extent. The discrepancy referred to in the question is caused by the increased cost of wages, and by the operation of the artificial exchange of 1s. 6d. to the rupee being sought to be forced on India. It is hardly possible to reduce wages without grave conflict between labour and capital. Even in Lancashire, I understand, this handicap is felt acutely, and is reflected in the increased cost of transport, manufacture, finishing, packing and distributing.

9. There has been a large fall in the purchasing power of the ryot. The world market offers a lower price for his produce, but the rupee price realised by the grower is curtailed by a further 12½ per cent. by the raising and persistence in maintaining the higher level of Indian exchange. These factors, according to my information, made agriculture barely remunerative last season and the reduction of his consumption of cloth by the Indian ryot need not be surprising.

10. The extent to which consumption of cloth can be reduced in order to satisfy the alleged desire to hoard gold and silver is small, after all. And so this cannot be regarded as a material factor of the depression.

I would also like to point out that too much is made of the recent imports of gold and silver in this connection. The fact is that India was starved of her requirements of the precious metals during the war years, and is trying to make up that deficiency now as the following figures show :—

Appendices to the Report of the Royal Commission on Indian Currency and Finance

APPENDIX II—P. 25

		Imports of gold on private account	Imports of silver on private account
		In lakhs of	rupees
Average of five pre-war years ending 1913-14 ..		28,82	7,22
Years	1914-15	8,45	10,01
"	1915-16	4,90	5,58
"	1916-17	4,20	— 2,16
"	1917-18	21,46	1,46
"	1918-19	2	6
"	1919-20	10,97	— 15
"	1920-21	— 8,88	7,59
"	1921-22	— 2,79	14,95
"	1922-23	41,18	18,17
"	1923-24	29,19	18,38
"	1924-25	73,78	20,06
Average for 11 years ending 1924-25		*16,59	7,63

* If imports of gold on Government account are taken into account, the average annual import of gold during these eleven years works out to about 20·1 crores.

11. I should like to know in the first place what sort of organisation is meant in the question.

If an all-India organization is implied, it must be said at once that this is hardly feasible owing to the conflict of interests. The textile industry in Cawnpore and Madras is in the hands of Europeans. I am not aware of their having taken part even in the agitation against such an obviously unjust impost as the Excise Duty on cloth, although they share in full the benefit due to the abolition of the duty. It is not right at the moment, therefore, to expect an all-India organization to function.

The activities of an organization confined to Bombay or Ahmedabad have their obvious limitations. For example, they cannot decide on short time, like the Jute mills of Calcutta, as cotton is not a monopoly of this country. Nor is it possible to expect them to resort to standardisation or specialization of particular types of cloth by particular groups of mills, as the mills are not so equipped. Nor is it possible to expect the mills to buy their requirements of machinery, etc., jointly through their Association, as the agents of several mills are themselves commission agents who import their requirements from Europe and America direct.

The only direction in which an Association of millowners can be of more practical help is in keeping a better watch on production and distribution both in India and abroad, of their competitors. For example, they could send representatives to Japan, and study conditions there first hand, or to East Africa and study the growing market there. They could also keep a better watch on their competitors' activities in this country. The millowners should have been able to answer your questions 30-52. They should also be in constant touch with facts as those required by the Tariff Board in their questions 84-101.

While, therefore, there are directions in which the organisation of the millowners can be improved, it cannot be maintained that a deficiency of organization is a material cause of the present depression.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

I am not competent to deal with most of the questions in this section. Only mill owners and agents and merchants engaged in the import of piece-goods can, I believe, answer a majority of the questions.

27. This has been partly answered under question 3.

It has already been shown to the Tariff Board by previous witnesses that the heights to which the rupee-sterling exchange soared after the war, led to an abnormal import of piece-goods into India. These accumulating stocks have ever since acted as a drag on the market, and continue to act as a depressing factor to the Indian industry.

If now the rupee is stabilised at 1s. 6d. it would mean continued depression in the textile industry, as the 1s. 6d. rate can hardly be maintained without curtailing the currency and therefore credit resources of the industry. The artificial screwing up of the exchange acts during the period of non-adjustment with double pressure against the industry, inasmuch as it confers an advantage of 12½ per cent. on the foreign competitor, and at the same time reduces the purchasing power of the producer to the same extent. Even countries like the United States of America, England, Holland, Switzerland and Spain have not sought or even dreamt of forcing its unit of currency to a higher level, in terms of gold, than that which obtained before the war.

When they speak of fluctuations of exchange, economists refer to the effects of a rise or fall, as only temporary. They say that the raising of the rupee would hurt Indian industry only during the period of adjustment. But the question of supreme practical importance to my mind is the length of the period of adjustment. It is not improbable that during the so-called period of adjustment, the Indian industry would lose its channels of trade, both at home and abroad, and give up its position of advantage to competing countries, who would during the period of stress and strain for the Indian industry, entrench themselves firmly on the ground lost by the Indian industry, so much so that the Indian industry would find it practically impossible to dislodge its competitors from their position, even after the adjustment of Indian conditions to the new rate of exchange had taken place. It is in view of these considerations that I emphatically assert that the effect of raising the Indian exchange to 1s. 6d. would be practically permanent—would last at least so long as we might reasonably look forward to-day.

30. In countries like England where the credit organisation is more perfect, and like Japan where the Government is extremely keen to develop their export trade in manufactured goods, it is but natural that better facilities in the matter of credit are enjoyed by the exporting houses.

The importing houses for piece-goods into India are also especially well-looked after by the exchange banks, and so can be said to be enjoying special credit facilities.

SECTION IV

Mill management

40. Yes. In a period of depression there is a growing tendency to exaggerate the stories of mismanagement and inefficiency. Whilst rigid economy is practised by the mills generally, and in fact is being forced upon them by the times, the charge of extravagance is bound to be levelled against the management, by disgruntled shareholders and others, till better times return. While newspaper critics have not been slow to throw mud at mill-management, the published evidence before the Tariff Board does not seem to have revealed many cases of extravagance and inefficiency.

41. The managing agency system is the system most suited to Indian conditions at present. Whilst perfection is not claimed for it, it is no use condemning a system, to which Indian industry owes its origin and growth, unless a more workable arrangement can be proposed.

It is well known that banks at present are unwilling to advance moneys on the security of the assets of a limited concern, unless the same is backed by the personal security of the Agents themselves. As no practical banker at present would be prepared to make a departure from this practice, it is no use proposing an alternative system, unless the whole organisation of commercial and banking credit in India is changed.

The fact that the managing agency is hereditary has been subjected to much criticism. While the hereditary principle has its limitations and disadvantages, it has compensating advantages which appear to have been overlooked. I would refer the Tariff Board to enormous sacrifices made by mill agents—sacrifices not only of their commission, but also of their private wealth to a degree which would never be possible under a system of paid managing directors. Without attempting to make any invidious distinctions, I would only refer to two examples which occur to me at the moment, viz., the sacrifices made by the Tatas for their oil mills and the Steel Company, and by the Currimboys for the Kastoorchand mills. It is the hope and the trust that the benefits of the managing agency will continue to accrue to themselves and their successors from generation to generation, which induce mill-agents to make enormous sacrifices at critical junctures for their industrial concerns. Once the hereditary principle is taken away, no firm of managing agents will come forward to stake its all—its reputation and its private wealth for the benefit of the limited concerns under its charge.

42. For the great majority of Bombay mills, the system of remuneration is by commission on profits. While this system is preferable, it may be of interest to refer to the fact that centres in India which flatter themselves on having a better system of payment to agents, are reverting to the system of commission on production, which is the same thing as commission on sales.

43. Some mills do receive an allowance for office expenses. This is generally a moderate figure.

I am not aware of mill-agents charging a commission on purchases of cotton or coal or advertisements.

In the case of machinery and mill-stores, some mill agents themselves are agents for stores, etc., and import them direct from England, Europe or the United States of America. In such cases they charge a commission.

Mills seldom sell cotton, and mill-agents are not known to charge any commission on sale of cotton. A few mill-agents do charge a commission on sales of yarn and cloth. But in such cases they act as guarantee brokers. In such instances the service and the stake are well worth a commission.

A few mill-agents are also agents of insurance companies, and earn an agency commission from the insurance companies they represent.

44. Many of the leading firms of mill-agents are associated with other kinds of business. It all depends upon the standing, organisation, and resources of each firm, whether such association is to the advantage of the industry or not.

45. Instances of over-capitalisation are so few that the present depression can hardly be attributed to it. Nor can under-capitalisation be held responsible for the present period of depression.

46. In many cases orders were contemplated for extensions of mills or replacement of old machinery during the boom period. But for one reason or another, the machinery thus ordered did not arrive during the boom period, but during the period of fast falling prices since 1920. The mills, therefore, missed the top of the market for the benefit of such machinery. As, however, prices have gone down since new machinery was received, it would be correct to say that to a small extent at least the depression in the textile industry can be attributed to this factor.

47. Except in a few instances the distribution of dividends was not unduly liberal, large amounts being carried to reserves also, and so the extent to which the shareholders shared in the profits by way of dividends cannot be considered a cause of the present depression.

48. No.

49. The system of finding working capital by means of short time loans is general in Bombay and Ahmedabad. For normal times this has much to recommend it, as the mills can find extra capital for storing cotton, etc., during the season just when they need it.

But in a period of difficulty these loans are a source of weakness, inasmuch as the depositors are the first to withdraw their advances on rumours of difficult times.

50. As a rule the mills do not invest funds in allied concerns. The practice, where it exists, in rare cases, cannot be considered a sound one for obvious reasons.

51. Yes: This is natural in a period of depression and it at the same time adds to the depression. A currency policy manipulated with a view to reduction of prices and used as a lever for this purpose cannot but have such an effect.

52. The rate of interest in India, as everywhere, would depend upon the credit of the borrower, and would vary from 6 per cent. to 1 to 2 per cent. over bank rate, depending upon the status of the borrower. Industrial finance has often to be borrowed during the busy season by some concerns at rates of interest as high as 12 per cent.

I understand that in Japan also the rate of interest varies from 6 per cent. to 9 per cent. But the Japanese industry has this pull on the Indian industry, *viz.*, that it gets the money when it wants it, and the banks there do not believe in forced sales or in demanding immediate repayment of money as soon as a concern is found to be in difficulties. This broad minded attitude can help industrial concerns to tide over a period of difficulty and would not at least precipitate the collapse of an industrial concern. I understand that Japanese Banks allow credit to their customers, as soon as they report purchases of kapas or cotton or stocks of piece-goods in the remotest corner of countries where they may be trading. It is this facility which is of substantial advantage, in the last resort to the Japanese spinning industry.

SECTION VI

Cost of Production

(b) Raw Material

60. The Bombay mills purchase their requirements from the local spot market and also in the interior markets. As a rule mills which have ample reserves or resources at their back prefer to purchase a part of their needs in the up-country season, and store them; while mills which have slender resources confine their purchase to the spot market here and have to satisfy themselves with such quality as may be available.

The local spot market is well organized, and the system of buying enables the mills to see and examine carefully what they are buying.

In up-country centres, they have to depend upon their agents or representatives, and conform to the custom of the centre at which the purchases are affected. They vary from centre to centre.

In Lancashire and Japan the mills have naturally to confine their purchases to spot or forward purchases based on samples, or types or standards. The Japanese mills appear to be in the habit of buying large quantities at a time from 3 or 4 Japanese firms, who act as their cotton buying agents, and who have their branches all over India.

Hedging.—The Bombay market offers large hedging facilities to the mills, and although mills have begun to make use of them, it must be said that these facilities are not utilised by them to the full extent possible. In Lancashire the system is resorted to by the Mills to a greater extent, so as to minimise the risk of fluctuations in the cotton market. In Japan the mills have further facilities of hedging in the sampin (yarn) market.

Regarding the complaints of the millowners that the existence of five hedge-contracts in Bombay is a handicap to them on the ground that each contract is liable to be squeezed, I would refer to the replies given by the East India Cotton Association, Limited. One point, however, I would like to emphasise. The Bombay mills can utilise to a greater extent the system of buying cotton "on call" by which they can secure the exact grade and staple they require at a fixed difference from the hedge contract. In the cotton market the risk is two-fold:—

- (1) Fluctuation of the price level of cotton, *e.g.*, futures or Broach—against which the hedge contracts would be effective.
- (2) Fluctuation of the "basis", *i.e.*, the difference in the price of the particular grade or staple of cotton required by the mills—from the standard price—or the hedge contract price.

When a particular grade of cotton gets scarce, it is squeezed up in price to such an extent, that the mill which has purchased hedge contracts against it, is unable to secure that particular growth except at a very much enhanced price. To prevent such a contingency mills can buy cotton "on call", *i.e.*, fix the difference between the hedge contract and the special growth they require at a time when they consider the difference fairly reasonable. For example, a mill which wants Navsari cotton, can today buy this contract at say Rs. 70 "on" for Broach/April/May. It can secure cotton at this premium even if during the season or later on, the premium has gone up to Rs. 100. Of course the mill can fix its own price for the cotton by buying up, *e.g.*, Broach contract to-day at say Rs. 300.

The same purpose can also be secured by the mills if they bought "delivery contracts" for forward delivery against their requirements. These contracts can enable the mills to buy the grade and the staple of the cotton they require, and the price can always be fixed ahead. I am of opinion that Japanese exporters resort to this facility far more freely than the Indian mills.

61. I do not think any speculative purchases of spot cotton or cotton futures have contributed to the depression. With a few notorious exceptions, mill agents are not known to speculate in cotton.

There is, of course, an element of speculative risk in the textile industry inasmuch as it is impossible for mills to buy cotton and sell cloth simultaneously. This element of speculation can be minimised by greater resort to the hedging facilities offered by the cotton market, and to the system of buying cotton "on call" referred to above.

62. The suggestion that the price at which cotton is purchased by Indian mills is higher than the price paid for cotton for export requires explanation. I wonder whether anybody has seriously come forward to substantiate it.

63. None at all.

(e) Sales

92. The deflationist policy of the Government is probably the direct cause of the falling prices, and losses sustained by the dealers in piece-goods. These have curtailed their credit, and their holding power, and so the burden of carrying large stocks has passed on to the manufacturers. This has no doubt accentuated the depression.

SECTION VII

Suggestions as to remedial measures

(a) Suggestions put forward by the Bombay Millowners' Association

96. If the Tariff Board decides that the textile industry needs protection, it can be given directly. Exemption of machinery and mill-stores from certain duties would hardly afford any appreciable protection, but surely cause complications in other directions which might not be worth while.

I am not competent to answer the second part of the question.

98. The Town Duty should be abolished as early as feasible. The principle on which the Town Duty was imposed is absolutely indefensible and must be unequivocally condemned in the interests of the cotton grower and the City of Bombay, as is now being perceived even by the local Government. The question of abolition of the duty is one of Provincial Finance, and I wonder whether the Tariff Board wish to go into it.

Primarily the benefit of its abolition would accrue to the cotton grower. The mill industry may also gain by the abolition of the Town Duty. Already handling charges in Bombay are so high, that a part of the trade is being directed to competing ports like Karachi and Tuticorin. If the Town Duty were abolished more cotton would find its way to Bombay, and so afford the mills a wider range of selection.

99. A general reduction in freight would no doubt help the industry.

100. This is hardly a feasible proposition. I am against discrimination in the matter of railway freights as it is bound to lead to enormous complications.

101. I am in favour of the suggestion. Particularly where the steamship line is a monopoly of one particular company, and where that company is supported by the Government mail contract, it is the duty of the Government to negotiate with such a company and obtain the best possible facilities and concessions for Indian industries.

102. Wherever there is a reasonable outlet for Indian goods, the Government should appoint Trade Commissioners to assist Indian trade and industries. These Trade Commissioners can be attached to the British Embassy at small additional expense and should be Indians.

103. This is the kind of question which the Trade Commissioners should attend to. Something might be done by the millowners themselves by concerted action, e.g., by sending representatives to foreign markets.

106. No doubt the imposition of a protective duty would result in a temporary increase in the price of yarn and cloth. Owing to the fact that one kind of cloth can be substituted for another, the rise of price would affect all yarn and cloth. I believe that the rise in price would be temporary, because ultimately the internal competition of the Indian mills, and increasing efficiency resulting therefrom, would lower costs of production and selling prices. To a certain extent this rise of price would increase the cost of buying of the middle and lower classes but the increase in the cost of living would not be large enough to cause material hardship to the consumers.

107. The displacement of foreign yarn and cloth would not be possible without a rise in the price to the Indian consumer.

108. Yes: Throughout the country.

109. This again is a question for the Tariff Board to consider and decide. No doubt they would be guided by the principle of balance of advantages. No country can impose protection on imports without entailing some sacrifice on the part of the consumer. But the immediate and temporary sacrifice is willingly made in order to support a national industry even in a country like the United States of America, because the advantages of an indigenous industry are manifold and far-reaching. If, therefore, it is proved that the Indian industry needs protection, to compete against countries which have peculiar advantages like a depreciated exchange or sweated labour—then protection should be granted, even if it entails some sacrifice on the part of the consumer. It must also not be overlooked that no man is out and out a consumer or a producer, and what a man may have to sacrifice in his aspect of a consumer, he may regain in his role as a producer. It is common knowledge that the prosperity accruing to an industry like the mill industry would be diffused far and wide.

110; 111. The millowners have given the figures showing the consumption of cloth since the imposition of an import duty of 11 per cent. on it.

However so many factors enter into the consumption of an article and its price, that it is impossible to isolate one cause, and trace its separate effects.

112. It is generally recognised that if the home market is assured to an industry, it can strengthen its position so much as to look after the export markets, much better (e.g., Germany, Japan and the United States of America).

115. I support the proposal in principle. In estimating the protection necessary for the steel industry, the Tariff Board have taken into account the amount necessary for depreciation.

(b) Other suggestions

116. I strongly object to an export duty on cotton as such a duty would entirely come out of the pocket of the Indian cotton grower, and so reduce his income, and ultimately affect the area under cotton. It would also reduce the price of the entire cotton crop in India, while it would not affect the price of Indian cotton in over-seas markets, as this price would be regulated by the price of American cotton.

118. Banking facilities available to the industry will automatically increase as soon as the industry is placed on a sounder footing by a policy of protection or any other means.

Increased facilities would also follow automatically if Government were to give up their policy of rigging up the exchange by a policy of deflation.

In a normal money market it may be possible to introduce a system of negotiable ware-house receipts on which banks might be willing to advance up to 90 per cent. of the market price of the goods, at say 1 to 2 per cent. over bank rate.

119. Please see reply to Question 11.

124. The effects must have been felt, but the beneficial effects have been more than set off by the increasing intensity of foreign competition, and other depressing factors.

SECTION I

General

President.—I notice that you are almost the first witness who has come before us, Sir Purshotamdas, who attributes the depression in the cotton textile industry in India primarily to the operation of world factors.

A. I have not followed the evidence of gentlemen who came before me but if it is as you say, I am quite prepared to explain what I had in mind when I said that.

Q. We should be very glad if you enlarged on that point.

A. By world factors, I mean that the demand for manufactured articles in the world since the armistice has been going down and India must share that depression due to this circumstance in common with the rest of the world. During the war period these were expanded without any consideration of the ordinary requirements of the world and the result is only natural. I suppose this must have happened in the past when wars—perhaps not as big as the present one—took place and in due proportion. That is what I particularly had in mind when stating that the depression was due to world factors. Then the fact of Russia being more or less outside the reach of the civilised world for so many years, the currencies of France, Germany, Belgium having been depreciated, all these must in one respect or another contribute to the common depression which we see developing since 1920-21.

Q. There is another factor to which, I am inclined to think insufficient attention has been paid and that is the Chinese trouble. Would you agree with those who think that had it not been for that, the Japanese would have paid far less attention to the Indian market within the last few years than they have done?

A. I would not agree with them without further information. My impression is that Japan wishes to expand as rapidly as possible and even though things had been normal in China, I feel that Japan might have gone on adding to her machinery because Japan is really, and, justifiably from her point of view, aiming at the first place in these matters. I do not know to what extent China can be said to be a live factor in this. I agree that it should be mentioned but I am not prepared to say that it has the same importance as these other factors which I have mentioned.

Q. An argument put before us has been that if the depression in India were primarily due to world factors, those would have affected Japan equally, but that that does not appear to be the case.

A. Has it not been the case? Has not Japan passed through a crisis herself? What has happened is that Japan was able to pay more attention to the crisis which had its own limitations owing to the Government policy of what may be called paternal care for the nation. Here it has been quite the reverse, if I may say so. Japan I think started with a depression earlier than India. I know that the depression in Japan was so bad that a few of the Japanese firms working here had to close down.

Q. Your view is that the depression in Japan came earlier and lasted a very much shorter time than it has done in India?

A. Yes and the Japanese Government took very stringent measures to check that depression. I do not remember the year.....

Mr. Subba Rao.—The beginning of 1920 or the end of 1919.

A. I am not clear about the year. I think it is 1922 or 1923.

Q. Which depression are you thinking of?

A. I am not thinking of the earthquake. That was a freak of Nature. I think it was after my return from England in 1921 that Japan had her depression—that is 1922. I am not quite clear.

Q. It is about 1920?

A. If it interests the Board, I will be able to send the exact date, because I have a record about it.

President.—Thank you, Sir Purshotamdas. We next come to this very difficult question of exchange. As I warned the Millowners' Association at the outset, we are not a Currency Committee and we can neither review the Currency Commission's Report nor dispute its conclusions. But the point I should like your opinion on is whether you consider that the principal way in which the 1s. 6d. rupee hits the mill industry is in regard to wages.

A. No; I would not call that the principal one. The principal one is that it has undermined and continues to undermine the buying power of the customers of the mills in India. That is the main one. What you mention, I would put as the second, if you like. What I mention is the main one and the most vicious one.

Q. That of course is rather beyond our scope.

A. That is for you to decide, Sir, and not for me.

Q. You have not in your memorandum paid the same attention to Japanese competition as a factor in the depression as most of the other witnesses have done.

A. If I have not done that, it is owing to two reasons. First because I am not very conversant with the points on which the Japanese competition comes in and not being either a piece-goods merchant or a millowner I can naturally speak about it only from reports; and I am sure you have had before you first hand information from people who are directly concerned in these.

Q. I do not know whether you would wish to say anything further about this effect of the 1s. 6d. exchange on the purchasing power of the ryot.

A. I have referred to this in my statement and I would repeat it here. I think that the greatest harm has been done by the efforts of the Government in raising exchange to 1s. 6d. and to maintain it at 1s. 6d. in an artificial manner. It is playing havoc with the purchasing power of the cultivator which is naturally being reflected on the mills in India. I am quite prepared to answer any question which you may choose to put.

Q. I will leave that to Mr. Subba Rao for the present. I would like to go into this question of wages in the Bombay mill industry with you to some extent, Sir Purshotamdas. In your Minute of Dissent, paragraph 105, you say 'It is not contended that the exchange should be fixed at 1s. 4d. to help them (The Bombay Millowners) over what some regard as an extravagant increase given by them'—in wages. As far as we are concerned, is that not their contention?

A. You mean it is the contention of the Bombay Millowners?

Q. Yes.

A. I have heard it for the first time. I had not heard that that was their contention when I penned this Minute of Dissent and only now you have mentioned it to me. It may be that I was not in full touch. I did not know that they wanted a lower exchange to help them over the higher wages which they have to pay to their mill hands.

Q. It comes to this. One of the ways of meeting competition and the most obvious way is by a reduction in wages which are much the largest single item in the cost of production and therefore if you ask for protection in order to meet competition, does not that amount to a request that you should be given help in order to avoid a reduction in wages?

A. No. It may be one of the reasons of their asking for help. But I do not think that they are necessarily asking it with that motive. At any rate I did not recommend 1s. 4d. on that construction at all. Nor would I support anybody who did it with that motive, that their wages which cannot be put down in a direct manner should be reduced in this way. I know capital is made by people who want to have propoganda against 1s. 4d. by efforts to put up labour on this score. I think it is perfectly wrong. I won't put it stronger than this here. It is unjustified. It may be one of the results. What does it matter? The whole question is what is best in the interests of everybody in the country. If in attaining that object in the best interests of the country you do happen to give this benefit to a certain industry, that does not necessarily mean that you are going to 1s. 4d. for the purpose of helping them. It may be one of the results of what you do. But it is quite different from the other one.

Q. How far have you examined the question of adjustment of wages and prices or rather adjustment of wages to the cost of living in Bombay, Sir Purshotamdas?

A. In Bombay or all over India.

Q. I am thinking of the mill industry in Bombay at the moment.

A. As far as the mill industry in Bombay is concerned, I say something in paragraph 102 of my Minute of Dissent, page 131. 'Regarding the Cotton Mills in Bombay, we have, unfortunately no figures showing the increases given after 1914 and before 1921, when the full increase of 131 per cent. was given. I am not sure that the beginning of the increase in the wage of the cotton mill operative was not made before 1921. As, however, no figures for 1919 and 1920 are available, I am unable to give any definite comparison.' The Currency Commission did not have figures to enable me to go further into the examination of the question.

Q. The figures mentioned by the Currency Commission in their Report seem somewhat inconsistent with the ones we have and also with the ones they had. In paragraph 193 they say 'The chairman of the Bombay Millowners' Association told us

that the present index figure of wages of mill-hands is 231 (as compared with 100 in 1914) and that attempts to reduce wages have been frustrated by strikes. This, too, in spite of the fact that the Bombay index numbers of wholesale prices, retail food prices, and cost of living are only 150, 160, and 153 respectively. Again you will see in page 358 of the Second Volume of Evidence that according to Sir Basil Blackett's figures, the wages index number for 1925 was 187 as against 231 given by the Millowners in their evidence.

A. That is without bonus.

Q. The Millowners' figure is without bonus too.

A. I am not sure. Can you look up Sir Victor Sassoon's statement on that ?

Mr. Maloney.—May I explain that. The figure 231 is the index number of wage rates, not the index number of wages and that was made clear before the Currency Commission. There was the consideration of reduction in hours.

Q. 231 takes into consideration reduction in hours ?

Mr. Maloney.—Yes.

Q. That makes 16 per cent. difference any way, apart from any other consideration.

Mr. Maloney.—Considerably more than that.

Q. The further disparity is with real wages. If the nominal wages index number was 187 and the cost of living index number 152, neither I nor any of my colleagues has been able to work out how the real wages index figure can be 168.

A. That is Sir Basil Blackett's Table. Is it not ? I do not think even Mr. Maloney will help you on that. I am afraid I have not got the record with me.

Q. I believe Sir Basil Blackett got his figures from the Labour Office. We will go into that when Mr. Gennings comes up. The point really is, Sir Purshotamdas, how far do you consider reduction in wages justified, assuming the 1s. 6d. rupee as a permanency, in order to remove the disparity between the cost of living figures and the wages figures ?

A. Do I understand your question to mean how far any reduction in wages is justified assuming 1s. 6d. as being the statutory ratio ? You mean by 'justified' 'called for' ?

Q. Yes.

A. Yes. It may be very much called for in view of the higher gold value of the rupee. But the question is to what extent is it practicable ? Perhaps you may remember, as I say here, in India when wages are once put up especially with labouring classes, it is very difficult to bring them down. Personally I feel that it would be extraordinarily difficult for the millowners to bring down the wages without serious lock-outs and trouble and bitterness between the employer and the employæ. I have not been able to understand my colleagues on the Currency Commission who has the experience before their own eyes two months before the report was signed, of the struggle between Labour and Capital in England, recommending something which would expose India to the same risk. I say that in my Minute of Dissent and am only repeating what I have said there. I have not been able to understand how these gentlemen could overlook what they had themselves been spectators of two months before. In the special conditions of India owing to want of organisation among labour, the problem is much more difficult than in England. If there is one thing which is dictated by the best interests of India, it is that Labour and Capital be not brought into clash as far as possible. If you stabilise the rupee at 1s. 6d., you are hastening the clash.

Q. Has there been any alteration or adjustment in wages outside the textile industry ?

A. Very little that I have known of or heard of.

Q. Would you consider then, Sir Purshotamdas, that protection which is the remedy put forward by the Bombay Millowners' Association for this state of affairs is justified in order to maintain what I gather you yourself would admit is an uneconomic rates of wages in Bombay ?

A. I am not prepared to say that it is an uneconomic wage. I have not gone into it at all, nor do I think I have said that. I have not examined the wage paid by the Bombay Millowners and I am not prepared to say that it is uneconomic.

Q. At any rate, if we, on investigation, find that the rate of wages is above the rate which is justified by the increase in the cost of living—substantially above it, shall we say?—then would you agree that that rate would be an uneconomic rate ? If the industry were in a prosperous condition, it would be an entirely different matter, but admitting that the mill industry is not in a prosperous condition and on the finding that wages had gone

up considerably more than the cost of living, does not protection in those circumstances become an expedient for maintaining an economic rate of wages ?

A. Before recommending either protection or lowering of wages I would say, search if there is any third easier and a more natural method. That, Sir, is by giving up this artificial exchange ratio. It is the easiest one, one dictated by the best interests of the country. Of course you say that you are not prepared to deal with that and I leave it at that. Why go to the second and third best when you have the first best, which the Government are now determined upon overlooking. There is no excuse for this step from any point of view.

Q. I think that defines your position under that head plainly.

A. It is unequivocal and I would not hedge that with any condition at all.

Q. In reply to Question 6, Sir Purshotamdas, you say 'a further fall in the price of raw cotton would confer no benefit on the industry, if it were accompanied by an equal fall in the price of yarn and piecegoods. But what about the stimulation in consumption which would be brought about by the fall in the price of yarn and piecegoods ?'

A. The stimulation in consumption would only come about if the rates available to the Indian cultivator leave him with a margin. At rates justified by to-day's outlook not only would there be no margin but I think—this is what I gather in Gujarat and other places—the cultivator selling his cotton may have to go home with a loss of Rs. 20 per bhar of kapas. Where then is the question of his sparing anything at all, for piecegoods except the most necessary ? A bhar of kapas costs Rs. 100 to Rs. 120 to grow in the Broach and Surat Districts.

Q. Would not that fall in the price of cotton have occurred whatever the exchange ?

A. No, that is the joke of the whole thing. I will give you an instance. Take the case of a firm offer for 220 bales of Bengal cotton from the continent at 4·90d. per lb. c. i. f. Now that, taking the expenses and commission and the rate of exchange at 1s. 6d. works out to Rs. 192 per candy. The rate for F. G. Bengal—December-January delivery that day in Bombay was Rs. 222 per candy. That same rate 4·90d. at 1s. 4d. would work out at Rs. 220. That is the joke of the whole situation. You cannot get the Indian grower higher sterling rate or gold rate in the world market because the rupee is appreciated in terms of gold. Whilst the Government of India are absolutely unable to do that—and naturally, they cannot have superhuman powers—they have reduced and insist on artificially reducing the return to the Indian cultivator in rupees by 12½ per cent.

Q. The recent fall in the price of cotton is due to the large crop in America, and it would have come anyway.

A. Exactly, but with 1s. 4d. exchange you would have got 12½ per cent. more rupees. That is all the difference, and it is hitting the ryot's buying power. As I said at the outset where there is a common fall in world prices India must share it. But the question is, you are not justified in curtailing it still more in rupees by an artificial currency policy.

Mr. Subba Rao.—I have a few questions to ask you about the influence of the exchange rate on the cotton industry. I do not think so far as the general principles are concerned we shall differ. It is only about the actual facts. I suppose you will admit if the adjustment is complete nobody will be a loser and I am prepared to admit that when adjustment is not complete somebody loses. So, as I said it is only a question of the changes that have actually taken place. Now, the cotton industry, I take it, will be affected by a 1s. 6d. rupee in two ways. In the first place while the prices of the output may fall the costs may not fall correspondingly ?

A. You mean the price of the output may be reduced ?

Q. Yes, quite so. In sympathy with import prices, I take it that the prices at which Indian mill products can be sold are bound to fall.

A. May I just ask a question to make things clear ? You are now taking the period of non-adjustment or the period after adjustment ?

Q. When the process is going on.

A. That means the period of non-adjustment.

Q. I want to know at what point there is actual trouble. When the process is going on there would be lack of harmony between the return that the producer gets and his outgoings ?

A. Lack of harmony between the return that the producer gets and.....

Q. And his outgoings.

A. His expense of growing the crop ?

Q. I am not speaking of the cotton crop. I am speaking of the millowner. I want to examine with your help the present position of the cotton mill industry as affected by the 1s. 6d. rate. When the adjustments are complete I do not suppose we shall disagree that prices will be more or less at the new level, and so will costs be.

A. That is an economic axiom I am told.

Q. The only question is what has been happening in recent months.....

A. Or, years rather.

Q. Yes. Has there been, for example, on the one side a fall in costs corresponding to the fall in the price of cotton goods?

A. You see the cost of production consists of mainly three items—cost of raw cotton, labour and the cost of stores required. The cost of raw cotton has, of course, as you know, fluctuated. Cotton has gone up and down and is now sinking. So, it would all depend on what particular period you take. I mean that changes will follow with the alterations in the cotton market.

Q. Apart from that, so far as exchange is concerned?

A. That would depress prices, yes. And then, the next is wages.

Q. Stores?

A. Well, wages and stores. In wages I have not heard of reduction anywhere. Whilst the return on the price of piecegoods or yarn as the case may be has gone down wages have kept steady.

Q. The other items having gone down?

A. I was coming to that. Your point is that the stores required have been available at a reduction of 12½ per cent. But I am not aware that the cost of stores has gone down in proportion.

Q. But they have gone down?

A. I am not aware of it, but if you tell me that they have I will take it as being so.

Q. You yourself gave in the examination of one of the witnesses the estimate of the items that had gone down at 67 per cent.

A. I did not give it. I think I put it in the Currency Commission to the representative of the Ahmedabad Millowners' Association, and I think the figure was named by Mr. J. A. Wadia, a witness who had appeared before us the previous day. It is not my figure. I may be mixing up the names but if you read the previous two witnesses you will find that I gave that figure from some witness, probably Mr. J. A. Wadia. The cost of cotton has fluctuated according to the cotton market. The cost of wages has kept steady and if there has been non-adjustment anywhere it is undoubtedly in wages. The cost in stores according to exchange has certainly gone down by 12½ per cent. or at whatever point you take the exchange rate ruling.

Q. Therefore a considerable part of the cost has responded to the change in the rate of exchange while a certain part remains unchanged. In that case there would not be a handicap to the industry of 12½ per cent.—it must be a lower figure in any case.

A. But the main trouble of the industry is that the chief customer is being ruined.

Q. I will come to that.

A. I only wanted to mention it.

Q. Taking the disparity between prices and costs, the costs have certainly responded to the rise in exchange to a certain extent except so far as wages are concerned.

A. What is the proportion that has been given to you as being the cost of the stores in the outturn of yarn or piecegoods. It is very small?

Q. 5·7 per cent.

A. Take 100 as being the total cost. I think cotton represents roughly speaking 60, and stores 5. The rest is stable. You have varying fluctuations in 60, not necessarily downwards, Mr. Subba Rao. You have a certain depression in 5 per cent. You see how small it is.

Q. It is small possibly but the view has been put forward by the millowners' representative that with the taking away of the excise duty all the difference between the 1s. 6d. and the 1s. 4d. rates has been wiped off.

A. Have they put forward that view?

Q. Yes. Here is what he says:—"At the present moment the excise has been removed and therefore it should obviously appear to be a distinct advantage to the mill industry, not necessarily from the point of view that they are going to make more but that they can sell at a lower price by its removal. I have worked out the difference between the present 1s. 6d. rate and 1s. 4d. rate as a very little less than the excise. So, to-day with the excise removed, all we are getting is, I think, a ·03 per cent. advantage over what we

would have had if the excise had been left on and we had our 1s. 4d. gold as we had last year."

A. May I ask whose statement it is ?

Q. Sir Victor Sassoon's evidence.

A. All that I will say is that I am not able to follow this, but I have rough notes in my office that I must have made when Sir Victor was being examined. I do not know—but perhaps by looking at those rough notes I may be able to say what it is that made me pass over this. I find it difficult to recall at the moment. All that I am concerned with is how it escaped me when he was being examined. But excise was as you know 3½ per cent. and between 1s. 4d. and 1s. 6d. the difference is 12½ per cent.

Q. But when you get reduction on two-thirds of the outlay the net balance might be about 4 per cent. on the entire expenditure. That is how he has worked it out I think. 4 per cent. is the balance left over and then 4 minus 3½. That may be the calculation.

A. I could not tell you. I am not prepared to accept this as correct for the conditions prevailing to-day. That is all I can tell you at the moment. I would suggest you to get it clear by discussing this with Sir Victor Sassoon.

Q. So, we shall leave it at that. In any case you are not convinced that there has been any corresponding reduction in the cost of production of mill products to compensate for a fall in the price of the output ?

A. Yes.

Q. The second point is the effect on the best customer of the cotton products, and there your position is that with exchange at 1s. 6d. in order that the cultivator should get the same number of rupees, there should be no fall at all in sterling prices. And your point is that these prices have been falling all round.

A. The question is: Can any Government ensure that there should be no fall at all in sterling, or as I would preferably put it, gold prices ? That being outside the power of the most powerful Government, there starts the danger of trying to change the standard of ratio of a country, and we now have seen in practice actual proof of the danger.

Q. You can retain them. But if the rate has been fixed on the basis of a variation in price or certain relation between the home and foreign prices.....

A. The question is: Was it overlooked when the ratio of 1s. 6d. was tried to be worked up to, that gold prices may change or rather fall ?

Q. When you fix 1s. 6d. as the exchange or any other rate is it suggested there never will be any fall in foreign prices when once you get the two prices linked up ?

A. I never suggested it and am asking whether the Government of India and the Finance Department had in mind some thing of the suggestion which you now make to me. Gold prices of any commodity are beyond the control of any Government, except perhaps of America to a certain extent lately which has the largest quantity of gold by way of resources, and in the case of certain articles grows the largest quantity of raw produce in the world such as cotton. A poor country like India has to follow in the wake of this important cotton-growing country or wheat-growing country as the case may be.

Q. Irrespective of the rate of exchange ?

A. I am now talking of gold prices. I am not talking of rupee prices. The gold price is a thing over which nobody has any control and it is guided and settled by demand and supply all over the world. That is a fixed point at any given time. Nobody can improve upon it. The question then is of conversion of gold prices into your rupee prices. Until we get the gold standard and have not a token coin as a standard coin but a full gold coin, until that day comes the whole question for the ryots of India is at what point you convert the gold price into the rupee price and the higher you fix the exchange, the lower thereby being the return in rupees of the gold price to the Indian cultivator, the more miserable is the condition of the grower here.

Q. Assuming that the rupee he gets now is buying the same amount as before ?

A. You are now assuming complete adjustment ?

Q. I am assuming a process of adjustment.

A. Excuse me, but are you assuming a complete adjustment or a period of non-adjustment ?

Q. What would you like to take first ?

A. I am here as a witness and I am prepared to argue out both.

Q. Let us take now the period of complete adjustment.

A. Well, at complete adjustment there is no complaint. There should be no complaint.

Q. And therefore any complaint now must be due to the fact that there is no adjustment or that there is only partial adjustment ?

A. Yes, it is the period of non-adjustment and maladjustment, whichever you like to put, that gives rise to all these complaints.

Q. Just now you believe that the adjustment is not complete

A. Very very far from complete.

Q. That is as regards the cultivator ?

A. As regards most things in India.

Q. What would you say is the amount of adjustment ?

A. I say that the adjustment has been very small.

Q. You did not give any figure in your report.

A. Because no expert either in India or in Europe could give a figure, not even the Finance Department of the Government of India who are making out a case for 1s. 6d. How would you expect me to give a figure ? I know why they could not give a figure not even a figure which would support them.

Q. It comes to this that the cotton industry stands to suffer during the period of adjustment which you say is not complete now. Depending upon the figures given by the Millowners which you may not accept but at least which we are prepared to take as a working hypothesis it is not because costs have not been adequately compensated but because the purchasing power of the cultivator has not been completely adjusted to the new level.

A. That is the sum total. May I suggest a question. Perhaps you would like to consider what period it would take for adjustment.

Q. Yes. I was about to ask you the question myself.

A. Personally I feel that the period of adjustment will take long in coming.

President.—You put it down at 20 years ?

A. Very long.

Mr. Subba Rao.—You say the rest of the generation in your report.

A. Yes, I thought you would like to examine me on that and complete that exchange subject.

President.—Yes, we would like to do so. In reply to Question 3 you say “ Assuming that it would take some ten years for such an adjustment, it is not improbable that the harm done to the Indian industry would last for a further decade.” I would like you to explain why you think that the harm does not cease with the adjustment ?

A. The question is then at what point the adjustment takes place. As the Commission themselves admit, there has been no reduction in wages in many of the industries in India leaving aside the cotton industry. That has still to come. Then the difficulty of bringing about a reduction in wages as have mentioned is great. Every labour union and every labour leader has got to realize that Government have chosen to increase the gold value of the rupee, and that is the difficulty I am looking forward to. As a matter of fact there was a strike very lately in the Kohinor mills where some went out saying that their wages were too low. So the adjustment of wages to 1s. 6d. I do not look forward to at all, and I feel confident that after making a mess of the thing Government will have to give way. Let us have a few strikes and then Government will have to say it is in the interests of India that we settle down to the right thing.

Q. That does not explain the period of 20 years, Sir Purushotamas ?

A. No, that explains the period of ten years in the first instance.

Q. Once you get your adjustment what handicap is there for another ten years ?

A. That is the after-effect. I say, assuming that it would take some ten years for such an adjustment, it is not improbable that the harm done to the Indian industry would last for a further decade. This is explained in my subsequent reply. What is done in the meantime is that the Government of India compels the Indian industry to reduce its production and thereby our competitors get hold of the markets which we have done so much to develop. The Japanese get in, Lancashire gets in, Italy gets in, and when the Indian industry is at the happy point of complete adjustment then they have got to look out for fresh fields and pastures new. Ten years is a very modest figure, Sir.

Mr. Subba Rao.—Whatever be the period of adjustment, would you support this view of Sir Henry Lawrence which was put before the Currency Commission “ When the high rupee is stable the costs will fall and the industry will compete in a fair field. In the interval the industry has a claim to protection. India has adopted the principle of discriminate protection. This principle has not yet been applied to a case of rising exchange and it is doubtful whether the need for this discrimination has is yet been recognised in India.” Would you care to say anything about that ? Do you think any kind of help is called for as against a rising exchange ? It has not been given so far as I know till now, but only in cases of the depreciated exchanges of other countries.

A. Yes, it would amount to recommending artificial protection for an artificial action which is avoidable. You can go on multiplying this as often as you like. Instead of

setting a thing right in the most natural manner you persist in returning the unnatural measure, and then you devise something artificial to prevent the bad effects of that. It is all a vicious circle from which the country, I think, ought to get out.

President.—Your argument would be, I take it, that the grant of protection on the ground of a 1s. 6d. rupee would be an admission that the 1s. 6d. rupee is wrong?

A. Absolutely so. We are feeling the effects of that in day to day life. In this connection I think my reply to Question 27—the third paragraph—is clear. It is this :—“ It is not improbable that during the so-called period of adjustment the Indian industry would lose its channels of trade, both at home and abroad, and give up its position of advantage to competing countries who would during the period of stress and strain for the Indian industry, entrench themselves firmly on the ground lost by the Indian industry so much so that the Indian industry would find it practically impossible to dislodge its competitors from their position, even after the adjustment of Indian conditions to the new rate of exchange had taken place. It is in view of these considerations that I emphatically assert that the effect of raising Indian exchange to 1s. 6d. would be practically permanent ” would last at least so long as we might reasonably look forward to-day.

Mr. Subba Rao.—That is to say if the safeguards were not adopted?

A. Which safeguards?

Q. Suppose somebody took into his head to give protection. You are assuming free imports of foreign goods during the period of the rise of exchange. Supposing that we prevent that, then the effect you contemplate might not take place at all?

A. You say that on other considerations, that is, if 1s. 6d. was considered to be desirable and you are prepared to give protection to the cotton industry during the period of non-adjustment, then this may not happen?

Q. Quite so.

A. And if this did not happen, your point is that 1s. 6d. would be justified?

Q. Not justified. I am only saying that the industry might not suffer.

A. Yes, in that case I would like to add this “ not half-hearted protection which has been the case till now, but whole-hearted protection ; ”

Q. It is a matter of degree?

A. It is a very important point. Either give protection which will completely give the necessary protection and thus encourage the industry to expansion or don't give anything at all.

President.—What do you call half-hearted protection?

A. Half-hearted protection like that which is given to the Tata Iron & Steel Co.

Mr. Subba Rao.—You call that half-hearted protection?

A. Absolutely half-hearted. It has been absolutely of no use.

Q. Is not the plight of the Indian steel industry due to the depression all the world over?

A. But here you are protecting. It has been in vogue for five years and not a single new factory has been started. It is a most eloquent testi money of the half-hearted nature of the protection given.

Q. I may also make other remarks; but they won't be relevant.

A. I do not understand you.

Q. That may be due to other considerations. If you are talking of another industry there might be other considerations why it has not been paying.

A. No. No other considerations. Let me say one point. I know the allegations made. One is the inefficient management.

Q. I don't say that.

A. I am not saying that you say it, Mr. Subba Rao. But I am only speaking of one of the allegations made. If it is due to inefficient management, it is all the more reason why people who consider themselves more efficient should put up a new factory at once. There is nothing in it, Mr. Subba Rao. I do not know what you have in mind. But as a Director of the Tata Iron & Steel Co., I am prepared to assert that if there are leakages in the management of the Iron & Steel Co., it is all the more encouragement to others who may consider themselves more efficient to put up a new steel concern.

Q. I am making an entirely general remark and it has absolutely no reference to any kind of charges in the press or anywhere else. I merely stated a theoretical proposition.

A. I see. My point was that protection should be whole-hearted and such as would really help the industry, and not an eye-wash as has been in some cases.

Raja Hari Kishan Kaul.—You say, Sir Purshotamdas, “while a mill which has slender resources may not be able to withstand world competition, but may go to the wall, a mill with powerful resources or strong reserves at its back may be able to stand the strain, but not without sacrificing its reserves or resources.” Would you mind explaining that a little? You say ‘not without sacrificing its reserves or resources.’

A. Certainly, not to pay dividends but to keep going.

Q. To meet the losses?

A. To meet the losses but nothing to do with dividends. We are now talking of times being bad. This is in reply to Question 1 where you ask ‘does it affect all mills in the same centre alike.’ I say that all those mills which have strong reserves or resources may be able to carry on longer. But even a depression like this is bound to hit even good mills and other mills which have average resources and reserves. The bad effects are felt by them also.

Q. What I want to know is this: You think the sacrifice of reserves or the sacrifice of resources can help the mill to withstand the depression. I want to know in what manner.

A. It will be able to finance itself and therefore is able to wait and carry on in the hope of better times coming.

Q. Without making any profits?

A. Yes.

Q. Sacrificing its reserves?

A. I know of a certain mill, Sir, which lost 7 lakhs last year. The mill had already a debt of about 18 lakhs which now comes to 25 lakhs. The agent has got to go on financing and financing in the hope that better times would come.

Q. That is, working at a loss?

A. Owing to the depression mills work at a loss or on very small profits. There is nothing to lay aside.

Q. I just want to know if you had anything particular in your mind when you said that. You do not mean mortgaging any part of the mill or something like that?

A. If necessary, it has to be done. I know of several mills which have been mortgaged recently.

Q. What percentage of profits do you consider reasonable?

A. You mean for distribution to the shareholders?

Q. Or profits before distribution or before allotting money for depreciation and so on.

A. Where a mill cannot make enough to allot for depreciation, I would not say that that mill is earning anything at all. It is wearing away its own machinery. After depreciation, I should have thought 6 per cent. or 7 per cent. would be quite a good return for the present times.

Q. Six or seven per cent. is quite reasonable?

A. At the present time they should be quite content with that.

Q. Towards the end of your reply to Question 3 you say the Meston Settlement also by depriving Bombay of its growing and natural sources of revenue has rendered necessary increased local taxation. By ‘local taxation’ do you mean the municipal taxation?

A. Bombay Presidency taxation—provincial taxation.

Q. How does that affect the mills?

A. The provincial taxation also affects the mills....

President.—Is it a question of provincial taxation?

A. What the Raja Sahib has in mind is that the cotton duty of Re. 1 per bale is of course Bombay City taxation. Have not the Bombay Government put on something lately? I do not think it would affect the mills *prima facie*. I think the Bombay Government passed an Act lately to the effect that the stamp duty on transfer of property in Bombay City should be $3\frac{1}{2}$ per cent. whereas all over the Presidency it is $2\frac{1}{2}$ per cent. Of course it is not a thing which would affect the mills so intimately.

Raja Hari Kishan Kaul.—I understand that you consider a discrepancy between wages and prices would be an argument for fixing the exchange at 1s. 4d. ? You hold that the prices have not been adjusted to wages and that is an argument to show that the adjustment to an exchange of 1s. 6d. has not taken place?

A. That is what I say, and it is because there has been no adjustment that I say that the effort should be dropped.

President.—Just one question I would like to ask you with reference to your reply to our Question 11. I was reading only this morning in the Manchester Guardian Commercial Supplement organisation if the mill industry in Belgium has succeeded in bringing about a great improvement in the condition of the industry. I suppose your reply will be

that Belgium was a small country. What is possible in Belgium would not be possible in India ?

A. My reply to that would be that the people of Belgium have a Government which looks after their exclusive interests. The people of India unfortunately have a Government which has to look after others interests besides the interests of the people. That is my humble opinion. It may be wrong but the latest proof of it is the persistence of the Government in regard to this 1s. 6d. ratio.

Q. Leaving that out of question for the moment, is it quite impossible for the industry in India to help itself as it has done in Belgium ?

A. But it has its own limitations. Every industry in every country including America wants Government assistance. The monster crop that has been grown in America needed President Coolidge to come to its help to put three or four million bales in cold storage as it were. Are the people of America less self-reliant than anybody else in the world? Government has the resources of the tax-payer and how can you possibly consider this problem leaving the Government on one side? I am afraid Government have to be brought in every time.

Q. We are dealing purely with this specific question, whether the millowners by any organisation could help themselves at the present time.

A. I have expressed my views in my reply to Question 11 and I would be quite prepared to say anything more in supplementing what I have said there.

Q. I take it you consider that the fact that the mill industry is so scattered outside Bombay and that the interests of the different centres are so different precludes any organisation which could standardise prices or fix hours, if short-time working were considered desirable.

A. I do not want to strike a note based on matters racial. But in centres like Cawnpore and Madras, of course the millowners are Britishers and I do not know whether they are interested in imports or not, but it would be difficult to get an all-India organisation. Why are the Bombay millowners run down and why is the Bombay merchant being run down? It is simply because they put forward the pro-Indian point of view, the point of view which strikes them as being in the best interests of India.

Q. How do you mean being run down ?

A. The Bombay millowners and merchants are the only people who are alleged to go to extremes in point of views, e.g., in pleading for the extinction of the cotton excise duty. We were then said to be "vicious." When the thing came by our efforts, everybody shares it. We get the honour of being called all sorts of things and prejudices are being created that all this is for Bombay's interests. How do you expect all-India to work with Bombay when the other Provinces are sought to be taught and prejudiced that Bombay is selfish and only puts forward what suits it? The reason is that in Bombay the industries are still in the hands of Indians.

Q. If Cawnpore and Madras are left out of account.

A. Then there is very little.

Q. Do you think Bombay and Ahmedabad would ever combine ?

A. I think so. They have combined in the past.

Q. Do you mean that they have combined to fix the prices ?

A. They could. Again it is a matter on which other mills have a very substantial say and can substantially and effectively upset what Ahmedabad and Bombay may choose to do. After all Cawnpore is spinning and weaving and can undo the effect of what may be done here. Whether any effort has been made to get all these people together, I am not in a position to say definitely.

Mr. Subba Rao.—I want to have your opinion on one point, about the joint action for purchase. You say the agents of several mills are themselves commission agents who import their requirements. That you suggest as a difficulty or obstacle in the way of common organisation ?

A. It is not an obstacle which cannot be got over. I was only putting on record what exists at present. It is not a thing which can be completely ignored.

Q. But don't you think it desirable in the interests of the industry itself that the functions should be separate, that the managers of mills should not also be commission agents for the purchase of machinery, as a general principle if you want to have common organisation ?

A. The thing cuts both ways. I know of a firm of millowners who being interested in machinery import have done extremely well in getting the right sort of machinery at perhaps the cheapest rates. It becomes objectionable only where advantage is taken of that position.

Q. Quite so. Does not the combination of such functions lend itself to possible abuses and would it not be better to have a common organisation where everybody can purchase whether by open tender or any other way ?

A. I think it would be an ideal scheme ; but I am not sure that it would be found equally feasible.

Q. Of course there is always a gap between what is ideal and what is possible.

A. I do not know if you will find it very feasible. I am not aware but I merely want to ask whether the jute mills in Calcutta have any organisation of this kind.

Q. It is curious why some countries have this organisation and I find it also in Japan. But they do not have organisations in Lancashire. So there seems to be some difficulty in the industry itself.

A. There must be some special circumstances in each country.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

President.—There is only one question I want to ask you with regard to Section II. In your reply to Question 27, you say ‘ these accumulating stocks have ever since acted as a drag on the market and continued to act as a depressing factor to the Indian industry.’ Have they got rid of them now ? I quite admit that the effect is bound to last some time. But surely that particular factor has ceased to operate now ?

A. There again I must preface that I am not very intimate with it and you will notice. I start by saying ‘ It has already been shown to the Tariff Board by previous witnesses.’ Subject to this remark, I am afraid that the handicap with which India started has continued. The stocks specifically imported at that time may have been got rid of. But then the process has continued. Supposing they imported something at 2s. 10d. or whatever the standard is and they got rid of that whole stock at 1s. 11d. Then it went to 1s. 9d. and they started again. So having cut a loss, the merchant naturally wishes to make up for it by continuing that operation. Eventually perhaps he will reap his benefit. In the meantime it acts as a handicap.

Q. But the actual market now appears to be very bare of stocks.

A. I heard a report only a few days back that the merchants who import piece-goods from abroad find that there are fair amounts of stocks on their hand.

Q. Possibly in Bombay. It is not so upcountry.

A. No, it may not be.

Raja Hari Kishan Kaul.—You say, Sir Purshotamdas, that ‘ the importing houses for piece-goods into India are also especially well looked after by the exchange banks.’

A. Yes.

Q. Don't the Indian banks afford similar facilities for the purchase of the Indian mill-made cloth ?

A. Not that I know of.

Q. Why not ?

A. I may say that I am a Director of the Imperial Bank and at the moment I happen to be one of the Governors of the Imperial Bank as Vice-President of the Bombay Local Board. Therefore I can talk of all banks minus the Imperial Bank. What Banks are you referring to when you say Indian banks ? The other Indian banks are the Bank of India, the Central Bank, the Punjab National Bank and one important Bank in the south, the Indian Bank in Madras. There are also other banks, but they are not with lakhs of rupees capital, lakhs of rupees reserve and so on. The work done by these banks in financing either the dealer in piece-goods or the mills is comparatively small.

Q. What is the reason ? Is it because their means are limited, the money at their disposal being very small ?

A. I would not say that in public examination. I do not think it would be right for me to say anything of that nature.

Q. We want to know in what respects improvements can be effected in the financing of the mills ?

A. By starting more private banks in India.

Q. You think there are not half enough banks now to take up the work ?

A. Half ? They are not even 10 per cent. compared with the size of the country and the requirements of the country.

Q. And do you suggest there should be some backing to these banks ?

A. Backing ?

Q. For instance in other countries in the world they have got the backing of their Governments or some Central Banks.

A. In reply to Question 30, I say 'In countries like England where the credit organisation is more perfect'—I do not say that Government there give much direct facility—'and like Japan where the Government is extremely keen to develop their export trade in manufactured goods,' and there is not backing by any bank there. It is the identification of the Government with the interests of the people in every respect—in the matter of shipping and so on.

Q. You admit that there are better facilities in the matter of credit ?

A. I mean, in the case of shipping, it is not necessarily credit, but something else which the Government give them. In respect of the industry they give better financial facilities.

Q. That is what I want your opinion on. Would you suggest similar facilities here ? You say in a country 'like Japan where the Government is extremely keen to develop their export trade in manufactured goods, it is but natural that better facilities in the matter of credit are enjoyed by the exporting houses.' Do you suggest anything on the same lines here ?

A. If we can inspire the Government of India with the same keenness for Indian industries as the Japan Government have for Japanese industries, we want nothing else. That would be a golden day for India.

Q. You would merely inspire the Government of India with that and nothing else ?

A. Action also, of course.

Q. In what direction do you suggest the action ?

A. That of course takes me on to this question of the Reserve Bank. It has to come to that, because that is the next question.

Q. And in your peculiar position you may not like to say ?

A. I am not in a peculiar position. But I do not know if the Board wants to be worried with that question.

President.—I am not quite sure how a Reserve Bank comes into this question.

A. It will come into this question.

Q. In what way ? Will you explain very briefly ?

A. My colleagues on the Currency Commission have recommended the starting of a Reserve Bank and I have disagreed with them. I say let the Imperial Bank in its issue department be the Reserve Bank of the country. The question of the development of banking facilities and of providing greater facilities for industries, commerce and agriculture is very much tied up with the Imperial Bank carrying on as it is and the reserve part of the work being done in the issue department separately. In this connection I may refer to paragraph 61 of my note of dissent headed 'A Central Bank for India.' I say 'I consider that such curtailment of the commercial business of the Imperial Bank which might follow its conversion into a central bank would conduce to the growth of new banking institutions, started by private enterprise in India.'

Mr. Subba Rao.—You contemplate a curtailment of its commercial functions ?

A. Yes.

President.—Which would lead to what ?

A. Which would encourage the growth of new banking institutions in India. I hope I made myself clear.

Mr. Subba Rao.—Would you suggest that anything may be done to give financial facilities to develop the export trade in India also, not at all speaking in your capacity as a Governor of the Imperial Bank ? Speaking generally, what do you think is lacking now as regards banking facilities for the promotion of India's export trade ?

A. I think the difficulty is more regarding the financing of stocks in India, and less of financing the exports.

Q. If finance would take care of stocks, you would not worry about export trade. It would look after itself ?

A. I have not heard that the export of Indian piece-goods or of yarn as the case may be has suffered owing to want of finance. The main difficulty is about the internal finance for them as compared in other countries. If that was set right I think a good deal would be gained.

Q. But don't you think something is wanted to develop and promote the export trade by itself, and not leave it to the play of chance to give it a specific direction and a spur ?

onwards? Something could be done in the way of the export credits scheme such as is operating in England?

A. Well, a good deal is wanted in that direction. I will name one with which I am at the moment in negotiation. I am negotiating a freight contract on behalf of a certain association. The rate which is suggested works out to something like five annas a piece. The rate which is being paid to-day by our competitor in the market—for obvious reasons I do not want to give the name—for a longer, almost three times longer lead work out to about three annas. How are you going to get over it by a little financial facility? Therefore for the development of India's export trade many more facilities are necessary.

Q. Which would you consider most essential?

A. I mean that there is such a difference in freight in this particular case.

Q. Would you then lay stress upon cheaper freight?

A. Cheaper transport I think would be very important. It would again depend upon the destination of the market. I do not think we can lay down any set rule. Where transport is on the high side I think it would help materially.

Q. Apart from that do you think some kind of export facilities would help the situation?

A. Well, I can only say generally, yes. I have not gone into it, nor have I heard that in particular places export facilities are necessary. I would not like to say more because I do not know.

Q. The export trade is handicapped for various reasons. The Millowners have suggested that an export bounty might help the industry.

A. When that demand was made, was it not based on the appreciation of the currency? I remember having read something about it.

Q. Only in one specific case. It is a general demand.

SECTION IV

Mill Management

President.—We will now pass on to Section IV. Mill Management, Sir Purshotamasdas. In your reply to Question 42, you speak of centres in India which flatter themselves on having a better system of payments to agents, reverting to the system of commission on production. Which centres are you referring to there?

A. Calcutta.

Q. You are referring to the jute industry?

A. Yes.

Q. I see. I was wondering if the reference was to any of the centres of the cotton industry?

A. No, I was speaking of the jute industry. I have seen an instance in which they are now returning to a system which it has been the fashion to run down in Bombay. I can give you a concrete instance and the terms. It is public property.....

Q. If it is public property we would like to hear it.

A. I got it as a shareholder of the concern—the Kelvin Jute Company.

Q. Who are the Managing Agents?

A. Messrs. McLeod & Co. This is their first letter: 'Hitherto the Managing Agents have almost wholly depended upon commission on profits for their remuneration. The effect of this is that when the profits are large the Managing Agents benefit accordingly, but when the profits are low the Managing Agents get practically nothing, although at such times their work is just as heavy and is also coupled with additional responsibility and anxiety. With a view to putting the Managing Agent's remuneration on a more satisfactory basis your Directors have agreed that as from the 1st day of July 1926 the Managing Agents' rate of commission on profits shall be reduced, but in addition to this commission they should receive a commission on sales. The effect of this will be that on the basis of the years 1921-1925 and assuming present prices for gunnies, the Managing Agents would actually have received less than they did under the old arrangement, but their remuneration will be more evenly distributed than it is at present, which is the whole object of the alteration. Accompanying this letter is an abstract of the terms of the new Managing Agents' agreement, and they suggest as terms of commission one per cent. on the gross proceeds of all sales made by the company, a commission of 5 per cent. on the net half yearly profit of the company ascertained in the same manner and a staff commission of one per cent. on the net half yearly profits ascertained in the same manner.

Q. What is the staff commission? Would that mean a bonus?

A. I have not been able to get more information. Then they met and the resolution which was passed was 'that the Managing Agents' remuneration remain as provided in

the agreement of the 15th June 1920, subject to the following variation namely that if the commission of 11 per cent. on profits payable to the Managing Agents under such agreement in any half year be less than the sum of Rs. 25,000 the company shall pay to the Managing Agents the amount of such deficit so as to provide a minimum of Rs. 25,000 payable to the Managing Agents in each half year and that the supplemental agreement of the 20th day of August 1926 be cancelled and the new supplemental agreement be entered into to give effect to the above variation." It means that where the company makes a profit more or less the Agents will receive Rs. 50,000.

Q. But this is the system in force in Bombay to a large extent. The agency agreements provide for a minimum commission when the commission is on profits.

A. Exactly, that is why I say this. Whilst this criticism of the Bombay concerns is going round I say that people elsewhere same started coming to it. That is why I quoted this.

Q. The Bombay system is now a commission on profits ?

A. But there are some who are not on commission basis and in Ahmedabad....

Q. In Ahmedabad it is 3½ per cent. on sales.

A. And here it is one per cent. on the gross proceeds of sales made by the company and 5 per cent. on profits and they have now improved upon it by taking a minimum of Rs. 50,000 whether it is a profit or loss, and this is ensured to them even if the mill is closed or is on strike.

SECTION V

Mill Management

Q. You say the instances of over capitalisation are so few that the present depression could hardly be attributed to it ?

A. Yes. Barring the mills which were bought by people during the boom period at prices like 60 and 70 lakhs and in one case at 1½ crores, there are very few instances that I know of over capitalisation.

Q. If you look at Appendix II to the Bombay Millowners' Association's reply you will notice that in 1920 the paid up capital of the Bombay mills increased from 9½ crores to 17 crores with only eleven new mills. Do you consider that the large fluctuations of that year have not been without a depressing effect on the industry ?

A. That makes an average of 60 or 70 lakhs per mill. That is about it. All mills that changed hands in the boom period were at about that. The Diamond Mill was bought at Rs. 60 lakhs. If you take the average of 60 lakhs it would be about 7 crores.

Q. You consider that the average of 60 lakhs for each of these 11 new mills is not an unfair figure ?

A. No. Then the average would be improved by the Bombay United which changed hands at a crore and a half. Barring these mills the other mills are not over-capitalised. These mills which changed hands or were put up during the boom look over-capitalised in a gross manner.

Q. Do you consider that that had no effect on the present depression ?

A. No, because those 11 mills which changed hands at a figure like 1½ crores or 60 lakhs did not make the average of the mill industry to-day.

Q. Does not the fact that they have such a heavy capital on which they do not pay a dividend act as a drag on the industry, until their capital is reconstituted ?

A. No, it only injures their shareholders and nobody else. Two of them I know have failed—the Bombay United have subsequently changed hands at 35 lakhs and the Diamond has gone into liquidation. I do not remember about the others.

Q. Mills like that possibly have to sell from hand to mouth, and may not the fact that they have to sell at whatever price they can get in order to keep going owing to this large capital have as deleterious an effect on the Bombay industry as the Japanese competition or any other factor ?

A. I have not heard that they injured others by throwing their manufactured stuff on the market. I have not heard of any such complaints at all.

Q. There are a certain number of weak mills in Bombay as you know. Are their sales not having any effect on prices ?

A. What I say is that these 11 mills, which were bought or put up during the war period and which look over-capitalised to-day, do not make the average of the Bombay mills. I therefore say that these 11 mills do not count for the purposes of the question that you put. Your next question was, do these 11 mills owing to their over-capitalisation really injure others by underselling.

Q. It is rather incorrect to refer to 11 mills. I think the majority of these 11 new mills which came in in 1920 were mills which were previously proprietary, and which were converted into companies; and there were other mills also which changed hands. There were private mills which came in as limited companies, such as the Sassoon group, but there were other mills also which changed hands during that period, of which you have given an instance—the Bombay United.

A. I think all that total will be covered by this seven or eight crores. That is my own impression. I do not think you will find many others barring these that changed hands which contribute to the increase from 9 crores to 17 crores.

Q. My point was whether you consider or not that any of the weaker mills are selling at prices which bring down the prices of the better mills. Your argument is that the sales of the 11 mills do not affect the whole industry. The opposite argument is brought when you are referring to the Japanese competition. We are continually being reminded that it is not the volume of the Japanese competition which affects the Indian industry but it is the price at which they are selling; and the same argument, it seems to me, might apply to the weaker Bombay mills. It is not the number of them, but the prices at which they have to sell in order to keep going.

A. What I said was that I had not heard it being mentioned by any body till now, and I am on the Boards of three or four mills of which one or two are weak, that these mills which changed hands at high rates were selling or, if it might be called, dumping their manufactured articles on the market in the manner in which the Japanese are said to be doing. It is a question of fact, not a question of expression of opinion. It is possible that I may not be absolutely in touch. But no such report has come to me.

Raja Hari Kishan Kaul.—You say that it is well-known that banks at present are unwilling to advance money on the security of the assets of a limited concern unless it is backed by the personal security of the agents themselves. We have heard different statements about this. We have been told in some places that on hypothecation they do not want collateral security. In another place we have been told that the collateral security of the Managing Agents as well was wanted. Your knowledge must be very wide in this respect and I should like to ask what is the actual fact. If the goods are hypothecated, is collateral security demanded?

A. Take the Imperial Bank. It is well known that the Imperial Bank is prevented by its bye-laws from advancing on anything except two signatures—first the mill company signing through its Directors and secondly the agents. The Imperial Bank cannot make any change. They have to insist on it. I have not heard of many advances being made in Bombay to mills on anything less than the mill's own signature plus the agent's personal signature.

Q. Do you know of any case in which goods have been hypothecated?

A. Many.

Q. If the goods are hypothecated are two signatures necessary?

A. Yes.

Q. You mean hypothecation plus the signature of the mill?

A. A mill which has not got its own finance will mortgage its goods. Supposing the cotton market goes down and there is a deficit. The question would be what are they to get in case of a deficit? Therefore they want somebody who will make it up. I admit it is very conservative finance but in very few cases only the agent's signature is done away with.

Q. Do you know that other banks also do it?

A. As far as I am aware.

Q. That is evidently the rule in Bombay?

A. Yes. I know in the Tata Industrial Bank they did so. The Bank is now no more and therefore I can speak of it. There may be isolated exceptions but on the whole this is the rule.

Q. We have been told in some places that money has been advanced.

A. Without the Agent's signature?

Q. Yes, and by the Imperial Bank too. Probably this is the rule in Bombay.

Mr. Subba Rao.—I would like to ask you a few questions about the effect on the market of sales by weaker mills. In the first place I want to make quite sure which class of mills you call weak—one that has got a lot of water in its capital which as you say hurts nobody but the shareholders or which has got a heavy debt charge? Which of these is likely to depress the market by forced sales?

A. Of course a mill which has a heavy debt and has no finance of its own. Naturally the other one only affects its own shareholders.

Q. Therefore it is possible for a mill which is overcapitalised and which has no debt charge to be selling at normal prices ?

A. It is absolutely possible. I would not suspect that they were selling at anything but normal prices. A mill which has no debt charge has no reason to sell at anything but normal prices—certainly not at abnormally low prices.

President.—Is it likely that a mill which is overcapitalised would be without a debt charge ?

A. It does not necessarily follow. Because, a mill changed hands at 60 lakhs in 1921—that may be worth only 40 lakhs in 1922—but if that mill since that year made only half a lakh there is no debt on the mill. But still the mill is overcapitalised.

Mr. Subba Rao.—There is no necessary connection between water in the capital and a debt charge ?

A. No.

Q. Then about the hereditary character of managing agencies. You defend it by saying that a number of families have put themselves to considerable loss to maintain the mill. Now, is that a desirable condition of things ?

A. Very.

Q. Is it good for an industry to be dependent after all upon the charity of these noble-minded families ?

A. There is no charity. It is pure business.

Q. But you are saying that they put their private fortune to sustain a failing business. That surely means that shareholders are dependent on the good-will and the philanthropy of the Managing Agents.

A. It is not philanthropy at all. They put their private fortunes at the back of the mill's business in a most successful manner and they have prevented the industry going down.

Q. That is the point. That is what I wanted to know.

A. I can give you instances.

Q. You are saying that the industry would have gone down but for the support of private fortunes. Did they help as shareholders or as Managing Agents ? You are saying that the Managing Agents have put into the business funds which might have been employed elsewhere, evidently, is that your suggestion ?

A. My suggestion is only this, that those who criticise the managing agency system have overlooked the fact that these Managing Agents even to-day have justified the system completely. But for that you would have had several mills going into liquidation before now.

Q. You speak of normal sacrifices. We justify any system of organisation by its social utility on the one side and also by its gain to private individuals. You are saying now that the industry is allowed to continue not because of its economic justification by turning out profits, but at the expense or sacrifice of certain individuals. Is that after all from the social point of view desirable ?

A. Why social ?

Q. The community's point of view.

A. Take it from the economic point of view.

Q. Is it economically justifiable ?

A. Absolutely. In the conditions in which the industries have to be worked in India it is the only salvation of the Indian public. Where you find that avoidable losses are being put on or avoidable strains are being put on an industry it is the only bulwark that people who have a stake in the industry say ' We are going to stand or fall with the industry '.

Q. It is a loss. You speak of sacrifices. The Managing Agents should not be called upon to incur these losses ?

A. They would have no impetus to incur losses.

Q. A system that requires the support of private fortunes in this manner, does it not stand self-condemned ?

A. No, I should think it is one of its strongest points.

Q. But has it a moral justification ?

A. Yes, it has a strong moral, commercial and business justification.

Q. I leave it at that.

A. I know so much about the sacrifices made and the way in which the industry has been saved. You would but for the Managing Agency system have had 30 mills in Bombay in liquidation to-day.

Q. I am speaking of the hereditary character.

A. The agency system goes with the hereditary system.

Q. Not necessarily. I understand in the case of an important firm in Calcutta the founder made an express condition that no member of the Managing Agent's family should be on the Managing Board after him. It is a very important firm.

A. It is very exceptional. There must be some very special reasons for it.

Q. It is hard upon a family that has made some money to involve it in the losses of the industry if they can avoid it.

A. May I put one question. I am only putting the question because it will make things clear. Suppose a firm of agents consists of three or four partners, take for instance the firm of McLeod and Co. Surely you do not disapprove of a company having 30 or 50 years agreement. You would not, because this is so all the world over.

Q. I would limit it to 30 years at the outside.

A. Very well, at the end of 30 years that agreement is renewed unless there is some special reason. That is the ordinary course. It happens in every industry. What guarantee is there that during the 30 years—though there may be the best of able men for the first 10 years—they will not take on any second rate or third rate man who knows nothing about the management of the industry.

Q. There is no guarantee.

A. Therefore, where I spoke of the hereditary part I spoke of certain criticisms which were made in Bombay. You run the same risk with a firm as with a family.

Q. I do not quite admit that, because the field of selection is narrower in the latter case.

A. It is at the discretion of the main partner in the firm. He may take the right sort of man or not. There may be an error of judgment.

Q. An error of judgment is somewhat different from the play of family affections.

A. Surely there are very few firms who do not take outsiders. I know one firm here where they have not restricted it to the family. One of the best known persons in all India is a partner in that firm.

Q. I was merely doubting the possibility of the transmission of the ability in a family as a necessary sequence.

A. It does not necessarily apply to the family. If you want you can modify it—family and firm. When I drafted this I had in mind a certain criticism which was at one time made in Bombay of the system. It need not necessarily be a family—family and firm.

Q. If a family has possession of a firm it makes no difference?

A. What would you say to Morarji Goualdas and Co., having three sons and Sir Dinsha Wacha as partners. The family bias goes away. You cannot have a better person than Sir Dinsha Wacha.

Q. Can you guarantee similar absence of family bias in all these agencies? Is there not a probability that a father who has made a fortune will like to pass on the agency to his son or nephew, who may not be equally competent?

A. Well, it has been found by experience that where the son or the nephew is a minor, efficient people are engaged to carry on. And where it has been otherwise I say that the same might have happened in the case of a firm instead of a family.

Q. But there is less chance of it.

A. The system has proved so useful and valuable that I would not recommend a change very lightly to the millowners of Bombay.

Q. Then in answer to Question 52, you speak of the financial help given to the industry in Japan and you say that the banks there, i.e., in Japan do not believe in forced sales or in demanding immediate repayment when a firm is in difficulties. The suggestion is that this has been done in India.

A. The suggestion is that in Japan they have an industrial bank which locks up capital for a period of years and helps such concerns to carry on or to prevent them falling. In India we have nothing like that.

Q. You had an industrial bank here.

A. Yes; but you know what happened to it. The enthusiasm of the shareholders was so great to ensure that the management was most efficient that it helped the transfer of that bank to another one.

Q. We need not take up the history of one particular concern.

A. That was the only concern; and you referred to it.

Q. I want to know what you suggest further. If it had been a failure, what can be done to enable the industrial concerns to get on? You suggest an Industrial Bank in the country supported by the State?

A. I think the State should at best keep out.

Q. I thought you were saying that the State ought to be doing this.

A. I think they have got enough for the next few years.

Q. Industrial finance need not be an activity of the State?

A. I don't think the Government of India could do that.

Q. Not directly, but in the form of aid to the bank?

A. I personally think they have got enough work in all these knotty problems.

Q. You would however develop the industrial department of the Imperial Bank or a Central Bank?

A. Central Bank?

Q. Central Bank in the sense of an institution which acts as a banker's bank. Or would you propose a separate Industrial Bank of India to take up such functions?

A. Personally I do not expect that the Government would be able to do much in this direction for various reasons.

Q. I am not speaking of the Government of India, but merely of an institution.

A. A Government institution, I presume? Or private?

Q. Suppose you had in the country a Central Bank, a sort of bankers' bank?

A. But that is a Government institution.

Q. Is the Imperial Bank a Government institution?

A. To-day, yes, very much.

Q. Would you expect a bank like that to develop the industrial side to give facilities or would you be in favour of a separate Industrial Bank for this purpose?

A. At the moment I would not like to commit myself to any Government interference in matters financial. I would rather not say what action Government should take regarding Reserve Bank and other questions.

Q. In any case you feel it is a serious difficulty that the industrialists do not get adequate finance or finance of any kind in order to carry on their operations?

A. I think I might say that the Imperial Bank has done very well for industries under the present circumstances. That is my conviction.

Q. Then, which banks do you refer to here? You say "and the banks there do not believe in forced sales or in demanding immediate repayment of money as soon as a concern is found to be in difficulties."

A. Every bank has to do that, because there is no Industrial Bank which has Government support.

Q. You mean the commercial banks?

A. Yes; what else can they do? They must at the end of the agreement period, whatever it may be, insist on repayment. It is not the fault of the bank here.

Q. It is the fault of the system?

A. Yes.

Q. Would you set it right by a provision by which money can be lent for longer terms or by developing a new institution altogether? Which way is your mind working?

A. My own mind is now concentrated on what the Government decides on the problem before them. I am not prepared to say that the Government should take up anything more until they take a right course regarding the correct currency policy. I am afraid I cannot go beyond that for the present.

SECTION VI

Costs of Production

(b) Raw Material

President.—I think you propose to deal with the question of raw material in a different capacity, do you not, Sir Purshotamdas?

A. Yes. I am appearing before you on the 29th instant as a representative of the East India Cotton Association and perhaps it may be convenient to you also to examine then on this point.

Q. One point in regard to your reply to Question 62. You say "The suggestion that the prices at which cotton is purchased by Indian mills are higher than the prices

paid for cotton for export requires explanation." Mr. Madon who is coming before us this afternoon has told us in his written statement that "Japanese or European spinners do frequently get cotton at appreciably lower prices than the level in Bombay. This is due to competition between merchants who accept lower prices according to their own views of the market. It is clearly impossible for any Bombay mill to do the same." Could you explain that from your own point of view?

A. The first sentence of that paragraph of Mr. Madon's reply confirms what I have said. Then I think "spinners" may be a mistake for "shippers." He means that they generally buy upcountry at a moment when the pressure to sell there is keenest and the mills are not perhaps able to buy at that identical moment. Therefore, what happens is, if I understand him correctly, that these people are able to secure their cotton when the market is at its lowest and if the mills do not happen to be buyers at that identical moment, there may be several reasons. One is that they have not sufficient finance available at that moment or they cannot sell manufactured articles at that moment and therefore are not able to pay for cotton, or thirdly, it may be that they have no agents upcountry. I do not know which of these handicaps exist. But in many cases I know the first handicap is very real, want of finance.

Q. Does it ever work the other way round?

A. Yes.

Q. There are occasions in which the Bombay mills get cotton cheaper?

A. Yes. I can give you figures regarding these. It works both ways.

Q. You think on the whole there is nothing in it on an average?

A. On the average, I don't think there will be much in it.

Q. You mention the fact which we had already a certain amount of evidence on. You say in "In Japan the mills have further facilities of hedging in the sampin (yarn) market" Have you any views on the question of establishing a yarn exchange here, Sir Purshotamdas?

A. I have not considered it.

Q. I wish you had. Possibly the Millowners' Association will be able to throw some light on the subject.

A. I have not been to Japan and I am not so much in touch with the yarn and piece-goods trade as with cotton and therefore I would not take up your time by giving you information which may not be accurate.

Q. You do not consider, Sir Purshotamdas, that the present depression in the industry can be attributed to the cotton prices higher than those now prevailing?

A. There must be a certain amount of cotton always on hands of mills and a fall in its prices must naturally add to the loss owing to the fact of the cotton having been bought at a higher rate. But what happens is that several mills of late did hedge their cotton holdings by hedging in Bombay or Liverpool, especially as it became known that a big crop was coming in. In the last five years they had some loss but that is inseparable in the nature of the industry.

Q. So far as the effects of the falling prices are concerned, do they not contribute to depression?

A. There the Indian mills are not in an exceptionally bad position as compared with other mills.

Raja Hari Kishan Kaul.—You say "the deflationist policy of the Government is probably the direct cause of the falling prices". I just want to understand what you mean. It might have restricted trade. But the falling prices which are due to other circumstances have led to the losses.

A. Yes; that is quite true. But the other circumstances which bring about the fall in prices are accentuated by the deflationist policy of the Government. To begin with, there is world wide depression from which India cannot be free. To it you add a deflationist policy and appreciation of the rupee. Both go in the same direction.

Q. It makes the depression worse. It is not the direct cause of the falling prices.

A. If credit is restricted, the prices would fall more because the buyers would be less.

Q. Yes; that would be only one cause.

A. A very substantial one.

Q. I understand you ascribe it mainly to the exchange.

A. My answer is "The deflationist policy of the Government is probably the direct cause of the falling prices". Of course I mention first that the world factors contribute to it. In addition to them and the local factors, the deflationist policy accentuates the effects.

Q. You mean it is an additional cause?

A. A very bad additional cause too.

SECTION VII

Suggestions as to remedial measures

President.—We now come to the last section in which you express no views on the main point. You say “If the Tariff Board decides that the textile industry needs protection”. You begin with a big “if”. We wanted your views as to whether you consider there is need for protection.

A. We are awaiting your report.

Q. Our report has to be based on the evidence and the evidence of people like yourself is obviously essential if we are to come to any conclusion.

Raja Hari Kishan Kaul.—Do I understand you to mean that if the exchange is fixed at 1s. 4d., no protection is necessary?

A. I did not say that.

Q. You said there were three alternatives, the first being the fixing of the exchange at its true level. The second was putting on an additional import duty and you said that if the first alternative was accepted the others were not necessary.

A. What I said is this. It is said there are two things, a bounty or protection and something else. I say, why restrict yourself to these when you have an easier method by which you can achieve the object appreciably? If you find that the exchange question will substantially do away with the demand for protection, why go to these other two? That is what I say. I do not say that exchange will do away with this.

Q. I thought that it was the reason why you did not express an opinion.

A. It is because I got out of touch with the mill management since 1920 when we sold our last mill and I do not feel myself competent definitely to tell you whether protection is justified or not. I cannot express an opinion except in the way in which I have done. I know it is not of much use, Sir. But I am afraid I cannot do anything more.

President.—There are one or two points which arise with reference to Question 106. You say, ‘I believe that the rise in price would be temporary, because ultimately the internal competition of the Indian mills, and increasing efficiency resulting therefrom, would lower costs of production and selling prices’. But is there any reason to believe that protection would result in increased efficiency? Might it not have exactly the opposite effect?

A. No, Sir. I believe and I take it for granted that in giving protection neither you nor the Government of India would give protection on the extravagant side. I take it that at best it will be just adequate.

Q. There again, you expressed the opinion earlier in the day that there is no good of giving half-hearted protection. Therefore if you are going to give whole-hearted protection, it should be on the extravagant side.

A. Not necessarily. It may be only adequate. No Committee or no Government does give extravagantly. They may take extravagantly but they don't give extravagantly. If the Government of India give adequate protection, it is more than India can expect. I have no apprehension on the score that the Government will be extravagant. Very far from it. They have still to earn that reputation. I mean any Government in the world. I take it for granted that the best that can be done is granting adequate protection. It is when there is a boom that people are indolent. But in normal times when they are making 6 or 7 per cent. they try to make it 10-11 per cent. and there the efficiency comes in. When the industry is really being squeezed, it cannot be efficient. Then wrong economy comes into force. For proper efficiency you want the man or the industry to be living and living decently. No increase in efficiency can be looked for in times of stress. I therefore believe that it will only come when normal times or what are looked upon as normal times return. When adequate protection is given, that is the only time when efficiency can be revived.

Q. Then you go on to say in the same reply that the ‘increase in the cost of living would not be large enough to cause material hardship to the consumers’. But on the other hand you would be imposing that increase in the cost of living of the consumer at a time when on your own showing his buying power is reduced by 12½ per cent.

A. That is the ordinary canon of protection. Protection can be justified on this, that while it adds to the burden of the consumer for the time being, it will, when it has run long enough to have its full effects felt, make up more than the sacrifices which it has entailed. Regarding buying power, I am afraid I have worried you enough. But I fear that whatever you may recommend will never be of any good unless you set right the first artificial wrong which is at present being done to the industry. That is my conviction. Set the exchange right and then whatever protection is necessary will be comparatively much smaller and may be needed for a much smaller period too.

Q. Then in your reply to Question 115, you support the proposal of the Millowners Association in principle, that an additional 4½ per cent. should be given to enable them to provide for depreciation. But surely when you are comparing the two rates, the rate at which they can sell their goods and the rate at which their competitors can sell, you are already including depreciation. On the other side, the Japanese profits enable them to set aside sufficient for depreciation. Therefore, if you give sufficient protection to put matters right, are not you counting depreciation twice over ?

A. I therefore say 'in principle'. I have not gone into the calculation. I knew that even if I got the calculation from the Millowners' Association, I may find it difficult to understand it. I support the proposal in principle. Supposing the Board came to the conclusion that protection was called for, the next thing would be, to what extent it should be given. In order to ensure adequate protection, you have to allow for depreciation in your calculation. To that extent only I support it, that it should be included in the calculation. Not beyond it.

Q. Not necessarily in the form put forward by the Millowners' Association ?

A. No, because I have not been able to go into it.

Raja Hari Kishan Kaul.—You propose that a general reduction in freight would no doubt help the industry. In answer to Question 100 you say 'This is hardly a feasible proposition. If a general reduction is not possible, what would you think of a suggestion which has been put before us that freights from centres of production to the principal markets should be reduced ? That is, if freights cannot be reduced generally, the suggestion is that some reduction in the rates from manufacturing centres to the principal markets should be made.

A. But would not that be a general reduction for that ? What I say here is that discrimination in the matter of railway freights will lead to complications. What I had in mind was that cotton booked to a mill should not go at a lower rate of freight than cotton booked to a merchant or for export. That will lead to complication.

Q. Cotton booked to such and such place or cloth booked to such and such place, say, Cawnpore or Nagpur, should be so much. That is the suggestion.

A. It would apply to cloth booked by anybody to anybody ?

Q. Yes, as long as it is booked from that particular centre.

A. And then whether it is imported cloth or locally manufactured ?

Q. It does not matter.

A. That is the main difficulty.

Q. I understand the suggestion to be that the freights should be reduced for the export of manufactured goods, that is cloth, from the manufacturing centres to the principal markets. No distinction was made in their proposal.

A. Yes ; put in that general manner, it might appeal. But I am afraid the difficulty will come up when you tackle the details. You will find there are so many consuming centres and so many manufacturing centres. Again you have to deal with the question of the kinds of goods exported. If Ahmedabad imported piecegoods, what kinds of goods ? Is it 50 bales of Japanese piecegoods or Lancashire piecegoods ? You have to discriminate and it leads to complications, and makes the administration very difficult. I would rather not expose the public and the staff to temptations from both sides.

Q. Suppose no discrimination is made between imported and locally made cloth ?

A. Then where is the advantage ?

Q. The export from a manufacturing centre would be of the mill-made cloth.

A. But would not that be a general reduction ?

Q. It will not be reduction in other things.

A. It would not be confined only to mill-made cloth. It will be reduction for cloth from that particular centre.

Q. Is that what you mean by a general reduction ?

A. Yes, applying to every variety of cloth and every variety of cotton and not to all goods in the country. What I mean by general reduction is reduction in one station as applicable to every variety of cloth without any discrimination.

Q. Discrimination as to where the cloth or yarn came from ?

A. Yes.

Q. But you don't want to apply it to all places ?

A. If you apply it to all places, it will be better.

Q. Then you would advocate it for the manufacturing centres ?

A. I see no objection to it. I think it will be a help. But that would be like a drop in the ocean. You cannot give any substantial assistance. Just a protection of fraction

Q. Can you give us any idea of the additional burden on the consumer if the prices rose to the full limit of any additional import duty that might be put on? Supposing the Millowners' proposal is accepted and 13 per cent. plus $4\frac{1}{2}$ per cent. or $17\frac{1}{2}$ per cent. additional duty is put on, what will be the effect?

A. I think immediately, generally, the prices go up to that extent. Then they begin to settle down at the point at which there is a demand, and when they begin to settle down it takes a little time. It fluctuates and eventually it leads, taking the protection to be adequate, to more competition within. When everybody has a little margin they will work at the full capacity and you get an increase in production. And at the end of two or three years you might find more people putting up mills.

President.—Would you not in those circumstances get back to the same state of affairs?

A. When more mills are put up?

Q. You will get depression?

A. Not necessarily. In 1918 when you were running the Standard Cloth Department the figures given were that India manufactured 45 per cent. and the imports were 55. I do not know how far India has progressed, but I think it would be safe to say that India manufactures half and imports half. So, there is 50 per cent. to be made up.

Q. But have you got cotton for that other half?

A. If India has not got cotton she will import it. India has been known to be importing African cotton, Egyptian cotton, and this year under exceptional circumstances she is importing American cotton. But I think she can easily out of her own cotton production go up by another 20 or 25 per cent.

Raja Hari Kishan Kaul.—At the time when prices have risen to the full extent of the additional import duty what would be the additional expense to the consumer. Would it be $17\frac{1}{2}$ per cent.?

A. Not necessarily.

Q. Various estimates have been given to us of what the additional burden would be. Can you give us some idea of what the additional burden would be?

A. As I say, the prices are quoted at the full excess of the protective duty the day after the protective duty is imposed. Then when it is found that people are not free buyers at that, they are slightly reduced, and you come to very nearly half of that.

Q. You think it will be half of it?

A. That is roughly what I think would happen.

Mr. Subba Rao.—In answer to Question 96, you generally deprecate exemption of machinery and mill stores from certain duties in order to encourage the mill industry. Would you not make an exception in the case of dyeing stuffs assuring there is no competition between imported dyes and local production. In that case would it not be of some help to import dye stuffs without any duty?

A. Well, I am afraid I do not know whether any imported dyes compete with our local dyes or not. I could not tell you, but if there is any such competition....

Q. So far as I know you do not get very much. We have not got very much of indigo now either.

A. Indigenous indigo is of course a thing of the past now. So I should see no objection to it. It is subject to my not knowing the actual facts very accurately.

Q. You made a suggestion just now that India could manufacture yarn and cloth on a basis of imported raw cotton. Do you consider that could be done on a large scale?

A. Well, in 1914, I know several mills were doing so successfully, and certainly nobody would say that the times were abnormal then.

Q. What kind of cotton?

A. African cotton.

Q. Was it a very large amount? Even now it is only 16,000 tons.

A. Yes. It is a substantial portion of the cotton crop grown in East Africa.

Q. But is it a substantial portion of the cotton used in the mills?

A. It is not more than that because the demand is not for it. I think India could do more.

Q. Failing Uganda, is it possible to use any other cotton?

A. I may say I am optimistic brought to think that with the experiments Government are making India will grow better cotton.

Q. But, thinking of the immediate possibility?

A. I am not looking out for anything in the immediate future because in the immediate future we have got to get over a good deal of the handicaps we have. I am looking ten years ahead, and I think India then will be able to produce a good deal through the

assistance of these various experimental farms and this Central Cotton Committee which is spending at the rate of 7 or 8 lakhs a year on research.

President.—Is there an import duty on raw cotton ?

A. No import duty, that is barring the development duty of Re. 1 a bale.

Q. On raw cotton coming in ?

A. Yes. A lakh and a half of American bales coming in will pay 1½ lakhs to the Government of Bombay.

Mr. Subba Rao.—In answer to Question 118, you suggest the introduction of a system of negotiable warehouse receipts. That seems to be an entirely new system ? Isn't it ?

A. Yes.

Q. The system of warehousing of cloth and of cotton ? Which are you thinking of ?

A. I think your question refers to cloth. But there is no reason why it should not apply to cotton, which only means an organisation on a new basis.

Q. It contemplates a new organisation ?

A. Yes.

Witness No. 60

Mr. B. F. MADON, BOMBAY

written Statement dated 9th September, 1926

GENERAL REMARKS

It is my considered opinion that the present depression in the cotton spinning and weaving industry as also in various other industries in this country which depend on India itself for their principal market, is very largely due to the changes in the rates of exchange between this country and other countries as compared to the pre-war parity. In the case of those countries whose currencies have depreciated as against pre-war, the industries of such countries find the capital cost of their concerns reduced in terms of gold, the capital debts, if any, also reduced, and to that extent they are able to compete more favourably with countries whose capital costs and debts in terms of gold remain constant. The effects of such depreciation are more immediately noticed in the working charges of such concerns, because while such charges remain constant in terms of currency, they become much lighter in terms of gold. The same applies to the annual bill for wages which the workmen are content to accept for the same amounts in currency as before depreciation set in because it is very hard for the masses of the people to understand the effects which exchange has in reducing real wages until the difference becomes too glaring in the shape of higher prices of the necessaries of daily life. Therefore, in countries where the depreciation has not gone very far, the work-people continue to accept the same amount of currency and to that extent the employer saves (in terms of gold) on the cost of his manufacture. Then again depreciation is a certain percentage of the capital cost in terms of currency, and this again is lowered in terms of gold where currency has depreciated. If the balance sheets and costs of a cotton spinning and weaving mill are analysed from this point of view, it will at once be seen that depreciation of currency gives a very important advantage to the country with such currency as against the country whose currency is at gold parity. I have tried to develop this phase of the problem in my work called "Exchange Fallacies Exposed" pages 136 to 148, and of which I have already submitted a copy to your Board and would beg a reference to the same.

To take a concrete example, let me assume two countries whose currencies are both of them at par and a mill in each is capitalised at £100,000. Suppose country A remains at gold parity and B depreciates 20 per cent., the effect would be that the capital cost of the mill in country A would still remain £100,000, while the capital cost of the mill in country B will have been written down to £80,000 in terms of gold. There is, of course, no actual writing down in practice, but the effect comes in the dividends that have to be paid. Assuming that 10 per cent. is considered a reasonable return on such a venture, then the mill in country A must distribute £10,000 in order to keep its shares at par. The mill in country B distributes the same amount in currency as before, but it will represent only £8,000 in gold, and to that extent make it easier for it to compete with the concern in country A, because it could afford to do with £2,000 less profit. If both these concerns had a debenture debt of £40,000 at say 7 per cent., then the mill in A must earn £2,800 to pay this debt, while the mill in B will only need to earn 20 per cent. less because the debt stands on its books in currency, and the interest will also have to be paid in currency, and the currency was depreciated by 20 per cent. The same argument will apply to all other items of cost which are more or less fixed in terms of currency.

The above would apply to the cases of Manchester as against Japan when England was very near gold parity and Japan was at a discount of about 20 per cent. and will explain how it was that Japan was able to make such headway even against Manchester in the past two years in certain qualities.

If we now consider the case of a country like India whose currency has been appreciated by 12½ per cent., the results are much more serious. Taking the above example again and assuming again that they started on competing terms a few years ago, the position will be that the cost of the Manchester factory remains at £100,000, that of the factory in Japan is reduced to £80,000 in terms of gold, and that of the factory in India is increased to £112,500, and Japan thus gets the advantages that ordinarily accrue to cheap capital cost and Manchester is handicapped as against Japan, and India is further handicapped against both, and, to a very serious extent, as against Japan alone. The same thing applies to their annual costs, and particularly to labour charges which form the biggest item of cost, apart from raw material. Assuming that each of these mills was paying £20,000 for labour charges at gold parity, then under the new position, in terms of gold, Manchester would be continuing to pay £20,000, Japan would be paying

only £16,000, and India would have been compelled to pay £22,500. These figures given merely by way of example will show your Board how very serious the handicap of exchange is, and I am strongly of opinion that this is at the bottom of the present position, and the handicaps on our mill industry imposed by exchange in the shape of artificial over-capitalisation of block accounts and artificial increase of labour, interest and other charges cannot be got over except by writing down of capital or liquidations of concerns, and sale of such concerns to new buyers at lower rates than the original capital cost, and also by reduction of the wages of the work-people. This is why mills are now-a-days being forced into liquidation and this is why there was that determined attempt last year to reduce wages by 11½ per cent. I am personally of opinion that that struggle between employers and work-people is bound to arise again in the not distant future until wages have also been readjusted to the present artificial appreciation of rupee exchange. With these general remarks, I shall now try to reply to the questionnaire in more detail.

SECTION I

General

1. The present depression, being due to such a fundamental cause as exchange, must affect all centres, but not to the same degree, as the particular circumstances of each concern may enable it to minimise the effects in its own case.

2. I consider the depression due to the factor of exchange.

3. Exchange being the cause, it cannot be temporary if Government stabilises the rupee at 18d. The handicap to that extent will be permanent, it will be temporary to the extent that it arises from depreciation of foreign currencies and will last until they come to pre-war parity. This is now possible with Japan in the near future, but not with France, Belgium or Italy who can only stabilise at a new rate, and the adjustment of wages and other costs in each such country will take a considerable time after such new rate is stabilised.

4. I consider the question misconceived. It is not the margin between the price of cotton and finished goods that is the real difficulty. The real difficulty is the twisting up of costs and charges through exchange manipulation.

6. I do not think cheaper raw cotton will mean prosperity, because it will further impoverish the principal customers of the local mill industry.

7. The mill industry has been reasonably prosperous in pre-war days both with high and with low prices of cotton and of goods. The depression to-day is, to my mind, really due to want of confidence in the stability of dealers and others which has been brought about by exchange manipulation and deflation of currency and the tightness of the money market which accompanies such manipulation and the withdrawal of such funds as would otherwise have remained in trading circles on account of the atmosphere of distrust that had been created.

8. I do not agree that the depression is due to the fall in the price of cloth not having corresponded with the price of cotton.

9. The twisting up of exchange by 2d. has resulted in the prices of the principal agricultural products being lower by 12½ per cent. than what they would otherwise be, and this exchange manipulation is therefore to a large extent responsible for the reduction in the purchasing power of the ryot because his nett surplus per acre is reduced by much more than 12½ per cent. I am however of opinion that the present depression is due to the difficulties of the distributor and the manufacturer, and the ryot still goes on buying his requirements, as he is not yet deterred by the fall in prices, as he is used to such things and the sowcar still gives him the necessary credit also on the belief that the next season would prove better. The results of the reduced purchasing power of the ryot are still to be felt and will be felt in years to come.

10. I do not agree with the view that the consumer invests his savings in precious metals rather than in buying cloth.

11. No improvement in organisation could get over the serious handicaps imposed by exchange. The mills were able to do well in pre-war days under similar conditions of organisation, etc.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. I do not think this has been a serious factor,

14. I consider that the lower prices, which depreciated exchange enabled Japan to quote, has contributed materially to the present depression by compelling local manufacturers to also reduce their prices, and divert their looms to other qualities thus affecting the market in those qualities in their turn.

SECTION III

Internal competition

The only remark I would make regarding this part of the questionnaire is with reference to the percentages of imports of foreign goods. I would like to point out that it is a mistake to consider that a small percentage cannot have any effect on prices. All experience of the facts of commerce is in the contrary direction for instance, and over-supply of only 5 per cent. in the quantity available of sugar or wheat or cotton frequently reduces the price by 25 per cent. and an over-supply of only 10 per cent. frequently reduces the price by 50 per cent. or more. On the other hand a shortage of supply of only 5 per cent. raises prices by 25 to 30 per cent. or more, and a shortage of 10 per cent. frequently leads to rise in prices of as much as 100 per cent. and even more. I will only quote the instance of wheat, sugar, rubber, jute and cotton in the last 3 years as examples of the enormous effect a slight disturbance of the equation of demand and supply can have on prices. Therefore it will be a mistake to consider that a mere 3 or 5 or 8 per cent. increase in the supplies of cloth from a competing country was too small to have any effect.

SECTION IV

Mill management

40. I consider that the industry is managed with reasonable efficiency and economy, and it does not, at least in this respect, fall behind the standards of pre-war days, when as we know, it was able to stand its ground against foreign competition and prosper. Nor is there any reason to suppose that the management has deteriorated. The argument is mainly put forward by those who do not understand the disastrous reactions which exchange manipulation can have, and who, therefore, fall back on talk of efficiency to explain the present situation. England is similarly charged with inefficiency in the past 2 years and unemployment there and practically no unemployment in France, Belgium or Italy are put down by many superficial observers to this cause when the root cause is the depreciated currencies of the latter countries.

41 to 44. The system of managing agents fills an important need in Indian industrial economy. Banking as known in the West is practically unknown even to-day in this country and exchange banks, mainly owned and controlled by non-Indians, cannot be expected to finance Indian industries as big local banks do for their own industries in various countries. The consequence is that without the backing of a wealthy and influential house, it is almost impossible to raise any large amount of capital and it is almost equally impossible to finance it without the credit and backing of such house. Hence the system of managing agent which has helped to bring the cotton industry to its present stage of development, and this result has justified the existence of the system. The principal objections to it so far as I can see are two (i) the method of remuneration and (ii) the want of technical knowledge in the agents themselves. As for the latter objection there is not much in it, because many agency houses have been doing it for more than a generation, and to-day certainly have sufficient knowledge and experience to look after the business, with the help of their technical advisers, and it is to be remembered that the function of the agents is mainly to provide the finance and look after the merchant side of the business, and most of the houses are quite competent to do this. As for the question of remuneration, there are two methods, one, a percentage on all purchases or sales of any kind made on behalf of the mill, and the other, a percentage on the nett profits of the mill with some fixed allowance. The former system was much more common 25 years ago, but now-a-days, I believe, the bulk of the mills only pay a percentage on profits. It is very difficult to say which is the cheaper in the long run, but the general opinion is that the percentage on profits is the sounder system, because it acts as an incentive to the agents to see that there are profits. In countries where the agency system is not in vogue, it is the board of directors that generally get a percentage of profits. It stands to reason that this should be so as you cannot expect capable business men to serve on your boards for nothing or practically nothing as the fees amount to a very trivial sum a month.

SECTION V

Mill finance

45. Except for the few mills which changed hands during the boom period at boom prices, there can be no question of overcapitalisation. Therefore, this cannot have

led to the present depression. I do not think there are any important cases of under capitalisation. If the implication in the question is that wherever there are debentures it is a case of undercapitalisation, then I think it is a wrong view, because so long as the plant fully represents the total share and debenture capital, it cannot do any serious harm under normal conditions, and in fact by enabling such debentures to be paid off out of profits reduces the capitalisation per unit and ultimately renders the position of the concern far stronger.

46. I do not think there are many such cases.

47. Most of the mills had built up their reserve funds also very liberally, and I do not take the view that the distribution of profits was unduly liberal, because shareholders who take all the risks of losses are entitled to large distributions in good times. The present depression is not due to those dividends but to the impossibility of earning even a normal profit to-day.

48. I refer to my remarks under No. 45, and will only add here that the system of capitalisation in Manchester is even worse, and it is not unusual to keep shares partly paid and depend on short deposits from the public or loans from the banks.

49. I am afraid the system of deposits is bound to be there until banking in India is developed far more than it is to-day, and there are many large local banks able to give adequate finance to industries. Even then, it is doubtful if such deposits will go to banks, because, in the present state of illiteracy, people naturally have more trust in, and prefer to confide their savings to, those men in their communities whom they know and with whom they can deal without the red tape necessary in banks.

50. I do not see anything unsound in a mill investing its surplus funds in a like concern of the same nature because it can much better appreciate the earning power of such concern and consequently the profitableness of such investments. I also do not see anything wrong in investment in some other industry if the existence of such concern is considered, in any way, helpful or beneficial to its own activities.

51. *Prima facie*, there must be greater difficulty in mills obtaining finance to-day, because the criterion of the financier as to the stability of his borrower would be (1) the profits, (2) the dividends, (3) the share values, and rapidly diminishing profits or gradually increasing losses seriously affect the value of the stability of the borrower, but it is not a cause of the depression but an effect of it and one of the steps in the vicious circle brought about by currency deflation.

SECTION VI

Costs of Production

B. Raw Material

60. So far as I am aware, the mills in Bombay buy cotton both in the Bombay market and from the cotton districts direct through their own agents, and this does not differ very much from what Japanese mills do as shippers to Japan, also buy here as well as upcountry. I am not aware of any Japanese mills buying direct in the upcountry markets in India. As for Lancashire the practice there for American cotton is mostly to buy from shippers on "call". This means that they agree to pay a certain number of points above or below the quotation for a given month in Liverpool and reserve the option to say on what day they will exercise the right to call. The procedure was very lucidly explained by Mr. Bryce-Muir of the Liverpool Cotton Association in a speech last year to which I would beg to refer.

61. I do not think the present depression has anything to do with the so-called "speculative" purchases of spot cotton because it has been the practice for all well-managed mills to secure their staple cottons early in the season in order to be sure of the right quality. I am not aware of local mills buying cotton futures as a regular thing. The method of "hedging" is considered a safeguard against the element of "speculation" but even this is not as safe as many laymen seem to consider it. The word "speculation" is wrongly used in this connection, because to the layman it conveys the idea of something reprehensible. I take it that your Board mean the risk of fluctuations of markets and want to know how such risk could be reduced if not entirely avoided. Here, we come up against the peculiar conditions of a mainly agricultural country, where there are two important selling seasons for cloth and one important buying period for cotton. If it was possible for mills to sell an average quantity of yarn or cloth month by month and if they could cover a corresponding quantity of cotton also month by month, they could, in that way, avoid the greater part of the risk, but that is impossible. Demand in this country follows, as it must follow, the two harvests, and it is then that the bulk of

the production has got to be disposed of. If these seasons are missed, the mill may find itself left with its output unsold. Therefore, it has got to meet the market in the seasons. On the other hand, as already mentioned earlier, it has to lay in a stock of the right quality of cotton when such cotton comes to market, because otherwise supplies of good quality are taken up by other mills or for export, and the quality remaining available in the market is not very reliable, and, in any case, purchases have to be completed before the rains set in, as the selection becomes very poor after that. Under these circumstances risks of fluctuations of market are unavoidable because prices in this country fluctuate, and fluctuate very widely at times, on reports of the progress of the cotton crop in America. However, this kind of risk has always been there even in normal times, and has not come in the way of the mills making reasonable profits. The mischief in recent years has been that prices of Indian cotton have been artificially reduced by another Rs. 50 per candy as against what they would stand at even on to-day's parity with America.

62. It is not correct to say that Indian mills pay a higher price than what is paid for export at any given moment. What really happens is that the demands do not coincide, and whichever demand is most active at the moment makes the prices. Consequently if Bombay mills are in the market when Japanese or European buyers are out of it, they appear to pay higher prices than what the others might be willing to do, but as a rule it is the prices paid by the exporting interests and particularly by Japan that make the market. It may however be mentioned here that Japanese or European spinners do frequently get cotton at appreciably lower prices than the level in Bombay. This is due to competition between merchants who accept lower prices according to their own views of the market. It is clearly impossible for any Bombay mill to do the same.

63. I do not think the present depression due to cotton having been bought at higher prices than those now prevailing, and would refer to my replies to previous questions.

C. Labour

64. The higher remuneration paid to labour on account of reduced hours of work is certainly one cause of the depression, but the twisting up of even this remuneration by a further 12½ per cent. through exchange manipulation is a more serious factor to my mind.

65. I do not agree that there was any unduly liberal distribution of bonus to operatives when the profits of the mills in 1917 and subsequent years are considered. The trouble really arises from the fact that human nature rebels against having to give up any advantage that one may have acquired even when circumstances change, and the getting rid of the bonuses in periods of smaller profits was a difficult problem, but it cannot be made responsible for the present depression.

SECTION VII

Remedial measures

A. Suggestions put forward by the Bombay Millowners' Association

96. I am not in favour of removing the Customs duty on machinery and mill stores, because I think it essential that India should, in course of time, become self-supporting in the matter of supplies of both these items. Besides this the Customs duty on machinery only adds a certain percentage to the total capital costs, and will only affect dividends and that to a very small extent. As for stores, I understand that some of them are already made in this country, and I do not see any reason why other items should not also be produced in this country, and would not, therefore, remove such little impetus as the present duties may give to the production of various stores in India. The millowners can best say what difference it makes to their cost, but I do not think it can make any appreciable difference sufficient to justify the sacrifice of the advantage I mention of above.

97. I am strongly in favour of removal of company super-tax, because I consider it an unfair double taxation and as tending to affect the companies standing by reduction of the dividends that might otherwise be possible, and also as tending to discouragement investment in industries.

98. I also think that the town duty of rupee one per bale should go. It is acting as a serious—and I may even say unfair—handicap to the mill industry in this city, and is also tending to drive away the cotton trade to other ports, where such a duty is not being levied.

100. I understand that the freights now charged are, in many cases, very much higher than in 1913, and must act as a serious handicap on the industry when it is being advised on every hand to bring down the cost of its products to the consumer.

101. All I can say is that the Japanese Government pays extremely close attention to direct shipping facilities and low freights for Japanese products to their possible markets and I think this has been a very important factor in the development of Japanese trade.

102. If the efforts Japan has constantly made in this direction are any guide, Japan finds it a very paying proposition to have trade commissioners at all important points abroad, and I am inclined to think India would benefit by following Japan's example.

104. In my opinion there should be a two-fold duty.

(1) an additional duty of 12½ per cent. on all imports to counteract the advantage that the raising of the Exchange from 16*d.* to 18*d.* gives to our foreign competitors.

(2) a duty equal to the depreciation of the exchanges of the exporting countries from their pre-war gold par.

(This may seem too drastic for countries like Belgium, France or Italy. Therefore Government might make the parity of, say, 1921 with gold as the basis).

The second will not affect our most important competitor to-day, *viz.*, Japan, because their currency is now practically at gold par, but they have not yet reverted to a real gold standard with free movements of gold, and there is, therefore, still the danger that their currency might be allowed to be once more depreciated if it suits the policy of those in charge of the destinies of that country. I would like to remark that some of the most level-headed Japanese business-men have been themselves urging on their Government an early return to the gold standard, but so far without success.

105. Both the above measures will have to be permanent. The first must be permanent, because it seems to be the declared policy of the Government to put the level of India's exchange permanently 12½ per cent. over pre-war. The second will also have to be permanent, although it may not be operative if there are no longer any countries with depreciated currencies, but it will continue to act as a great safeguard to the industries of this country against a renewed depreciation of any foreign currencies.

106. Cotton, the material of yarn and cloth, fluctuates so much year by year that any increase due to the duties suggested above is not likely to make any important difference to the ultimate consumer who will go on buying his few yards of cloth when he needs them whether the price is an anna per yard here or there. Again the total expenditure on cloth apart from what may be needed for important social events, would not be such as to make any appreciable difference to the total cost of living of the middle or lower classes.

(I may add that I consider argument underlying this talk of burden on the consumer to be entirely fallacious although it has been frequently advanced in this country and elsewhere. If it was true, negroes in the wilds of Africa, with no tariffs to trouble them, ought to be the happiest of human beings and the people of tariff-ridden countries like America, Germany or Japan ought to be the most miserable and the most to be pitied).

109. The duty should be levied, even if it increases the price to the consumer, because it is of the greatest interest to every one in the country that such an important industry should not go under, and, as I have already said above, the sacrifice by the individual consumer towards this object will be comparatively trivial and the principle has been openly accepted by England in its various "safeguarding of industries" proposals.

108. I consider that the industry is sufficiently developed in the country to keep down prices to a reasonable level through internal competition alone.

111. I do not think the increase in duty will act as a restriction on consumption. It might act to some slight extent in the direction of larger consumption of cheaper qualities.

112. I do not think the position will be as suggested in this question; qualities required by different markets are generally different and the demand for those markets is even to-day being fully supplied, and such markets are not at present starved of supplies on account of the imports into India. Therefore I do not think there will be any appreciable diversion.

113. At present, yarn is taxed at 5 per cent. and cloth at 11 per cent. and the hand-loom industry has therefore an advantage of 6 per cent. In the future the hand-loom industry will continue to have the same amount of advantage if the additional duties are on the lines indicated in my reply to question 104, and, therefore there will not be any new handicap on the hand-loom industry.

114. As I understand the meaning of a scientific tariff, it means a tariff levied on particular kinds of manufacture in a way and to an extent to encourage that particular manufacture in this country. It would consequently mean different rates of duty on different kinds of yarn or different kinds of cloth to countervail the handicaps, which the climate or other local factors may impose on the manufacture of that particular product, and the duties would be calculated in a way to give a reasonable profit on the manufacture of that particular article, and thereby to lead to the effective establishment of the manufacture of such article in this country. To-day the problem before your Board is not a question of encouraging the manufacture of things which are already being manufactured in this country, but of saving manufactures already established, and able to hold their own under normal circumstances. Therefore, to my mind, the question of a scientific tariff does not arise.

115. If the handicaps of adverse exchange factors are removed by additional duties as suggested in my reply to question 104, I am of opinion that our mills will be again able to hold their own against foreign competition.

B. Other Suggestions

116. I am not in favour of an export duty on cotton because in my opinion such a duty will not increase the cost to the foreign buyer, but will reduce the price realised by the Indian producer, and may tend to wipe off the greater part of his profit on the cultivation of cotton, and discourage such cultivation. I would refer your Board to pages 114 to 116 of my "Exchange Fallacies Exposed" for a more detailed explanation of the effects of such duty.

118. There are various directions in which it is possible to increase the present banking facilities to the industry. There are two parts of the problem, one, the financing up to the point of completion of manufacture, and the other the financing from that point up to the time that it passes into the hands of the retail consumer. In countries more advanced than India in banking matters, the supplies of cotton or stores are covered by bills of exchange at 60 to 90 days sight, and the mill is, therefore, able to keep control over a large supply of the necessary cotton, etc., for its nearfuture requirements without having to lock up capital. This is only made possible by the system of requirements which is in vogue in such countries. In India this is practically non-existent, and the Indian mill has to immediately put up all the cash necessary for its purchases. Many of the mills are able to get a part of the finance by means of cash credits from their bankers, but even so a large amount has to be found in their own cash for the necessary margin of 25 or 30 per cent. As already explained in a previous question, the conditions governing the supplies of Indian cotton make it necessary to lay in practically a whole year's supply at least of the stapled cottons in the first two or three months, and this necessitates the lock up of very large amounts of capital either by the mills themselves or their bankers, and necessarily puts a limitation on such financing, because even bankers are not able to lock up very large sums which would be nonliquid for want of a suitable re-discount market. Every mill of any size has also to carry fairly large stocks of cloth on account of the many qualities and also on account of their having to wait for the right season for particular qualities. This requires further finance, and has to be managed through the same cash credits. This position compels mills to insist on cash as soon as the due date comes round, because they are daily manufacturing more goods and have to see that their burden of finance of such goods is kept well within limits. The consequence is that if the money market position is at all difficult dealers are afraid to enter into forward commitments for fear of having to find money, at a time when the respective goods may not have been disposed of by them in their turn. It also restricts the facilities that these dealers are able to give to their own customer—the small wholesaler in upcountry towns. In the case of imported piece-goods the bank, which carries the bill, carries the goods up to maturity, and even after maturity frequently turns it into a loan with a small margin, so that the dealer in such imported goods is not as closely pressed for finance as the dealer in local goods, and this results in freer dealings in imported goods, because the dealer in such goods is confident that the importing office will carry them for him, and allow him to take away and pay for a few bales every now and then as he may want them.

The dealers find it difficult to finance their holdings of local goods with banks, because the goods are kept in the respective godowns of the dealers, and loan has to be made on the description of the goods as the dealer may give it, and the banks are, therefore, unable to lend money freely because it becomes more an advance on the honesty and good faith of the party borrowing than on the merchandise itself. In other countries, one solution of this problem has been the creation of independent warehouse companies with substantial capitals, who take charge of such goods and warehouse them, and whose warehouse warrants are then readily accepted by any bank as collateral for advances. I think it

high time that this question should be more closely studied by Government, because it has a very important bearing on the finance of all our internal trade.

119. I am not aware of any such organization of millowners in any country for co-operative purchases of cotton, machinery, mill stores, etc., or for the standardization of lines and prices except for a recent attempt in Belgium. I do not think that this, even if feasible, will really solve any of the present difficulties because, the agents, being powerful merchant houses, generally get as good rates as any such organization is likely to get. In fact, in cotton, such an organization might even be dangerous, because such an important buyer would be very closely watched and would find it very difficult to operate to advantage, particularly when supplies may not be ample.

120. My information is that, up to now, the margin of profit on higher counts has been much poorer than that on coarser counts, and unless Government takes action on the lines of a scientific tariff to actively foster the manufacture of such counts, it will not be possible to hope for important developments in this direction, nor would that be any solution of the present difficulties.

Witness No. 60

Mr. B. F. MADON, BOMBAY.

Oral evidence recorded at Bombay on the 20th October, 1926

President.—I propose to leave Mr. Subba Rao to deal with the general question of exchange, Mr. Madon. But, there are one or two preliminary questions I should like to ask. I take it that you would agree that Japan is not now a country with a depreciated exchange as compared with India?

A. Not depreciated; but India has appreciated.

Q. You would agree that there is no special reason for discrimination against Japan at the present moment on the ground of exchange?

A. No, but with one proviso that, even to-day, Japan has not got itself established on the gold standard. It is still hesitating and there is no knowing when it may slide back. It is not quite up to par. The par is 24½d.

Q. 136 rupees per 100 year.

A. Do not please talk in rupees. There you will again come up against the difficulty of the appreciation of the rupee. The best thing will be, if you will permit me to put it in that way, to take the currencies of India and Japan both in the sterling value, which means gold value. There the gold value of the yen is 24·58d. and today Japan is still only at about 24·05 or something like that. It has not yet reached par and the Government is still hesitating. We may take it that no action is necessary to-day but it may be again necessary in the future but all such action should depend only on the disparity between the gold parity and whatever its actual parity may be.

Q. You go on to say that 'India is handicapped against both, and, to a very serious extent, as against Japan alone.'

A. When we are talking of the depreciated exchange. The point is, Sir, taking Japan with her depreciated exchange even to day, which is about 3 per cent. below par, and when I was writing I believe it was 5 or 6 per cent. below par....

Q. Three per cent?

A. Say 2 per cent. if you like. 24·58 is the par and if we are at 24, it means ·58 depreciation. Is is roughly 2 per cent.

Q. You can hardly call that a 'serious extent.'

A. Not against English currency. But when you look at the 12½ per cent. appreciation in India, it means altogether a 14½ per cent. difference on account of exchange alone.

Q. I am not quite clear about the concrete example you give us, Mr. Madon.

A. If you tell me what your difficulties are, I will try to explain.

Q. My difficulty is this. 'You mention the case of mill A in one country and mill B in another country and you say that 'assuming that 10 per cent. is considered a reasonable return on such a venture, then the mill in country A must distribute £10,000 in order to keep its shares at par. The mill in country B distributes the same amount in currency as before, but it will represent only £8,000 in gold, and to that extent makes it easier for it to compete with the concern in country A, because it could afford to do with £2,000 less profit.'

A. Yes. What is the difficulty there?

Q. The difficulty is how does that apply unless they are both buying something in gold? If mill B is distributing 10 per cent. in its own currency and buying nothing from outside, is it not then in the same position relatively as regards its own country as the mill in country A?

A. We are not comparing, I believe, a mill which is not competing with India. We are today considering the case of mills in other countries which are competing with India. Then their sales depend on gold prices, not on their own currency; because outside one's own country, all prices are regulated in gold, whatever it may be in that particular country. So the mill in country A and the mill in country B, both will have to realise their prices in terms of gold and then those prices will be changed into their respective currencies. If a country is on gold, there is no change; the gold amount is the currency amount. If the currency is depreciated, the gold amount is one amount and the depreciated local currency amount will be a much bigger amount.

Mr. Subba Rao.—With regard to your general remarks, are you not considering what may be called a temporary situation when prices have not been adjusted to the change in rates of exchange?

A. Is it your point that a temporary situation does not require a remedy?

Q. I did not say that.

A. Unless you tackle that particular point clearly, you will not be able to arrive at the right solution. Plague, cholera or any other epidemic is a temporary thing. It passes away in three months or six months. But nobody on earth should say that Government should not apply remedies for it.

Q. I am not speaking of the remedy. You speak of certain effects,—gain to people, how the people are content to accept wages and so on. But all that is a temporary phase.

A. Temporary until what?

Q. Until the wages are adjusted to the new rates of exchange.

A. Then the assumption is that wages are adjusted?

Q. You dispute that?

A. I dispute that, because the facts are otherwise. Just take our own country. No adjustment of wages has been possible since 1924 in spite of an appreciation of exchange by 12½ per cent. That is one instance. In Japan there was no adjustment of wages in spite of her depreciation of 20 per cent. and appreciation back by nearly 20 per cent.

Q. Surely there was a rise of wages in Japan.

A. We are only considering the mill industry, I suppose?

Q. Yes.

A. Then I think I can tell you something that may interest you. I am not giving any figures that are confidential. The Japanese Millowners are perhaps the most open in their transactions and they give more facts in their monthly and yearly publications than I have seen anywhere else in the world. This will interest you.

(The witness handed over a typed statement to the Board. Annexure A.)

Now I will tell you what it means. The first column is the number of mills that were reporting in that particular month. There is a monthly publication by the Japanese Millowners' Association—perhaps you have seen that—in which they give the number of spindles, the number of looms, the output per spindle, the output per loom, the number of males and females employed and so on. In that table every month they give the average wage per man.

President.—The Economic and Financial Annual of Japan gives the daily average wage of labour for a female cotton weaver as 97 yen, whereas the figure in 1925 is 1.25 according to your figures.

A. The figures there would show some kind of change, but they are too general. They apply to a great many industries, sheltered and unsheltered. Naturally in unsheltered industries the changes in wages are comparatively great. These figures I give are from the Millowners' Association's Report. So you can take these as authoritative. If you kindly look at the table I have placed before you, you will see that in October 1922, with an exchange at 26d., the mill wage was 1.53 and if you come down to June 1924, with an exchange at 23d., you find it is 1.52. If you come down still lower, to May 1925, with an exchange of only 20d., you will find it is again 1.53. Then if you come down to December 1925, with an exchange slightly appreciated—21½d.—it is 1.56, that is even higher than in 1922.

Q. The rate does not get adjusted immediately to the change.

A. My point is it has not been adjusted at all. The figures are authentic figures. They are not from my imagination. The adjustment may come in five or eight or ten years. I don't want to say that if Japan gets depreciation for ten years, there won't be adjustment. My point is that adjustment comes very tardily. When the worker finds that his wages won't go far enough, then he begins to grumble.

Mr. Subba Rao.—It was a question of labour knowing it and then secondly, labour asserting itself. I was only discussing the general question of principle. The rate of exchange is not something independent of the level of prices in the country and the level of wages. If the rate stands much higher than it ought to, it will go down or there will be a rise in wages.

A. With regard to that, I cannot accept that general proposition, in which you want to spread over for a generation of 33 years, because in no reasonably short period, one, two, three or four years, does it get itself adjusted. It may interest the Board if I give something else. This is also official. This is from the Report of what is called the Balfour Committee in England on the Survey of Industrial Conditions, published in the Labour

Gazette of August 1926. There is a small note of what they said in their Report and this is something that might interest you. 'Making these qualifications (which they explain earlier) the figures for June 1924 indicated that in New York and Ottawa the purchasing power of an hour's wages in terms of food was roughly double that in London, while at the other end of the scale—Rome and Vienna—the purchasing power was less than half that in London. The figures for Paris and Berlin were each about two-thirds and that for Brussels about three-fifths of the London figure. It is pointed out that the above estimates were based on the internal purchasing power and not on the external exchange value of the local currencies which in some cases have differed materially from their internal value.' That will have a bearing on what Mr. Subba Rao wants to say, that exchange directly affects wages.

Q. I did not say directly.

A. You may correct me. What happens is that the internal purchasing power as it is called is not immediately adjusted to the external purchasing power, meaning the value of the currency in terms of foreign exchange. Sometimes it lags behind six months and sometimes six years. I will show you later on from French figures that it has been lagging behind for the last eight years. Then the next point stated here is 'such information, however, as is obtainable from official and unofficial sources makes it clear that in some of the principal European countries with which Great Britain is in competition the gold value of wages is lower than that of British wages by an amount considerably exceeding the difference in their internal purchasing power.' That is, the wages in these countries have not come up to the level of the internal purchasing power. They are lower even than that. 'This margin of difference may be a factor of considerable economic interest since it must operate as an indirect premium on export in the case of countries with depreciating currency.'

Now that is the point that this Board will have to bear in mind. If things adjust themselves in 20 or 50 or 100 years it will not help us in a solution of this question. Whether they adjust themselves in six months, or a year, is the real point, and I am trying to show that it is not the case. Then, if you will permit me I will show you something else which shows that these adjustments are extremely tardy. (Annexure C.) I tried to work out whether retail prices had adjusted themselves to exchange parity or at any rate near that parity. For that purpose I have merely worked out the figures of the last six months, from January to June, because the later figures were not available. My figures are from the Labour Gazette and so they are all official. I have taken the figures for each month and worked out what the French price level ought to be and what it is. The position is this: Against a level of 870 as it should be, the actual was only 480 in January. In February, as against 879 it was 495; in March as against 896, it was 497; then as against 914, it was 503; as against 971, 522; and as against 1052, it was 544. It is practically half of what it should be. The meaning of it is that the retail prices in France are far lower than would be justified by their exchange level. I would like to emphasise that it is the real price level, the cost of living index, which has a greater bearing on the workman's wages, than the wholesale prices in foreign trade which a workman does not understand and does not care for. Now, so long as the retail prices are kept down so low, the wages should also be kept down equally low or lower. Because what happens is that in the tussle between the employer and the employee, the employer resists the increases of wages as long as he can, so that the wage increase does not come as rapidly as the rise in the retail price level which again is far lower than what would be justified by the then situation of exchange. If I had my figures for July and August when the French exchange went up to the mad level of 250, the discrepancy would be still more glaring. This is for retail prices. I have then tried to show how far, year by year, wholesale prices had adjusted themselves in France to the wage level. I will explain why I am taking the case of France when we are discussing India and Japan. In the case of minor fluctuations like those of India and Japan—comparatively minor—it is impossible to clearly see what happens. The case of France is like a study under a magnifying glass where you will see your object magnified ten times and that is why the thing becomes much clearer to the observer. I tried to work out the wholesale prices. They were all supposed to be at a certain world parity. The exchange of France at par is 25 francs roughly. In 1918 with only a slight appreciation of exchange, that is 28, the parity ought to have been 233 and France had actually come up to 206.

President.—What do you mean by 233 and 206 ?

A. I will explain. The French exchange is all the time in relation to the pound sterling. What I have taken is this. I took for comparison the wholesale price index of the United Kingdom and said to myself 'let us work out on the French exchange and see whether

the wholesale price level in France has come up very near that. It should be fairly close.' That is what I find in 1919—210 in the United Kingdom and 206 in France. That is the wholesale index number.

Q. Whose index number were you taking ?

A. The index number of France as compared with that of England.

Q. What index number ?

A. It is from the Bureau of Labour Statistics. The authority will be the same. The index number in England was 210. With exchange at 28 in France it should have been 233 in France, but it was 206. Thus it was better than in England. In 1919 it was 209 in England, and in France it should have been 340, but it was only 260. In the same way, working out year by year, it was in 1920, 373 against 624 as it should be. In 1921 it was 306 as against 454; in 1922, 297 against 435; in 1923, 321 against 573. My point is that although it is assumed generally by students of the subject that whatever may be the case with retail prices, wholesale prices do immediately get adjusted to the foreign exchange; it is also not quite correct. The wholesale prices do not get adjusted particularly when the fluctuations are very rapid; and retail prices, as I have shown you here, are very far from being adjusted. Year by year they fall very appreciably behind what they should be and so long as that is the case, wage earners in these countries do not feel the pinch because they are able to make their wages go a certain way and if not they say "the market has gone up, prices have gone up". But they do not feel that it is the exchange that is doing this, because the working classes in all countries are hardly in a position to understand these things. So what happens is that wages do not follow, even at a long distance, changes in retail prices and consequently much less can they follow the changes in wholesale prices on which we base our whole argument on exchange adjustment.

Mr. Subba Rao.—That is due to the absence of some organisation? When you get some organisation on both sides?

A. What organisation have you in mind?

Mr. Subba Rao.—For example, there have been deliberate changes of wages in response to changes in the cost of living index number.

A. I may again point out that that was also a very makeshift arrangement—not at all satisfactory. England tried it in two different ways and both have been found unsatisfactory. I would not like to take the time of the Board, but I have got the London Times Trade Supplement report on both methods. Both have been considered very unsatisfactory—one depending on the changes in the cost of living, the second on prices which the products of that particular industry were able to obtain, and both have been found extremely unsatisfactory. When the prices are poor the wage earners will claim that wages should be higher because the cost of living has gone up. When prices are very good and the cost of living has not gone up the wage earners will claim that they ought to share in the general prosperity. So it is again a very good thing on paper, for theorists, but it is not at all a practical proposition. It has not been found so in England.

Q. Like all things, when tested in practice, it does not come up to expectations. However that is a point apart.

A. Yes, but this will explain why wages were not adjusted in Japan.

President.—Have you studied the case of Germany, Mr. Madon?

A. Yes, Sir. I am a fairly close student of all that is going on in commerce the world over, but I cannot put forward the German case, because it is extremely complicated by their currency debacle.

Q. Exactly; that is the reason why I put the question to you—whether there is at any rate a possibility that the French exchange may go the same way as the German and you might not get your adjustment by that rough and ready method.

A. In Germany the adjustment was a wholesale fraud on all creditors. Take a mill in Germany which had borrowed a million marks as debentures in 1915, and the debentures had not been paid up. They fell due in 1923 and that company was able to give one pound sterling and say, here is the money—it was in fact that amount 20 times over in the depreciated currency of that day—because £1 was supposed to be something like 18 billion marks. So, purposely I have avoided putting forward all these German cases because there may be so many complicated issues arising from it, but if you would like me to do so I will just point out one thing that is curious, and that is again in the Labour Gazette. Germany is also complaining to-day of unemployment and want of work and so on ever since she was compelled to stabilise on gold. But the curious part of it is that their wholesale index number is far below that of the United Kingdom, the United States or Canada or India, and Germany should beat all the world and get all the export trade in its own hands, and it is not doing it. I am simply putting it to you, so that you, gentlemen, may appreciate that all these figures on which we base ourselves such as the

index numbers of wholesale prices are nothing more than a delusion. When you want to compare conditions in the same country for the same articles they are good no doubt, but if you try to compare different articles it won't hold good.

Q. I am glad you have brought out that point.

A. The same argument is being used in very high quarters.

Mr. Subba Rao.—We shall drop the general discussion and come to the effects of exchange as it is now on the position of the cotton industry. Taking your answer to Question 4, you say the real difficulty is the twisting up of costs and charges through exchange manipulation. Now, would you agree to this extent that the effect of the exchange on the industry is due to the fact that while prices of the mill products have fallen the costs have not similarly fallen? That I take to be the difficulty of the industry.

A. Every item of costs. I would modify it like that. Every item of costs does not fall in the same proportion.

Q. The total has not fallen?

A. No.

President.—Do you agree that the total has not fallen?

A. The total has fallen, but Mr. Subba Rao's point is that it has not fallen in the same proportion.

Mr. Subba Rao.—While prices have fallen the costs of the corresponding output have not fallen in proportion. That is the difficulty?

A. Yes, exactly.

Q. Therefore the millowners have got to incur losses, because the expenses they incur actually they cannot obtain in the shape of prices which have been pulled down. That is the argument.

A. I am afraid I would not put it that way. No producer is ever able to get prices adequate to cover the costs. So, that is not the way I would put it.

Q. Is it not the just expectation of a producer to cover the expense of production with a margin on the price he realises?

A. Exactly.

Q. The difficulty is that he cannot do it. The price he gets is not equal to his expenses although expenses have broadly speaking fallen. Would that be a fair way of putting it?

A. I would not compare with the price at all, because it may be that notwithstanding any change in exchange and notwithstanding the costs being in gold, as they were, the millowner may yet be unable to get his price. I would simply say that certain items of his cost have been appreciated against him, and to that extent he is handicapped.

Q. Let us compare the costs as they were with exchange at 1s. 4d. and costs with exchange at 1s. 6d. Would you say now that the costs at 1s. 6d. have not come down in proportion to the change of exchange from 1s. 4d. to 1s. 6d.? They ought to come down by 12½ per cent. They have not come down by 12½ per cent.

A. Over each item? Do not put it too generally, because I do not want to commit myself to general statements. I would say every item of cost has not come down proportionately.

Q. After all the millowner is concerned with the total expenditure. Is the total now the same as before or lower or higher than before?

A. In terms of gold it would be higher than before.

Q. I am just now speaking of rupee prices.

A. I cannot speak like that. The rupee is most misleading. It is a certain name that Government has given to a certain number of grains of gold. I would not use the word 'rupee'. I would say that in terms of gold the cost has increased. That is the correct way to put it. The word 'rupee' is absolutely misleading.

Q. Are we not selling in rupees and buying in rupees?

A. That is the unfortunate part of it.

Q. Does every millowner when working up his cost convert every item into gold and see if he is losing or not?

A. That is the beauty of the gold exchange standard. He does not understand. But if you state the thing as an expert, you have got to view the question in terms of gold. Otherwise it is not the correct way to look at it.

Q. If you are selling your output in foreign countries, I can understand it.

A. In Indian markets we have to compete with foreign goods and then all competition practically turns into competition in terms of gold.

Q. Are not these imported goods sold here in terms of rupees ?

A. If you will permit me, every competing article, Indian, Japanese or Manchester, of the same quality and class will compete at a point in terms of gold, and if Manchester is content to take Rs. 13-5-0 for that it will be content because it gets full value. Then the Indian mill also will have to accept Rs. 13-5-0, and the Japanese also. The Japanese will not be hurt because they will be able to convert it into their currency. The Indian will be hurt because instead of Rs. 15 he will get Rs. 13-5-0.

Q. Therefore, whereas he got Rs. 15 before he is now getting Rs. 13-5-0, and his costs have not fallen ?

A. Quite. In terms of gold. Because that is the whole thing. It is no use saying that the cost has not fallen. Please speak in terms of gold.

Q. Converted into gold?

A. Take it that the cost has not fallen in terms of rupees.

Q. I want to know to what extent you hold the fall in price of some items has affected the total ?

A. I think your Committee might find it out much better than I can. I do not know whether you have got the second part of my book. If you will kindly look at page 130, I have tried to show there all the items or practically all the items which go to constitute the cost of the product, i.e., of a piece of cloth, and I have put down there raw material, stores, power, labour, depreciation, interest charges, rates and taxes, insurance and excise duty—of course excise is not there now—and then if there is any margin, the last item, profit. Now, I cannot give you figures in rupees, annas and pies of each of these items, but I would like you generally to see my point. On page 131 I remark that items 1 and 2—raw material and stores—will be automatically reduced 12½ per cent.

Q. And they constitute about 65 to 67 per cent. ?

A. My impression is 50 to 55 per cent., but you can take the figures from the millowners I tried to do it. In one place I did it and I have there taken the actual balance sheet of a particular Indian mill—I do not want to mention the name. Then, power cannot be reduced, labour cost cannot be easily reduced—in fact they have not been reduced in the last 2½ years. Depreciation cannot be reduced because on the books the company has spent 20 lakhs of rupees and it has got to provide depreciation at, say, 5 per cent. and goes on doing so. Interest charges will not be reduced in the case of debentures. That is a long term debt and will be actually increased in the case of working capital money. I have explained later on that interest charge will be increased because the credit of the company becomes weaker. Then, rates and taxes and insurance cannot be appreciably reduced.

President.—Why not insurance, Mr. Madon ?

A. Because insurances are on block values.

Q. The point I was going to raise was whether it is not the case that many of the mills are insured or at any rate re-insured with insurance companies outside India, and to that extent would not the cost be reduced ?

A. The rates charged are on so many lakhs of rupees at a quarter or half per cent. Supposing I am a millowner and I approach the Royal Insurance Company and want to insure a sum, they quote a quarter or half per cent. It does not matter what the exchange is unless I write down my block account by 12½ per cent, because the exchange has changed. Then I would naturally reduce my amount of insurance ; otherwise I cannot do it.

Q. I would like to be perfectly clear. You say the premium would not be fixed in sterling.

A. No, it would be in rupees. The basis is so much per cent. The insurance premium is so much per cent. If the capital amount is in rupees the premium will be in rupees.

Q. It is not as in the case of Life Insurance where the rate quoted is in sterling ?

A. You can ask any company to insure for £600 instead of for Rs. 1,000. Then I think the premium would be in pounds. The risk then will be whether those pounds will cover the block account if the insurance money has to be realised. Then I have shown the last item—profits. That is perhaps the one item which could be received to an unlimited extent and it may even be a *minus* quantity. Then, if my remarks are considered to be sound, the cost of power is not capable of reduction, depreciation is not, interest is not, rates and taxes not ; insurance might, but as you will appreciate if it is Rs. 25,000 or Rs. 50,000 for a crore worth insurance, then a little reduction in that will not help the mill very much. Then the only two items that we have in which any considerable reduction can be made to make up for the want of reduction in the other items which are inelastic would be labour and profits. Now, labour also as you all know by experience cannot be reduced.

That is why they have to fall back on the last item—profits. The millowners do not do it willingly, but, then, economic forces are working, and the one item which could be pressed down is being pressed down. That is why mills are making poor profits or losses..

Mr. Subba Rao.—You say some items in costs are capable of réduction. That is about 50 to 55 per cent ?

A. That is my impression.

Q. Therefore the 12½ per cent. loss would come down to about 6 per cent.

A. Not at all. The loss would not come down like that. Supposing the total here is a crore of rupees on all, including cotton, stores and other things. The profit item would be perhaps 10 lakhs; perhaps not. Because I would not like to answer the question in a manner which might ultimately prove that I have given a very misleading answer. If you say that the total loss is 6½ per cent. of the gross price.....

Q. Speaking of the cost of production, it does not include profits ?

A. The cost of production you will have to define very clearly; we talk in a vague way about the cost of production. Sometimes we mean the total gross cost. In that case we mean the raw material, stores, labour and other charges. So, if you speak of the cost of manufacture, that is say, 45 per cent, according to me, of the gross, and 12½ per cent. of that.....

Q. I am speaking of the total costs without including profits and then of that entity the items that are capable of réduction come to about 50 per cent.

A. Yes, put it that way.

Q. Therefore in that case a réduction of 12½ per cent. ought to work out to 6½ per cent. about ?

A. Yes.

Q. Therefore the mills just now according to your own calculation have got a burden of 6 per cent. as a result of the rise in exchange. Then you mentioned the abolition in the excise duty last December. So the present position would be a burden of at the most of 2½ per cent.

A. I doubt that. Because the excise duty had practically to be given away to the consumer.

Q. May I in that case read to you Sir Victor Sassoon's opinion in that matter ? He represented the Millowners' point of view. It is in answer to a question about the advantage of 1s. 4d. exchange to the mill industry. And he answered, "At the present moment as you know, Sir, the excise has been removed and therefore this would obviously appear to be a distinct advantage to the mill industry not necessarily from the point of view that they are going to make more but that they can sell at a lower price by its removal. I have worked out the difference between the present 1s. 6d. rate and 1s. 4d. rate as a very little less than the excise duty. So to-day with the excise removed all we are getting is I think .03 per cent. advantage over what we would have had if the excise had been left on and we had our 1s. 4d. gold as we had last year."

A. I am afraid unless I have time to go into these figures very carefully I cannot accept that position. But I would put to you generally that if labour cannot be reduced and other things cannot be reduced, whatever the percentage, though there is a réduction of 3½ per cent., then the remaining 2½ per cent. where does it come from ? From the remaining profit. That is why profit is reduced.

Q. I do not think Sir Victor meant to include profits at all.

A. I do not know what he meant to include. I point out how I look at it.

Q. Any change caused by the 1s. 6d. exchange has been nullified by the removal of the excise duty ?

A. I cannot agree to that unless I have an opportunity of going in detail into it.

Q. I take your figures on the one side and Sir Victor Sassoon's on the other.

A. You say 50 per cent. is the manufacturing cost and 12½ per cent. on the manufacturing cost would be 6 per cent. Then you want me to accept that the 3½ per cent. excise duty goes off. Then the only burden is 2½ per cent.

Q. According to your own figures.

A. Provided I accept your definition of the excise duty. But taking 2½ per cent., it can only come out from the last item, profits. It has got nowhere else to come from. Then you will have to get the evidence of the millowners to show what is the ordinary margin that they can get. I can tell you this that when cloth was supposed to be Re. 1-4-0, one of your members who is a millowner.....

President.—We have no millowners on the Board.

A. Or a gentleman who works a mill—I mean Mr. Majmudar—is likely to know. On 20 annas they were making 2 annas. To-day perhaps on 16 annas the best mills are making 1 or $1\frac{1}{2}$ annas or nothing. So 6, 8 or 10 per cent. or whatever is supposed to be the net margin goes to make up for the loss on the other items.

Mr. Subba Rao.—I was not questioning the fact they are making losses now. I want to know the actual amount by which the change in exchange has twisted up costs and charges, or in other words, has not allowed the cost to come down in proportion to the fall in price.

A. But the excise duty is not there. To-day costs are twisted up on every item which is inelastic. Whether you set the excise duty against it or not is for you to decide.

Q. We are merely speaking of the relative burden on the cotton industry—the position somewhere about October 1925 as compared with the present position. I do not mean to suggest that the abolition of the excise duty should be now set off by anything else.

A. As a matter of fact when the excise duty was taken off many mills which had contracts pending were compelled to reduce their contract prices for delivery by the amount of the duty. They were not able to get a pie out of it.

President.—Why was that?

A. Because the excise duty was not supposed to be the mill's profit but something Government took. And I understand though I cannot give you chapter and verse but I was told by a gentleman connected with a mill that it was part of the understanding that the excise duty if at all it came off should go to the buyer and not to the mill.

Q. I thought the whole object of the Millowners' agitation for the removal of the excise duty was to enable them to avoid making a cut of $11\frac{1}{2}$ per cent. in wages. If they had to pass on the $11\frac{1}{2}$ per cent. to the consumer I do not see how it could benefit them.

A. They had the feeling that the excise duty had to go. They did not appreciate that prices had to come down in the same proportion, but that has been the actual result. That is why they are still feeling the pinch. If it was as Mr. Subba Rao put it, then most probably the Millowners would not have troubled you.

Q. There again I should like your views. The Millowners have stated that their prices are determined by their competitors, the price at which they can sell yarn or cloth is determined by the price at which Japanese stuff is coming into this country?

A. Yes.

Q. The removal of the $3\frac{1}{2}$ per cent. duty did not affect the Japanese prices in any way.

A. It would enable local mills to sell cheaper.

Q. Quite so. If the removal of the $3\frac{1}{2}$ per cent duty was followed by a reduction in prices, it would seem that the argument that prices are determined by Japanese competition is fallacious as the Japanese competition had nothing to do with the removal of the excise duty.

A. If Japanese prices had remained where they were. But what happens in such cases is that everyone whether a foreign manufacturer or a local manufacturer, everyone wants to sell, and most probably the Japanese have had to cut down the price in order to meet Indian competition.

Q. But was it done?

A. After the removal of the excise duty. Until then the position was different.

Mr. Subba Rao.—At the time the millowners made the promise that they would not reduce wages they certainly were under the impression that they would not pass on this reduction in duty to the consumers?

A. I do not know what impression they were under. I am not talking of the millowner. I am not a millowner. I am only a merchant.

Q. If it were merely to be passed on to the consumer it was curious for them to make a promise like that?

A. Many of them were not economists, Sir.

President.—There is one more point on exchange that I should like to discuss with you, Mr. Madon. The whole of the argument before us seems to me to proceed on this basis. We have heard a great deal about depression being due to the 1s. 6d. exchange. Isn't it rather looking to the future rather than to the past? My point is that the depression set in according to the figures furnished to us in 1923. Practically throughout the whole of 1923 exchange was not much over 1s. 4d. Therefore I cannot quite see.....

A. I will explain if you will kindly give me that book of mine. "Indian Exchange Problem". 1s. 6d. is merely the result of several years of exchange manipulation which

entailed deflation and contraction of currency, and that is one time-honoured method of doing these things, and that has been in operation ever since, I may say, 1921-22, but the effects were not clear in the early days. If you will permit, I shall quote from Professor Jevons. In 1922 exchange was not at 16*d.* gold; it was about 14½*d.* gold and then this gentleman came out with a book advising Government to try and stabilise at 16*d.* gold and then he went on to explain the consequences if a heavy fall of prices were to occur as a result of this. As you will see quoted on page 35 he says: 'Such a tremendous fall of prices while welcome enough to those in receipt of fixed incomes would spell ruin and hardship for millions of cultivators, would keep Indian industries in a state of depression for several years and would place an undue burden on all debtors including the state itself and disorganise the public finances'. Then, if you turn to the next page, you will find him saying 'Bankers and financiers, and most business men, dislike the process of deflation, because it involves an abnormal lightening of the money market, the forced realisation of stocks of goods, and a fall of commodity prices. Loans become more difficult to obtain or renew, and at the same time the security of existing commercial loans or paper depreciates. Bankers naturally have a very anxious time; and if they do not work in co-operation, and with the support of a central institution like the Imperial Bank or if need be of Government, a commercial crisis is possible. In any case, there are bound to be some suspensions of commercial firms'. We have seen thousands of them. He goes on to say 'This has always happened in England and America when deflation has set in after a boom. It is, in fact, a necessary pre-requisite to the restoration of a healthy condition of markets and trade,' 'The whole question is one of degree. It would be disastrous to create a first class commercial crisis by any well-meant attempt to support exchange. But, if the banks have timely warning, and the spirit of consultation and co-operation between all parties prevails the difficult but necessary period of financial reconstruction can be safely passed through, 'I repeat that the whole question is one of degree. Sir Malcolm Hailey appears to be seized with undue alarm at the possible results of deflation and to under-estimate its positive advantages. If ever there was a time when deflation was needed, it is now, and I see no reason to believe that it will become any easier as time flows on.' Then he gives a great deal of advice about purging. It is always open to a doctor to say that, because the medicine has got to be taken by somebody else. In quoting Prof. Jevons I am trying to answer your question. You said that exchange was 16*d.* in 1924 and 18*d.* only a year ago, then why did claim that all this depression and so on which we noticed even in 1923 is due to 18*d.* The answer to that is that it was this process that was going on. Government could have stopped with 1*s.* 4*d.* in 1924 and stopped further serious losses to the industry. Whatever happened did happen. Government went on to 18*d.* So in the meantime there was further destruction of credit, destruction of the financial fabric all over the country. It is no use looking at the Imperial Bank's balances because they are the ultimate reservoir of bankers. When bankers do not want to lend they put the money in a safe place. But every dealer in almost every line of business.—I am connected with both export and import business—complains of want of resources upcountry, hand to mouth buying, difficulty of collecting money, and all that kind of thing for the last three or four years and that is naturally re-acting on the millowners because if there is hand to mouth buying, stocks collect in the hands of the manufacturer. There is no other way out of it.

President.—Do you consider there would have been no depression in the industry if the rupee had been stabilised at 1*s.* 4*d.* in 1923 or that stabilisation then would have minimised the depression?

A. I say minimised, Sir.

Raja Hari Kishan Kaul.—Did the Japanese cut down their prices by 3½ per cent. after the abolition of the excise duty?

A. It is very difficult to say that, because what happens in trade is that a buyer comes to the Japanese office and offers, say, Rs. 11; and the Japanese office quotes Rs. 12. A few days later the buyer will say I won't give more than Rs. 11, and the Japanese office quotes Rs. 11 or Rs. 11-8-0. So you cannot say that a particular reduction is due to the abolition of the excise duty. If you ask the Japanese merchant he will say that he knows nothing about the excise duty. He will simply attribute it to the result of competition. He would not know that it is due to the excise duty.

Q. We have been told that the Japanese reduced their prices by 3½ per cent. when the excise duty was abolished.

A. The prices were reduced. But I would not put it in that way, that the Japanese did it with a purpose, as a counter-blast to the removal of the 3½ per cent. duty. What I say is that it was the result of the ordinary trade competition.

Q. Were not the local mills trying to reduce their prices in order to sell their goods in preference to Japanese goods and the Japanese also bringing down their prices in order to compete with the Indian mill made cloth ?

A. The position is rather complicated. It is not that the Indian millowners are trying to reduce the prices or that the Japanese prices might cut out anybody. What I have quoted just now from Prof. Jevons will show you that when financial conditions become difficult and confidence is destroyed, and buyers, whether wholesale or retail, won't operate at all or operate on a minor scale, stocks in the manufacturers' hands tend to accumulate. Then, as they also cannot get adequate finance owing to difficult times, they are forced to put their goods in the markets. It is the forcing of the goods on the market which is the correct description of the phenomenon and not that intentionally a particular mill or a group of mills try to cut their prices, simply to cut the Japanese out. The Indian merchants and manufacturers are forced to do it by the currency manipulations and the consequent money conditions, in order to meet their own liabilities.

Q. You know the abolition of the excise duty was counterbalanced by the increase in wages, so that so far as the middlemen are concerned, they gave away what they received from the Government by way of remission, and therefore they had nothing up their sleeves to reduce their prices further.

A. I see your point.

Q. I want to know how the Japanese have been able to reduce by 3½ per cent.

A. I would not put it that way. I will simply say that when the prices went down here, the Japanese met the competition by reducing their prices.

Q. Were not the prices going down on account of other causes ?

A. In trade it is extremely difficult to analyse the causes. It is very difficult.

President.—You speak of mills being forced into liquidation. Have there been many cases of that kind ? Which were you thinking of ?

A. Well, Sir, if you think that out of the existing number of mills unless 50 or 100 mills go into liquidation, it is not a sufficient number of cases.....

Q. I want to know how many cases there were. I am not taking an arithmetical test at all.

A. There have been more cases in the last two years than there had been in the previous five or ten years, and the only period with which you can compare is the period from 1897 to 1902 to which the Millowners themselves refer in their first representation, although they do not appreciate that that again was also exchange manipulation.

Q. The Millowners gave us five cases as a matter of fact.

A. I do not know which five they have given.

Q. Planet, Gold Mohur, Jivraj Balloo, Diamond and Hongkong.

A. That is in Bombay only. Nothing up-country ?

Q. No.

A. There are other mills in Bombay that are in comparatively small hands that are shut down. I do not know whether they have given their names. I can only say this, that the only parallel that I know of is the period, 1897-1902, to which the Millowners themselves refer in their first representation.

Q. That was when Government were making efforts to stabilise at 1s. 4d. ?

A. Yes. Then the rupee was actually worth 10d. or 11d. and Government wanted to stabilise at 16d. and for five years, from 1894 onwards, there was that same effort at contraction of currency in various ways, or you might put it as refusal of necessary expansion, and the time came in 1898 when money could not be borrowed on gold bars and it could not be borrowed even at 13 per cent. on Government paper. That is on the records of the Fowler Committee. We were very near it in 1924 when the effective rate was 9 per cent. But therefrom Government had learnt its business, and so further currency was temporarily introduced against deposit of sterling and we just evaded a very critical period.

Q. You say 'you do not think cheaper raw cotton will mean prosperity, because it will further impoverish the principal customers of the local mill industry'. Cheaper raw cotton will mean cheaper cloth and would not that stimulate consumption ?

A. I do not agree with that. I know that would be the view to take at first sight, that the moment a thing is cheap it will sell more. It all depends whether the buyer of that cheap thing has got money in his pocket. If he has no money, he does not buy it. Mere cheapness is not the criterion of good sales or an index of good sales.

Q. After all the cultivators of cotton are only a small proportion of the total cultivating population of India ?

A. It is 14 per cent. of the total acreage. But it is not merely the percentage of acreage that has got to be considered. It is the most important income crop in, I believe, seven out of the eleven provinces in India; and when that income is wiped off, what happens is that the cultivator who depends on that cash income for his cash liabilities such as assessment, payments to sowcars and other sundry purchases in the bazaar, becomes broken and cannot go on.

Q. Dealing with the question of internal competition you say "a shortage of 10 per cent. frequently leads to rise in prices of as much as 100 per cent. and even more."

A. That is a fact. That is a commercial fact.

Q. I was about to ask you whether, if that is so, and if the Millowners in India were to combine and reduce their production by 10 per cent., they could not secure an increase of 100 per cent. in prices.

A. If they had a protected market—a sufficiently protected market—to prevent foreigners butting in with cheaper goods. Because, otherwise, what will happen is that on the one hand by reducing their production, the cost per unit would increase, making it more difficult to sell except at higher prices. On the other hand the foreigner will come in.

Q. It will take some time for the foreigner to fill up the gap.

A. It would not be difficult as things are to-day. Such things will not take an appreciable time. It is not that the goods should be actually on the shelves of the cloth merchants. The moment an import house makes a contract 5 per cent. cheaper than it did yesterday, the thing has an effect on the market. It is not a question of the goods coming in physically into the country and going into the shelves of the merchants. It has an immediate effect. If it interests you, I may just mention that in 1924 wheat prices in America and all over the world more or less in parity went up from 1 dollar to 2 dollars 15 cents, 115 per cent. higher, and it was found at the end of the year that there was no shortage. The thing is highly psychological. A small increase or a small shortage in supplies has a great effect.

Mr. Subba Rao.—In answer to Question 14, you speak of mills diverting 'their looms to other qualities thus affecting the market in those qualities in their turn.' Are you thinking of any special lines ?

A. I may again explain that I am not connected with any of the mills and don't give these facts from an inside knowledge. I only do it as a student of economics and as a merchant. Suppose a quality of sheetings or drills is being sold by a mill and it finds that that particular quality cannot go because of the competition of some other quality that is imported by Japanese or other foreign competitors. Then, it has got to shut down those looms and put those looms on other qualities which it is already producing and that puts pressure on other qualities.

Q. Do you know if it is done as a matter of fact ?

A. Most probably. I am merely speaking of what should happen. I am fairly confident that this does happen, because that is the thing which an average mill manager has got to think of. He has got to think of things that can sell.

Q. But you are not aware of any specific instances ?

A. No; I cannot give you any.

President.—With reference to the question of mill management, in your reply to Question 40, you say "England is similarly charged with inefficiency in the past two years, and unemployment there and practically no unemployment in France, Belgium or Italy are put down by many superficial observers to this cause when the root cause is the depreciated currencies of the latter countries." I take it you do not consider that that state of affairs is going to continue ?

A. My point was that for the time being it is so. Here is a report of an expert committee employed by the Government of France to recommend what they should do for their own currency and I will only read a few relevant lines from it. If is from the *Economist*, French Annual Supplement, for July 1926. This French Committee say—"Trade and industry, it is true, have enjoyed apparent prosperity. Even now there is no unemployment, sales are easy, export is active. Many French people are living in a fool's paradise. Enlarged paper profits, in many cases, do not represent any real profits at all. The people of France are working and producing; the majority of them, unawares, are growing poorer." Then in another part of it, Sir, they speak of the effect of these things on prices. They say, "The constant fall in the value of French currency ever since the Armistice has only been followed at a considerable distance by rising wholesale and retail prices"—I have shown earlier by figures that they have been

at a great distance. "While complicating working conditions, this fact has nevertheless made it easy for businesses to extend their sales. Indeed, it has allowed some of them to develop abnormally in response to the needs of a home consumption, which developed all the more rapidly because of a decline in saving due to the fall in the value of the franc and to meet foreign demands facilitated by the depreciation of our money." This will explain to you what the position in France is. If you say it is temporary, my reply would be the same as to Mr. Subba Rao. It will be 2 or 3 or 4 years after France gets back to the gold standard, because adjustments will take that time. But as we do not know when France is going to do that, we have got to face facts as they are.

Mr. Subba Rao.—You say in the last paragraph "in countries where the agency system is not in vogue, it is the Board of Directors that generally get a percentage of profits." Where is that?

A. Both in England and Japan.

Q. Do you know what the percentage is?

A. It all depends on the kind of business. But I cannot give the names.

President.—Surely it is not a general system in England. There are very few cases in which the Directors' remuneration is based on profits. It happens, I know, with some rubber companies.

A. There are two things in rubber companies. There are what are called managing agents there just as here.

Q. In all the English companies that I know of, with one exception, the Directors are remunerated definitely by fees.

A. What fees do you mean? It is not one guinea or two guineas per meeting as you have here. It is a decent sum.

Q. But it is a definite fee.

A. In many cases I have seen the Articles provide for an extra remuneration being voted to the Directors at the general meeting and that is nothing out of the way. That is the only reasonable thing to do.

Mr. Subba Rao.—But you are speaking of a percentage of profits. Is that very common?

A. I can say I have noticed half a dozen cases. I cannot give you more than that. I do not want to say that it is the case with every company. But may I mention one thing: there have been cases in Manchester where there are no managing agents, the Directors guaranteeing loans to their company on their signatures. Do you mean to say any business man will do it for a guinea or two guineas a month? They always get a much larger remuneration there than here, because here the real workers are the managing agents and not the Directors.

Q. I quite understand they get more remuneration than the mere fee for attendance.

A. A good deal more.

Q. Is there any different system?

A. It occasionally comes up in Chairman's speeches or that kind of thing which I follow.

Q. You say that the Directors there generally get commission on profits?

A. Yes; that is my impression from the reports, and I can tell you that the same thing applies in Japan.

Q. I do not know about Japan; but about England it is new information.

A. That is the impression I have gathered from a perusal of many reports.

President.—In the next section, in reply to Question 47, you say, "I do not take the view that the distribution of profits was unduly liberal."

A. I do not think it was unduly liberal. It is a matter of opinion. This is my opinion in view of the level of prices and other conditions of those days. I have been looking into the reserves built up by the Japanese mills, and I find that their reserves do not compare particularly favourably with the reserves of this country. Perhaps they are about two-thirds of the paid-up capital and about two-thirds has been built up in this country also.

Q. Taking the year 1918 which is really the beginning of the boom period, the Bombay mills made 228 lakhs and distributed 191 lakhs in dividends. Many of them had not placed anything to reserves for some years. Don't you consider that that was somewhat unwise, to say the least of it?

A. I do not say it was wise. There may be some cases. But there may be similar cases in other parts of the world. It all depends on the outlook of the Directors at that particular moment, and if they felt that in a particular concern the reserves they

had already built up were ample, they would distribute more freely. In fact, in bad times they distribute money, even taking it out of the reserves if necessary. So the dividend policy depends on their outlook at the moment. From the figures that I saw in the Japanese balance sheets, I don't think that in this country we have done particularly worse than they have done in Japan.

Q. But would you consider it wise in any year to distribute 10/11th of your profits in dividends ?

A. If in the previous years you distributed less ? It will depend on the particular case. You are most probably taking the lump figure. There would be very good cases and very bad cases in it. I know of certain very good cases where the reserves had been very amply built up to 4 or 5 or 6 times the original capital.

Q. That makes it worse for the other cases. Does it not ?

A. It would. Now if it interests you, may I mention a few Japanese figures ?

Q. By all means ?

A. I am just taking the last three years, because it is a very lengthy table. The Japanese are very wonderful in giving facts.

Q. Unfortunately they do not give them in English.

A. I was in Japan myself and I know a little Japanese. In 1923-24 the paid-up capital was 344 million yen, and the reserves total 206 million yen. I omit the other figures. If you go earlier, somewhere about 1917, against 142 millions you have got 97, and so on. So you will notice that the paid up capital has gone up in a much greater proportion than the total amount of reserves laid aside out of profits.

President.—There is just one point, which you might be able to clear up. Here are the Japanese figures showing the annual rate of dividend on the paid up capital. When they talk of 51 per cent. for the first half year and 49 for the second half year does that mean 50 per cent. for the whole year ?

A. It is 51 per cent. for the first half and 48 per cent. for the second half.

Q. But what I want to know is this. That is what they call the annual rate. In order to get at the real rate, have you to halve it ?

A. It would be 50 per cent. for the whole year. What they do is that as the paid up capital varies from time to time their percentage is based on the total actual paid up capital for the time being.

Q. You have to halve it to get the dividend for the whole year ?

A. Yes. In those years the average as you notice is 52, 49, 48 and so on. And this is the average of extremely good mills and extremely bad mills. So you can appreciate what it means.

Q. They have also declared larger dividends.

A. The point is that when times are booming and mills are found to be making enormous profits, the shareholders who have in bad times lost money naturally clamour for more dividends, and directors have got to give it if the money has been earned.

Q. The question is whether it is worth while giving in to the clamour. Take one mill in Calcutta which has declared a dividend of over 400 per cent. Would it not have been better to declare 50 per cent. for eight years ?

A. No, that is a fallacy, Sir. Unfortunately that point is not appreciated in this country. Many of the Indian mills begin with a very small capital, and they build it up to a very big concern out of the profits. A good deal of the profits have been concealed that way by calling it renewals and repairs and that kind of thing, and you have got to take the percentage of the amount distributed to the total amount invested in the concern, not on the original capital.

Q. That is not my point.

A. I am afraid you may have been given the figure 400 per cent. without being able to see what the original capital was and what the block account was. I will give you the instance of one of our mills.

Q. My point at the moment is, whether it would not have been better for the mill in the end if instead of distributing 400 per cent. in one year it had distributed 50 per cent. annually for eight years ?

A. Well, Sir, if you simply put it that way, that it would be wiser for a man to save, it is a proposition to which everybody would agree. But the point really was that the distribution of so many per cent. was on the nominal paid up capital, while the share value in the market had appreciated in proportion to the money put in the concern and the share value in the market represented the value of the concern at the moment. The distribution has to be considered from that point of view.

Raja Hari Kishan Kaul.—Mills which have laid by ample reserves are doing well at this time, or making both ends meet, while those which have no reserves are suffering ?

A. Yes.

Q. Does not that mean that the distribution of dividends was uneven, that some mills overdid it ?

A. That may have been so. If you again put it as a general proposition, then, of course, I have got to agree. But, as I see it, the object of this enquiry is whether a mill is able to make money by reasonably efficient working to-day. If you put forward the proposition that a mill that starts to-day—supposing I start a new mill—if you put forward the proposition that I must start with 20 or 50 lakhs as reserve fund, that otherwise I do not deserve to earn any money, then of course that argument you put forward would apply, that these mills which have built up reserves deserve to make money and others should blame themselves. As I say the object of this enquiry should be whether a mill under present conditions is able to make money. What we have to see is whether a mill, reasonably efficiently managed and started to-day, can make money to-day under present conditions.

Q. What we have to see is whether mills are generally running at a loss or at a profit, and if we find that most of the mills which are running at a loss have no reserves and those which are running at a profit, even though a small profit, are mills with ample reserves, then the point for consideration would be whether this over distribution of dividends was not one of the causes of the depression of these mills which are now suffering.

A. How can it be the cause of the present want of margin ? It may be the cause of the difficulty of finance, I would agree, and there what I would like you generally to appreciate is that if these reserves were invested even in Government paper they could have got 6 per cent., and in many other industrial securities they could have got 7 or 8 per cent. Then if you find that, apart from the money that they could have made by investing their reserves outside, these mills have made ordinary profits then your point would be correct. Otherwise, that money is merely what they would have earned on the reserves without taking any industrial risk. I simply put it to you that that would be the way I would like to look at it. I would take away the profits which are due simply to the investment of reserves and see whether the remaining profits were adequate, or whether there was anything that could be complained of.

Q. We are trying to do that. The only question is whether in case it is found that certain mills which have reserves can run their business more or less at a profit and those that have got no reserves have difficulties of borrowing and paying high interest....

A. When you talk of profits, if you deduct the profit earned on the reserve fund....

Q. Yes.

A. If you can give me a concrete case.....

Q. We have not come to that stage yet.

A. Then I would suggest that you may kindly take up that concrete case, and bear in mind that the remaining profit should be sufficient to cover industrial risks because it is now sufficiently clear that the mill industry has also very large risks.

Q. Do I understand you to mean that there would be no case, or there would be very few cases, in which, after excluding the interest which is earned on the reserves at mill can earn what you call reasonable profit ?

A. I would say this, that if the interest that could have been earned on the reserves is deducted, then the remaining profit would not be very much to speak of, in even the financially strong mills. There again the weaker mills, those which have no reserves, are hit in a double way, that while the stronger mill is able to use its own money and call the rate, say 6 per cent., the weaker mill which has got to go and borrow from some financier has to pay 8 or 9 per cent. I know of mills upcountry which are paying 9 per cent. and a commission on the top of it.

Q. I won't adjudicate between the good and bad mills. The point is whether there has not been an unduly large distribution of dividends. In some mills the reserves which have been put aside were not so large as in the case of other mills, and we have been told that it is the former mills that are particularly suffering.

A. It is clearly an advantage to have a very large amount of capital that you can dispose of for working capital. To that extent the mill that has not got it is certainly handicapped.

Mr. Subba Rao.—Continuing the discussion about reserves, I quite see your point that if you want to calculate the profit on a concern you must credit the reserve with its own interest.

A. Yes

Q. I want to know also in what ways a reserve fund can be of help to a concern. We have been saying just now that firms with large reserves have been able to do well. Does not that depend on the employment of the fund? When the manufacturing costs are not recovered just now, and the margin disappears, it does not help a concern to have plenty of reserves invested in actual manufacturing plant because it will lose both on the original capital and also on the reserves.....

A. Yes, what is your point?

Q. I want your opinion as to the proper employment of reserves in these mills. Which would you consider is the most conservative method of employing the reserves? There are three ways as I understand. The first is the obvious one—safe securities outside the concern itself; and secondly as working fund for purchase of cotton and so on; and thirdly in fixed machinery, in plant generally. Now, does it always follow when you employ your reserve fund in the form of machinery you can pay a dividend, you can earn a profit?

A. No, certainly not.

Q. It is quite possible for a concern to have about six or seven times as great a reserve fund as the original capital employed in the concern itself in the form of spindles and looms and use it, making a loss, because the output at current prices cannot obtain a margin for the concern.

A. I quite agree. That is a clear thing, that if the reserve fund is kept liquid for working capital purposes it is in bad times a better proposition than having it tied up in machinery and plant. On the other hand, in good times that further machinery and plant enables further profits to be made. And there is an additional advantage there from the point of view of the manufacturer which naturally directors have in mind. If you can spread your overhead charges over a larger output, the cost per unit naturally gets reduced. So whenever the Mill Board finds it profitable to put in more machinery they think it a very wise thing to do, to invest part of the reserves in buying that extra machinery and plant. Some mills have done it to a very large extent, and they have also very considerable reserves in cash.

Q. Quite so. That assumes that. But I have found in the accounts of several mills that they have practically invested the reserves to the hilt in machinery and were borrowing money for purposes of working capital. Spread the profit over the total capital and you get a very small percentage.

A. In bad times.

Q. Even in normal times. They declare a dividend which strictly speaking is hardly earned, if we consider the total resources.

A. That may be so. If the bulk of the reserves has been invested in plant, and if more units of output are there and every unit gives a loss then the more there are the more the loss. That is a plain thing to understand but I would like you to appreciate the point of view of the Board of Directors of a mill when they consider the position and want to decide whether it is wise to extend or not. Then the problem is, should they increase the capital by issuing further shares, or should they use the money of the shareholders which is already in their hands. Then there is undoubtedly no question between the two. It should be first the money in their hands and if necessary, then, they can go and issue further shares.

Q. That is a later point. The earlier point is as to the wisdom of the extensions when things are at the boom point.

A. May I point out that it is an extremely difficult thing to know what a boom point is until you have left it behind for several years.

Q. It is not always desirable to invest your reserves up to the hilt in the machinery because there must be a turn in the level of prices.

A. I agree, but you will find if you study individual cases that there are dozens of mills in India which have done both added machinery with their own money, that is profits, and at the same time have got very considerable sums in the reserve fund for working capital. It is not every mill that has been unwise. A great many have been very wise in their allocations. There are bound to be good and bad cases.

Q. What is your impression? Don't you think a very large number of mills in the last boom have invested reserve funds almost up to the hilt in machinery?

A. I speak subject to this reservation that I have not gone into these figures. But I think it could not have been the case, because it happened that while the Indian mills were wanting to expand on account of the enormous profits that they were making they could not get any machinery from England because England would not supply in 1917, 1918, 1919 and even up to the middle of 1920. That stood in the way. Otherwise there might have been a great many very foolish investments even by wise Boards of Directors. Japan has not escaped, because Japan was able to turn out a little bit of its own

machinery and it was also able to use American machinery. So, in Japan they have more cases of this kind of unwise investment than in India.

Q. Turning to a similar topic, what is your view with regard to the employment of the depreciation fund? Do you think it should be legitimately employed for plant and buildings or should it be kept in liquid assets for any working purposes, or should it be invested outside? I find in several cases it has been employed not for replacement, but for extensions. Would you call that a wise policy?

A. Again as an outside student and not as an insider, suppose I have a mill in which there are two frames already 25 years old. But I find they can give me work for another 3 or 5 years. In the meantime I think that it would be good business to put in 2 or 3 more frames. Well, I use my depreciation fund for putting in those further 2 or 3 frames with the intention that when my old frames have been used up I can scrap them. So, there again, it is no use generalising. It will be a study of individual case, and if you can get at the facts you will find that in many cases the thing was done from reasonable considerations after a careful study of the problem by the Directors. The majority of the Directors are good business men. Being average good business men it is this kind of consideration that appeals to them. They say—“In any case we are going to scrap it. But the thing is working and can work for two or three years more. So let it work.” In fact I may point out that the Railway Board's present policy is exactly like that. They have a depreciation fund from which they go on building and expanding. Repairs and renewals they are doing to a certain extent. In the meantime other things are scrapped.

Q. You say in answer to Question 50, that you do not see anything wrong in investment in some other industry if the existence of such concern is considered, in any way, helpful or beneficial to its own activities. What kind of relation between the two industries do you suppose?

A. I can just give you this instance. Suppose a mill has not got a bleaching plant. A group of them come together and say, let us start a bleaching plant; it will be cheaper, and better than having to sell in the grey state. So four or five of them can combine and start bleaching. So also in the case of magnesium chloride or China clay. A few mills can very easily join together and start a factory of that kind. There are investments of mills in Bombay in the hydro-electric plant of the Tatas. That also was done, because in those days, when coal was extremely dear, they considered it to be the wisest thing to get independent of the supply of coal by having a concern here in Bombay which could be depended upon.

President.—I have another case here, Mr. Madon, in which a mill had invested in a ginning and pressing company.

A. Many mills do that.

Q. You do not consider that objectionable?

A. No, because there again unless you go carefully there may be some fallacies. What happens is that some mills invest money in putting up their own ginning plant and then it goes as a part of their block. It is simply a case of machinery and plant. Some mills consider it advisable to have an entirely separate ginning plant in which they could then give an interest to some local cotton merchants or some good local men who can look after the whole show. Generally, they are not quite sure of getting in the open market the right kind of cotton but if there is a plant under them the men that they employ are not likely to mix or commit frauds as when cotton has to be bought from outside.

Mr. Subba Rao.—Would you approve of one mill investing its funds in another cotton mill?

A. Undoubtedly because that would be one way of extending your own plant. Supposing I want to start a twenty lakhs unit as my No. 2 mill and then I find that somebody else is starting a plant of 40 lakhs, and if I take half of that I do not see why it should be wrong.

Q. It all depends for what purpose you are holding your funds?

A. What do you mean by purpose?

Q. Depreciation fund for instance.

A. If it is depreciation fund then the problem may have to be considered from many points of view. If it is from the reserve fund, then it is the right kind of investment. In fact that is one point in which the Japanese are far in advance of us. Perhaps you have got the figures there. You will see there mills of 500 thousand spindles and so on. I knew them 30 years ago when they were petty affairs. I was in Japan then. I knew many of them. They were embracing from 30 to 40 thousand spindles. But what happened was whenever a weak mill came into the market they immediately went in for it and issued further shares and practically amalgamated it with their other

concerns, say by giving one share of their own for two or three shares of the weaker mill, and that kind of amalgamation has gone on to a very large extent, and you will find therefore that they are holding plants not only in one province but in different provinces, because they simply take up concerns as they find it advantageous to do,

Q. But I did not mean that they were all under a common management ?

A. It is bound to be a common management because ultimately it is an amalgamation. The Board of Directors is the same ; but they have got to have local board where much of the plant is situated. From the mill that has been taken over the directors or a few of them are taken on the general board, and then you get the local board for the management of the concern locally.

Q. You are speaking of a sort of Trust Development ?

A. They do not call them trusts. They call them Kanegafuchi, etc. It is really a company of many mills. Take the Bombay Dyeing and Manufacturing Company. The mills under their contract are supposed to be two different concerns, and they were both put up with fresh capital. It was not the buying up of an old concern. In Japan the practice is of older concerns being constantly bought up at a quarter or half the price. You have got to leave it to the judgment of the directors, who have got to judge things according to the circumstances of the moment. It may be a good or a bad investment.

Mr. *Majmudar*.—You said that in order to arrive at a proper figure of profits interest on the reserves should be excluded. Do you mean interest actually earned, or interest calculated on the total reserves even when they are used as working capital ?

A. I mean the second. I mean that interest at the ordinary commercial rate should be credited to the total amount of reserves which you use in your mill, because this is money which you could have taken and given to anybody else without any industrial risk. If, after that is deducted, there remains a surplus, then that is the surplus due to the working of the mill.

Q. When you put in a plant would you not provide for working capital ?

A. That is also a question of policy. Some people would provide for a part of the working capital also in their share capital, and some would provide only for sufficient money to build up the plant, and depend on ordinary borrowings from bankers for working capital, and both policies according to the circumstances of the moment may be wise.

Q. So in the case of those who use their own reserves you would allow interest on the amount used, just as those who borrow from the bank actually pay on the borrowings ?

A. Yes. I simply wanted to emphasise it. The right way to look at the profit is after that deduction has been made. Otherwise it would be misleading.

Q. You want the two companies in the two cases put on an equal footing. In the case of the one mill, it borrows money from a bank and has to pay interest on that, which goes to the debit side. In the other case, the reserves are used as working capital and therefore you want the interest on that to be debited to working expenses. What should be the rate of interest ?

A. Interest at the commercial rate, the rate at which an ordinary mill has been borrowing in that particular year. I do not think it will be much less than 6 per cent., even including the best mills.

Q. That would be only in the case of working capital. What about money invested in extensions ?

A. I would credit it to the whole of the reserves, because the whole of the money, if you had not invested in your own concern, would be earning interest somewhere else.

Q. But, generally, in the case of mills, interest on the capital which has been invested would not be taken into account. That would be shown as profit ?

A. Invested in the block ?

Q. Yes.

A. Then the profit would also have to be looked at in a different way ; that is the reserve that you invest in your block would have to be treated as capital and profit would have to be considered as a percentage of the total.

President.—It seems to me that if we were to make all these calculations we should be sitting here for some years.

A. My suggestion is only that the thing is not so easy as it seems to be superficially. Laymen give so many different reasons that I am compelled to point out that the thing is not such an easy one as seems to be at first sight. Some talk of management, some talk of reserves and so on. But the real issues are different.

Q. One question with regard to the purchase of raw material. In reply to Question 62 you say 'It is not correct to say that Indian mills pay a higher price than what is paid for export at any given moment.' What we really want to know is how the balance works out. Would you say that taking it for a year all through the Indian mills would have no advantage or would be at a disadvantage as compared with the Japanese or European shippers? You mean shippers—not spinners?

A. I mean spinners, not shippers.

Q. I can understand that at any given moment according to the circumstances it may happen that the Indian mills may have to buy and the Japanese may be out of the market and *vice versa*.

A. The point is this. When I say 'at any given moment' I mean that every buyer whether Japanese or Indian or any other—the mills do not figure here but it is the merchant—has to pay the price that rules in the market at that given moment. Nobody pays more; it may be that there is a rise to-day. Tomorrow there may be a fall; but nobody pays less. So at every moment, when a purchase is made, it is made at the real price of the market and at the price at which every purchaser will have to buy. Then the second part of your question was whether taking it for the whole year Indian mills are making a worse business than the European or the Japanese or a better business. It is all a puzzle in trade, whether the Indian mill has forecasted the future more correctly than the Japanese or less correctly. It may happen that when the season opens in December next, I start stocking up and some other mill may not do so, or some foreign mill may not do so. On the other hand, when the foreign mill stocks up, the Indian mill may wait. It all depends upon the outlook of the man in charge of the business, and you cannot say whether on the whole one has done better or worse. Most probably you will find that even in the same groups, that is among the Indian mills themselves, some will have done very badly and some very well, while in some cases the Japanese or the Europeans have done better.

Q. The point put before us was that the Japanese have a superior system of buying up-country which enables them to purchase cotton at a cheaper rate than the Bombay mills.

A. I do not know very much about that. I am myself a merchant exporting to Japan and to Europe and I cannot subscribe to that. The only thing that they can claim is that the bigger Japanese firms have either their own or have leased ginning and pressing factories upcountry just as Rallis or Volkarts have; and the same thing applies to many of the bigger mills in India also because, as I have just mentioned, many of them have either their own ginning factories, or look after the purchases themselves, or have ginning factories as a subsidiary company. So I do not think that argument has very much weight. Then I would like to point out if there is any profit in that, it would go to the Japanese merchant who is exporting from India and not to the Japanese spinner in Japan, in Osaka, or in Tokio.

Q. The Japanese spinner pays at the market rate?

A. He will have to.

Q. The exporting houses do not buy on commission?

A. I think not even one or two per cent. should be based on that. I doubt even that. That was what I meant in the latter part of this paragraph where I spoke of spinners. I say "It may however be mentioned here that Japanese or European spinners do frequently get cotton at appreciably lower prices than the level in Bombay."

Q. I see what you mean now. I had not grasped it before. It may sometimes happen that the Japanese spinners get the benefit of lack of judgment on the part of the purchasers in this country?

A. In fact it is not lack of judgment. It is unfortunately the present condition of trade. If five of us have got to give quotations, if the price in Bombay is 400 perhaps I will offer to sell at 400. Immediately my neighbour makes it 398 and some other makes it 395. The mill also has got quotations. Then the mill naturally bids down and makes the contract with the man who has quoted the lowest figure, and whether he will make a profit or loss it is his business to see. In Japan the competition is now so keen that the bulk of the sales are well below the current market, and the risk has got to be taken by the merchants; otherwise the thing cannot be done.

Q. I appreciate that point.

A. The Japanese merchant pays the same prices. He pays as much as an Indian mill or an Indian exporter. He is not any the better and the profit or loss is his own thing.

Q. As regards the Indian mills do you consider the bigger mills are in exactly the same position as the Japanese buyer owing to the fact that they have got agents upcountry ?

A. I was speaking of the Japanese merchant buyers. The Japanese mills are not here. The Japanese merchant buyers are in the same position as those who are buying for the Indian mills. But when it comes to the Japanese spinner, it may happen that owing to the competition between big merchants, a spinner might get his stuff Rs. 10 or Rs. 15 cheaper than if he had to take it in Bombay. That sometimes happens.

Raja Hari Kishan Kaul.—In the same paragraph you say 'consequently if Bombay mills are in the market when Japanese or European buyers are out of it, they appear to pay higher prices than what the others might be willing to do'. I do not quite follow that.

A. What happens is this. The spinners as a rule come into the market to buy cotton when they find their own stuff, that is yarn or cloth, selling well. When they have sold 2,000 packages of piece-goods they immediately come into the market to cover 2,000 bales of cotton, or whatever it is. Now Japan being a temperate country the seasons when goods can sell are a month or two in advance of this country. You will find markets most active in March and September in Japan and in May or November in this country, because our crops come out later. Then, what happens is that the Japanese mills may have sold a fairly large amount in our country or in the neighbouring country of China which is also in the temperate zone. If at that moment the Indian mills are not moving their goods they would curse Japan and say 'these fellows are spoiling the market.' Then when the Japanese are out of it they would say 'it is these millowners in India that are spoiling the market.' They cannot afford to buy because their buyers in Japan are at that moment not selling the stuff.

Q. What I cannot follow is that ordinarily the larger the number of purchasers, the higher are the prices which the seller can get.

A. At a given moment.

Q. So, if the Indian mills alone are in the market and exporting competitors from outside are absent they should be able to purchase cheaper ?

A. What happens is, the season being the same for all the Indian mills, the purchases of 50 or 70 different Indian mills come on the market and naturally the merchants who are keenly watching all these movements say 'here are the mills buying' and naturally they try to get the best prices possible.

Q. You think the exporting firms are limited in number and they can buy cheaper when the Indian mills are not in the market ?

A. I don't say cheaper. They give the rate of the day. Only it is an impression that the other fellows were giving higher prices. Everybody simply gives the rate of the day at that moment. Only those who do not want to buy naturally quote a lower price. They do not want to say 'we have shut our office.'

Q. Is not the price of Indian cotton regulated more by American prices ?

A. It is.

Q. They should then necessarily have to pay a higher price ?

A. My point is there is no higher price about it. It is merely an impression created on account of some buyers who do not care to buy the cotton. If I am very keen to buy I will go and pay Rs. 310 ; but that does not mean that I am paying Rs. 10 more.

Q. Then you are paying a higher price than what others are willing to do.

A. It is because the question was put that way, whether the mills were not paying higher than the exporters. That is why I use the word 'higher.' But I would make it clear that there is no question of higher prices.

Q. It need not be necessarily higher ?

A. No.

President.—The point really was, as I explained just now, that the question arose out of the statement that if the mills in Bombay were to buy their cotton up-country direct instead of buying it on the spot in Bombay, they would get it cheaper than the Japanese did. That is the real point.

A. But I hope I have made my point clear that neither the Japanese nor the mills in Bombay have very much to be proud on that score. Both of them pay the prices of the day. What happens is if there is any cheaper cotton going into the hands of the Japanese spinner, it is the merchant that does it. Then the question is, why should not the Indian mills buy their cotton up-country ? That again puts us against the seasonal factor. The bulk of the demand, I hope, you will appreciate, absolutely depends on the harvest, because that is the only thing which creates new wealth. That is only twice a year, in April and October, when the winter harvest and summer harvest come on.

Among the Hindus they call it Holi and Dsevali. It is simply because the crops come out at that time and money comes into the hands of the farmer, and the merchant then starts buying in order to provide for the stuff with which to meet the requirements of his own customers. Now there would be mills who would take a particular view of the market and put in stock for the whole year. It might be a gamble, because, say after May if there is a very big crop of cotton, all of a sudden the price goes down and then the mill that has put in stocks for the whole year will be a great sufferer. Its stocks would be depreciated. So, there also, it is a question of the policy of the Directors as to which is the wise thing to do. But many mills put in staple cotton for the whole season if they can afford to do it, and the minor kinds of cotton they buy in Bombay because they do not like to take the chance of the market and also because they do not like to lock up so much money in cotton, which means larger financing and larger interest charges.

Mr. Majmudar.—Would there be a difference in prices of a particular type of cotton on the same day in the district and in Bombay after allowing for railway freight?

A. I will have to give you a paradox. Gentlemen who are not merchants won't believe me. But the buying market is always lower than the selling market or very frequently lower. That is, if cotton has to come from Amraoti to Bombay, you will find that it is lower in Bombay than in Amraoti. *Mr. Majmudar's* point is that if it is 100 in Amraoti, if the railway freight is, say, 10, the price should be 110 in Bombay. It is nothing like that. After allowing for railway charges, there would be a loss of Rs. 5 or 7. I have already pointed out that if you go further afield from Bombay to Japan, then the price in Japan to the spinner will be Rs. 5 or 10 lower than in Bombay and for the same reason.

President.—If that is the case, how is anybody ever able to make a profit?

A. That is one of the problems of the merchants every day and that is why so many merchants go insolvent very frequently. They make mistakes in their view of the course of the market.

Raja Hari Kishan Kaul.—Is it not peculiar to the present condition of the falling market?

A. No. Even in rising markets it is so. That is the condition of the present day trade when telegrams are pouring in from all corners of the world.

President.—You do not allege that is general? Otherwise everybody in trade would be a bankrupt in a few months.

A. That is why I say it is paradoxical. What happens is that owing to the continual fluctuations of the market in most raw materials, there are frequently opportunities of covering what you have sold at your cost with a little margin if you could wait a day or two. That is how the position is saved for most of the merchants. And, then, of course, it is not so every day. I was simply pointing out to you that it was a paradox.

Mr. Subba Rao.—That happens only once in a way?

A. Not once in a way. You may put it at 70 times out of 100.

Q. On 30 occasions he makes so much profit that he can afford to lose 70 times?

A. That requires the experience of a merchant to understand. It is not that 30 times you get a straight profit and 70 times you get a straight loss. Nothing of the sort. What I say is that 30 times you may have the two quotations the same, that is the quotation of the price at the selling point and the price at the buying point allowing for charges and a little profit; and the remaining 70 times you have got to speculate. That is why you hear so much of speculation. That speculation simply means looking forward and making up your mind as to how the market is going to be. Then again out of these 70 it is not everyone that is making a loss.

President.—By the time you get the cotton down here, the market may have altered?

A. It may have. It is all a gamble, if I may put it plainly.

Mr. Majmudar.—In any case, at the end of the year the merchant would expect a certain profit. Would he not?

A. He would expect. There is no question about that. But that is very different from what he would get.

Q. Or is it that the merchant makes his profit by mixing lower qualities of cotton and quoting the same price as for a better quality of the particular centre?

A. That brings me to another problem of trade. What happens is this, and that is why you hear so much of fraud, of persons mixing up different quality of cotton, deterioration and all that. What happens is that on account of these views a merchant may have sold cotton at 315 when it was 320 in the market hoping that the market will go down. But the market does not go down; but it goes up to 340. He has got to

meet it somehow in order to make up his loss. He says to himself, "I will just mix up a lower quality—a small quantity, and nobody will find out." That leads to cases of mixing in upcountry markets by dealers and others which we hear of so much. But that does not apply to mills who buy through their own agents.

Q. But in the case of those mills that would make their purchases in Bombay, even if they purchase at the same prices they get the mixed quality of cotton.

A. That may be. But they would be then paying proportionately lower prices.

Q. If they were to purchase the same quality of cotton as the other mills in upcountry, the prices in Bombay would work out higher?

A. I do not agree, because when they buy in Bombay they naturally look at every sample. When a mill buys upcountry it may happen that the agent has made a mistake in selection and the stuff is poor and they have to take it. Whereas if it is in Bombay, the buyer goes through the market, gets the sample. Goodness knows how many bales are broken up and samples drawn before they bargain 100 bales. Thus they make sure of what they are getting. Then, there is the reputation of particular merchants from whom they pick up the quality of the cotton needed. It is known that A's cotton is all right, B's cotton is bad and so on. So I do not agree with the suggestion contained in Mr. Majmudar's question that they pay a higher price for the poorer quality. What happens is that they have the opportunities of examining the samples on the spot and the price paid is what the cotton is worth.

Q. Then why do some mills prefer to purchase cotton in the upcountry markets? They can as well depend on the Bombay market completely.

A. As I have said, for the inferior quality of cotton which they want for mixing, they do not mind going into the Bombay market. But when it comes to staple cotton for particular qualities of cloth, they do not want to take any chances and that is why they go upcountry and think it safer to buy there.

Q. That means that the quality of cotton that comes to Bombay is not as reliable as that available in the districts?

A. How can we say what is contained in every bale? There are so many ways of mixing cotton and packing the cotton. It is a far better thing to see the *kapas* and make sure that you are getting the right stuff.

Q. That explains to a great extent the difference in prices in Bombay and the mofussil. A. I do not agree with that conclusion. The real explanation of the difference in prices between Bombay and the mofussil at a given time is that just as we merchants in Bombay have to take chances with our foreign buyers these upcountry adatyas have to do for their Bombay principals. There are many firms buying in the upcountry market at any given time and each of them has its own representatives for such work. If my man buys the stuff that I have asked him to do and your man fails to do, you immediately stamp him as an incapable or indifferent man. So everyone tries to do it and some of them risk it. That is where the difference comes in.

Q. In normal times what would be the position?

A. How do you mean?

Q. When the prices of cotton do not fluctuate to the extent they have been doing recently?

A. I speak of both normal and abnormal times and we are doing a great deal of purchasing in Broach, Amraoti and Hubli, and I am speaking from our experience of what we are doing.

Q. When the times are normal and the merchants do not expect to make profit due to a sudden rise or fall, would there still be a large difference between Bombay and mofussil prices?

A. It would all depend on the American telegrams.

Q. Taking normal times and making due allowance for freight.

A. Then it means that very few people care to buy and most probably you will find that in the upcountry markets a little lower. There is no competition upcountry. I believe that in this connection you would like to know about what are called hedging of contracts, because I notice you put several questions on it to the witnesses. I suppose you have got this pamphlet, "The Liverpool Cotton Market", published by the Millowners' Association, Bombay. The first speech is by Mr. Bryce Muir and the second by another gentleman, Mr. White. And I would like you to look at page 12 because the question crops up there of what is called a single hedge contract in Bombay. Most probably you have got evidence of the desirability of having a single hedge contract.

President.—We should like to have your views on that.

A. I am afraid that is also due to unfamiliarity with the conditions of the cotton trade. If you look at page 12 you will find: 'As India improved her cotton, more of it would be used by Lancashire, but the time had hardly come when it would be safe to have a contract for Indian cotton' (That was in a discussion that followed the speech of Mr. Bryce-Muir when Mr. Burt was urging upon them the desirability of having a contract in Liverpool against which Indian cotton could be hedged, and this is the reply:—) 'Under present conditions it could be manipulated, and would cease to act fairly to both sides. The Cotton Association had not felt that the time had come to take outside growths tenderable on the American contract.' (They are afraid to mix Indian with American because the staples are different and the characteristics are different.) 'The suggestion was that only cotton of a value equal to American cotton should be tenderable, and that the premium, payable to the seller should be limited to a penny per pound for any growth other than American. This had been the suggestion of one committee but the Association had decided that in their view the time had not come' (this is an important sentence) 'because the tendering of outside growths of cotton, which were not freely marketable everyday as American was, might depreciate the futures contract; with the effect that if the futures contract was depreciated too much it would be impossible to attract cotton from America to be hedged on it except at so high a premium over futures that merchants would not risk it'. Now perhaps it will be necessary to explain the mechanism here a little bit to understand the effect of these remarks. What happens is, when a mill in Lancashire wants to buy cotton it selects a sample and sees whether the staple and other things are right and then it begins to discuss the price with the merchants. The merchant says, you must give 100 points on the price for December futures (100 points means full one penny) or 200 points. And then they come to a bargain and the contract is made at simply so many hundred points on the price of say December futures. The month is selected for making the bargain. Then, what happens is that the mill is sure of the quality of the cotton. It has not fixed the price because it is an uncertain quantity depending on the price of December futures at any given moment. But the mill says, 'I do not mind; if I can sell my cloth or yarn I will pay a higher price for cotton. If the market goes down my cloth will sell lower, but I will pay lower price for cotton.' When the mill finds the people to sell its stuff—yarn or cloth—to, it goes to the merchant and says, 'I want to close that bargain for cotton.' And this is what is done. The merchant buys the December contract on which basis the thing was done and adds on to it the 100 or 200 points that have been agreed upon and invoices the cotton at that price to the spinner. Then the point is that while the mill has merely earmarked the quality that it wanted, somebody has got to hold that cotton for it and you run the risk of the market going up or down. What happens is that a merchant who has contracted for it on the basis of the sample immediately buys the cotton in America and then sells the December contract. If the market goes down, the merchant loses on his purchase of actual cotton, but gains on his hedge (his sale of December futures) but he charges the mill the fixed number of points over the price at which he covers his sale of futures. That is how the thing is done and that protects the mills in Lancashire from the risks of the market if they do not want to take delivery. I do not want you to think that no mill in Lancashire takes any risk. That is not the case. Contracts there are like contracts here. They take a view of the market and stock for a few months and even longer. In fact recently we had mills on the Continent which wanted to contract for American for the next five years. The feeling here is that it is impossible to do the same operations in Bombay because the local contract is too narrow and is likely to be cornered, and the idea that it is cornered is generally due to the fact that a particular month's delivery goes above a further month's delivery, or the new crop, and people here say it is absurd that old cotton should be higher than the new cotton. That is why there has been continual talk in this market of narrowing contracts and in fact making every possible cotton from Bengals to Sindh and Punjab American and make all these qualities tenderable against one contract.

Mr. Subba Rao.—Narrowing or widening?

A. They call it widening—widening in this sense that every possible thing is to go into one contract. Now, you have just got to consider whether you would like to buy a thing in this way. Suppose the contract was for delivery of vehicles. Would you like to make a contract in which you may be delivered a bullock cart or a Victoria *ghari*, or perhaps a very fine motor car. Naturally you would not. You will say, 'I would not bother about it. I want a particular thing.' So, what happens is that these contracts are generally based on qualities which will be useful to the spinners and could be taken up, if not by the particular spinner, by some of his neighbours. Then alone can the merchant who bought from the market hedge the cotton, because to hedge it he has got to get somebody to buy it. It is not magic. It simply means that he goes into the market and finds some one who will buy that cotton from him. He sells a particular standard,

and then he knows that he will have to pay so many points more or so many points less. In Bombay it is impossible to mix up all these qualities in a single contract because the difference in spinning value and quality between inferior Bengal and high staple cotton is extreme. A mill which really wants staple cotton of $\frac{3}{4}$ to 1 inch will not care to buy a thing which may ultimately turn out to be a few hundred bales of Bengal cotton even though it may be so many rupees cheaper. What can he do with it? It will have to go into the market again.

President.—Surely it is not the proposal that inferior Bengals should be included in a single hedge contract with say Cambodia?

A. I am talking from the discussion that we have had in the East India Cotton Association in the past two years. The proposal is that if you have every possible kind of cotton in one contract then the total quantity to be tendered would be so enormous that nobody would corner it. They do not see the other side of it, that nobody would buy it unless you offer it very cheap, because then the man who buys has got the risk of getting cotton which he may not want at all and which he would have again to go into the market to sell to somebody else.

Mr. Subba Rao.—Could you not make allowances for the grade you want?

A. Allowances are possible. They are already there. In fact some years ago a contract for Broach was a fine cotton contract. Then people found that the fine class was a small quantity and could be cornered, and they made it a fully good contract, i.e., the quality was lowered and that was made the basis. My point is that in India, under Indian conditions, where we grow so many different qualities of cotton, it is not feasible to have one contract without, as a speaker in Liverpool said, enormously depreciating the value of the contract. That is, whoever buys that contract will have to allow for any rubbish being thrown on him and will have to offer a very low price in order to cover all the risks he takes. It means that very few people will buy and the contracts will be unworkable. Therefore in India we are obliged to have three different contracts because we have three really different kinds of cotton. Bengals are inferior cotton, very short staple; Oomras are medium and Broach and other superior cotton are long staple. I have seen that there was some evidence before your Committee for one hedge contract, and I was trying to show that that suggestion is based on want of appreciation of the conditions.

Q. The millowners asked for it.

A. They won't buy it. They want their own particular qualities and they are quite sure not to buy that contract.

Mr. Majmudar.—They may make purchases when they find cotton prices low and . . .

A. Futures or spot?

Q. Futures.

A. There have been three contracts recently. There were five before. But there are three Broach and Oomra contracts and the Bengal contract, and I do not know of any mills which are buying Bengal contract at all and merchants also are now fighting shy of it because it means getting rubbish which it would be extremely difficult to get rid of. If you make a contract in which Bengals could also be tendered against Oomras then merchants will naturally fight shy of the Oomra contract so-called or they would want to offer very low prices for it. There is a side issue to that, because the price in Bombay of that future contract is the basis for the rate at which the purchases are made by dealers and others upcountry from cultivators. So the depression of the contract price in Bombay ultimately means a much lower price all round being offered to the cultivators.

Q. Do you consider this is the outcome of a desire of the millowners to get their cotton cheap?

A. No; I think they have a hazy idea, that as in Liverpool they have this system and escape losses owing to fluctuations in cotton, if they did something like that in Bombay it would be a good thing; but I am afraid if the thing is tried it will be found to be a failure.

Raja Hari Kishan Kaul.—You don't think it would be possible to have the largest crop as the basis. Out of the three contracts which is the largest?

A. To-day in quantity the Oomra quality is the biggest because it is the largest quantity of cotton of homogeneous kind. It means many cottons more or less homogeneous.

Q. Oomras as the basis and Bengals as so much below?

A. That is the suggestion, and I say that their characteristics being different, and the spinning value being different, the so-called basis is not a constant thing.

Q. Now the people buy Bengals?

A. They do so on the merits of that particular cotton. If you buy a contract and then you find Bengal thrown at you at Rs. 25 discount whereas in your estimation it may be Rs. 50, or you may even be a spinner who does not use Bengal at all, then the problem

becomes different. My point is that the contract would be useless for the purpose for which the millowners seem to be asking for it.

Q. If the millowner wants Bengals of course he will buy Rs. 25 below ?

A. He will buy the ready stuff. What does he do to-day ? The Bengal contract is in existence, but so far as I know very few mills at all buy the Bengal contract. They think it far safer to look at the stuff and buy on the spot.

Q. That would only mean regulating the variations from the basis from time to time ?

A. Yes, but when the differences are very wide then the danger would come in that merchants would shun that contract and mills will have to shun that contract. When they want to hedge there must be somebody to buy. I speak of the wide contract.

Mr. Majmudar.—You are referring to short staple cotton. What I am enquiring is whether the short staple cotton would not sell at a reasonable difference, and so long as it could be sold, it is immaterial as to whether the mills take it or the merchants take it.

A. What is the proper difference ? That is where the whole trouble comes in. That would depend on the quality and prices. Supposing now the difference between Omra and Broach is Rs. 17, it may be Rs. 37 or Rs. 47 when the contract comes to be delivered. I simply put it like that. It is rather too technical and I personally do not wish to take up the time of the Committee if you do not wish me to do so. I thought it right to mention it because I do not like you to get away with the impression that one contract is a wise thing to suggest.

Mr. Majmudar.—Your difficulty is only with reference to Bengal cotton—the low staple cotton ?

A. It will come in when you go to longer staple cotton, with several classes of cotton which now go as Oomras.

Q. Do I understand you correctly, that if there are two contracts, one for the Bengal short staple and the other for the rest, there will not be much difficulty ?

A. I doubt that too because in the Broach contract you have got Surats and Navsaris and in the Bombay market you will find they vary very widely and when you have Oomras mixed up that problem will be extremely difficult. I would make Oomras as it is, a separate contract, because it is a class by itself. We would have a contract for good staple cotton, a contract for medium and a contract for short staple until Indian cotton improves so much that an average could be made, but I do not see any chance for it in the near future.

President.—We now come to the last section: You consider that the town duty of Re. 1 a bale should go. You say it is a sort of handicap to the mill industry. Is Re. 1 a bale such a serious handicap ?

A. Well, Sir, if you look at the amount it comes to a very decent sum. When 35 lakhs of bales come into Bombay 35 lakhs of rupees are collected. Of course part of it goes in one direction and part of it in another. The mills pay their share of it. I think it is a fairly serious handicap, and I do not see why it should be so.

Q. If you consider Re. 1 a bale as a serious handicap, Mr. Madon, would not an increase of half an anna in the yard in the price of cloth be a serious handicap to the consumers of cloth ?

A. There the difference comes in like this—that the consumer has not got to sell the cloth again. He simply wants to make a coat or a pyjama, and when he has got to make it, he does not very much worry whether the total is Rs. 5-12-0 or Rs. 5-14-0. In the last few years when cloth has been going up and down I do not think any consumer said that if he could wait a few days more he might get his cloth a few annas cheaper. The retailer and the wholesaler have to do so because they have to see whether they will make a profit, but the consumer, I do not agree, thinks of it at all. The mill is in a position entirely different because there every rupee tells on the net profit they are going to make. If a mill is using 30 thousand bales it means 30 thousand rupees less.

Q. If you reduce the purchasing power of the consumer by 12½ per cent. he would start thinking of every anna.

A. He will. Unfortunately this consumer is not very literate and does not know what is happening. He simply goes into the market, to his bania and buys if the bania gives him credit. He only stops buying when he cannot pay the money, when the margin is not there. In the last few years the cultivator had some margin and naturally he has been spending. He is not going to stop and think what it costs him, when he has the money.

Q. He stops to think what it costs him in cloth ?

A. I do not agree. You are referring to the times in 1917-18. But the bulk of the trouble came from Bengal because there were stories of Bengali women not having clothes, and so on. The real trouble there was not an anna or two annas a yard, because over the rest of India cloth was selling like anything. What happened in Bengal was, owing to artificial conditions jute was not selling at even half the normal pre-war prices. Thus

the jute cultivator was absolutely ruined, and that was why he had no money to put in cloth. A few yards of cloth do not really make any difference.

Q. But why was it that consumption of cloth in 1919 went down to 7 yards per head if prices had no effect on consumption? In 1919 and 1920 the consumption per head of piecegoods—mill made goods—went down to 7 yards a head against the pre-war years' 13. From 13 it went down to 7. What was it due to if it was not due to the high prices of cloth?

A. It was, if I may put it that way, due to the smaller crops and smaller production, because I know as a matter of fact as a merchant that in 1918, 1919 and 1920 it was not a question of the mills being unable to sell but being begged to give stuff. Nobody would give, and in a month's time large quantities were contracted for, even 12 months ahead. It was not a question of cloth not being sold.

Q. I do not think that was so.

A. That was my experience. That will be the reply of any merchant to you. In those years it was not a question of cloth not being sold; it was a question of cloth not being available.

Q. It was not sold to the consumers.

A. If the stuff could not reach the merchants it could not reach the consumers. I have not gone into these facts again, otherwise I might have been able to say. I know this one fact that throughout that period the yarn was selling very high and still dealers were buying months ahead forward deliveries.

Q. Then, was not the trouble due to the fact that they over-reached themselves?

A. The over-reaching came in 1920 with the famous reverse bills. It was the deflation started by Government. It was referred to by Professor Jevons.

Q. Do I understand you to hold that the price of cloth has no influence on consumption? If you were to double it to-morrow, you will sell just as much?

A. You cannot double without the price of cotton being double and the price of manufactured commodities.

Q. If you put on a sufficiently high import duty, if you put on a prohibitive import duty and keep out the foreign goods?

A. Well, that would occur if the local manufacturing capacity was not sufficient. If it was, then that would not occur. We know that in the case of cement. In fact, cement had been selling a good deal below the import price for the last four years. A mere duty is not enough.

Q. The question is, how is an import duty going to help the millowners unless it enables them to get rid of their production?

A. My feeling is that it will help in this way. There will be less competition and that will enable local mills to sell more of their stuff and more easily and get a fair price for it.

Q. Which cannot sell their stuff at the present prices how can they sell at higher prices, which would be the result of an import duty?

A. It will not be only the import duty that will affect the revolution. It will have to be some fixing of the exchange and returning to normal conditions. That will have to go with it.

Q. You say that there should be a two-fold duty—an additional duty of 12½ per cent on all imports, etc. You mean on imports of piecegoods and yarn, or on imports of everything?

A. Well, Sir, I understand that to be an exchange trouble. I mean on everything, both piecegoods and yarn.

Q. I am referring to all imports into India.

A. The argument would apply to everything, but here I am talking of yarn and piecegoods.

Q. As regards piecegoods and yarn, I think we had some sort of agreement that 12½ per cent. would not be necessary. The millowners themselves only asked for half. They asked for 8, but that was based on Japanese exchange; but they only ask for half of this, i.e., 6½. You go beyond that?

A. I am not going beyond, Sir. I do not know whether the millowners have based themselves on the correct exchange considerations. My feeling is that exchange having been twisted up 12½ per cent. the duty will have to be in the next few years the full 12½ per cent. to neutralise the evil that has already been done in the past three years because goods have been driven out of markets. Other qualities and other goods have been given a chance of establishing themselves and in the next few years the full difference of 12½ per cent. will have to be allowed. But it is for your Committee to decide.

Q. Your second point is—'a duty equal to the depreciation of the exchanges of the exporting countries from their pre-war gold par'?

A. Yes, that would be necessary.

Q. Have you considered if it is worth while? We have had no special complaints as regards competition from the countries you mention.

A. You had complaints about Japan?

Q. We have not had complaints about other countries. Therefore is it worth while making a discrimination?

A. I am taking a correct scientific view of this problem and saying that the duty should apply to every country that sells goods to India and has its currency depreciated. Why should it apply to one country with a depreciated currency and not to another?

Q. If you take that view you will have to have somebody to work out the duty every month. Would you not?

A. I do not think so. That is rather an administrative matter. The Government can say that the duty should be the difference in percentage of the gold par of that country and its actual exchange in the previous three months, and that would be the additional duty to be applied to each particular case. It is not a difficult thing to administer because it will be so much per cent. and nothing more.

Mr. Subba Rao.—You deprecate any abolition of duties on the import of stores?

A. Yes.

Q. But would you make an exception in the case of synthetic dyes, because there is no local production? Two crores and a half worth are imported every year and there is no local product competing seriously.

A. Where there is no local production competing, there should be no necessary objection to the removal of that particular duty. But what I had in mind was that unless you have reasonable duties on articles that could be manufactured in this country, the manufacture would never start.

Q. But there is not much likelihood of our starting any synthetic dyeing factory in the near future.

A. I do not want to argue that point. I do not think it is possible in the near future.

Q. And would you not make an exception in that case?

A. I have merely put a general proposition.

Q. You would in this case make an exception?

A. I have no objection.

President.—You make a most interesting suggestion at the end of your evidence, 'the creation of independent warehouse companies with substantial capitals, who take charge of such goods and warehouse them'.

A. That was part of the suggestion about financing.

Q. It is an extremely interesting suggestion. I would like to know how far you consider it feasible in India?

A. I know of the case of the United States, though I have no personal knowledge. I know of Japan of which I have close personal knowledge, because I worked there many years. In Japan warehouse companies are started under a special law of Government which put certain duties and responsibilities on the owners of these companies. They are generally joint stock companies and there are private firms also. Then the warrants of these warehouse companies being issued under legal safeguards of various kinds, are very easily negotiable by bankers, etc., and that very much helps the financing of goods. For instance I may store my goods in a warehouse and then if I want money I may take the warehouse warrant to the banker and he will have all the description of the stuff and under the signature of the warehouseman to show that I was not faking and the goods were really there. So financing really becomes comparatively easy because it is merely to take that paper and the banker has not to go to the godowns and count. He simply looks into the warrants, sees that the quantity is there and then if he is satisfied about the valuation, he gives 70 or 75 per cent. That thing has been developed in Japan during the last 30 years, and it is my conviction that such a thing is needed in this country. At present the bulk of the goods is in the warehouses of dealers themselves, or in the mill godowns. Naturally you cannot keep count of it. Then there is the further difficulty of one not knowing exactly what the contents are and what their description is. That makes things difficult. I have suggested in this connection warehousing facilities for the finance of individuals dealing in local mills goods, because I have noticed in several cases that came to my notice that that was a difficulty which the bankers felt. They say it was easier when it was imported Manchester stuff. It came through a particular bank—an exchange bank—and the documents come straight to them they would know that those goods had been stored in the godowns and the banks could safely lend money. In the case of locally made cloths the only evidence is some business in cloth from a local mill, and then, the dealer if he went to the bank for finance would have some kind of invoice from the mill if it is all stuff from the same mill. But if he has bought a case

here and a case there, that is difficult. So I think an organisation of some kind of warehouses on the lines in which it is done in Japan and in the United States would very much help the finances and liquidity of the merchants.

Q. You would have to have warehouses all over the place? Would you not?

A. No. After a time things adjust themselves in this way that the warehouse being a big concern, can have its own railway siding or arrange a siding with a shipping company and then this warehouse company takes care of everything. It takes delivery of the stuff and keeps it in the warehouse. Everyday the warrants are prepared and brought or if I want to ship out the goods I can give another order saying 'out of my cases please ship 25 cases by such and such steamer', and they do it because they have a well-organised and trained staff and all other facilities which only a big company can have. Every individual dealer cannot have his own shipping department or railway siding.

Q. My point was that you would want to have warehouses in different cities, one in Bombay, one in Ahmedabad, one in Cawnpore and so on?

A. Yes; in different places, wherever there is a large amount of merchandise coming into the hands of the wholesalers. It is the wholesale trade that requires this kind of finance.

Mr. Subba Rao.—Have you any balance sheets of a warehouse company?

A. No; I have not got them here.

President.—Do you know of any literature in which this system is described, Mr. Madon?

A. I think I had it sometime ago, for instance, the United States Act governing the warehouses. I will try and send it you.

Mr. Subba Rao.—Are these warrants specific or general?

A. The warrants are separate. Supposing I put 50 cases of piecegoods, I get a warrant, or if I choose to do so, they will give me one warrant for each five cases. So that whenever I want to give 5 cases I can deal only with one warrant.

President.—The warehouse company makes itself responsible for the correct description of the goods?

A. It is not the warehouse company which makes itself responsible. What happens is if it is taken delivery from mill X, when it takes my delivery order to the mill, it will have to verify before taking the delivery. They see to the number of the cloth and count the number of cases and then take delivery and thus become responsible for the quantity to be delivered. It is described on the warrants. We have a small company in Bengal.

Q. What are they working? What sort of goods?

A. Mainly goods which are liable to import duty and by keeping which in the warehouse, the merchants escape paying import duties and locking up funds. This is not under any particular charter and I do not think excepting the general law, there is anything that deals specifically with warehouses, while in Japan and in the United States they have a special law.

Q. How long is it since you were in Japan?

A. For about 11 years I was there, from 1894 to 1905. Then off and on I paid several visits, the last visit being in 1918.

Q. Can you tell us anything about the yarn exchange?

A. I think I can. I shall send you a short Note on the subject (see Annexure B). It is more or less on the same lines as the cotton futures business done in Bombay. But in every such thing the first thing they have got to do is to lay down the basis article, the article which everybody will deal in and for that purpose in the yarn exchange in Japan they have laid down 20s count of yarn. So all business is done for 20s yarn. But it does not mean it is only 20s. The basis is 20s. but holders of other counts hedge by selling 20s according to their own idea of the parity of what they hold with 20s. Then what they do is that the committee of the exchange sits down and examines all the samples of the different mills and settles for a certain period the points on and off for various qualities of 20s yarn. They will say mill J is yen 2 on per bale, mill X is yen 5 on, mill F yen 2 off, mill B yen 3 off and so on. Now the committee decides the basis and the business is permitted only to those who are members and shareholders of the exchange. Outsiders are not recognised. It is supposed to be between members. The one thing which differentiates business in Japan from business here is that the exchange is supposed to be the body through which you sell and through which you buy. Practically all business is supposed to deal with exchange. If member A sells to member B, A will give contract to the exchange and B will also give contract to the exchange. It is a central body and this safeguards the general public and the members from risks because if, for instance, B fails, A does not lose because the exchange is bound to make up the losses. To be able to

do this, the exchange is started with a very decent amount of capital, and over and above that they get a share of the brokerage and further they have a right under the charter to call up margins. So what they do is when the business is concluded they immediately call up 3 or 4 per cent. margins from both sides.

Raja Hari Kishan Kaul.—Even from the seller ?

A. From both. It may be cash margin or the man may give the securities. That is called the original margin. Then suppose the market goes down, it is the buyer that loses. The exchange immediately notifies to that man, 'please pay in yen 5 more per bale'. If he does not do so before the next day at 12 o'clock, the business is closed and the exchange gets out of any further risk. All this is done under the charter and as no other party in that city can deal in futures of yarns except that exchange and the members of that exchange, naturally everybody has got to conform to the rules and bye-laws laid down.

President.—You mean that the exchange has got a charter ?

A. Yes. In Japan they have a general law which governs all kinds of futures transactions in all kinds of articles and then each exchange which deals in a particular article has got to conform to the general provisions of that law and to conform to its own bye-laws and regulations which are again subject to the approval of the Minister of Commerce. The Government keep themselves in close touch with it. It considers it its duty to see that things are going right. They do not interfere in day to day transactions.

Q. How do they sell yarns above 20s ?

A. What happens is, if I hold 100 bales of 16s and I am afraid that market may go down, I go and sell 20s on the exchange at the price of the day, knowing that if 20s goes down, 16s also will go down more or less and by experience I know at what difference I would be justified in selling the exchange.

Q. But after all 20s may be a fairly large proportion of the total production.

A. From the monthly reports of the Japanese Spinners' Association it is not a large proportion.

Q. It seems curious to have an exchange in which transactions are confined to 20s yarn.

A. Yes. Everybody now after long experience has got used to the fluctuating, and it is a matter of practice and experience and one can form a fairly accurate estimate of the difference at which he will think it safe to sell 20s in order to hedge his own purchases which may not be 20s but 16s or 24s or 40s. I do not think many ever hedge against very high counts, say 30s, 32s and upwards by a sale of 20s, because there a different kind of cotton comes in. But all yarns below 20s are very well hedged against 20s contract because prices move more or less uniformly there.

Q. Do you consider a similar yarn exchange would be an advantage to the Bombay mill industry ?

A. It would be. But it is not as easy to do it as to say. Such things cannot be created by word of mouth. The business has got to be started. Perhaps it will take 3 or 4 years to be established. In Japan it started somewhere about 1889. I went there in 1894 and it was not an active market then. But gradually both the millowners and the holders of piecegoods and holders of yarn came to understand the advantages of it and the thing has developed to a large extent.

Q. What is the special value of such an exchange to the industry ?

A. All these exchanges really do one service. They distribute the risks of fluctuations of markets over a great many heads, because in a futures market it is not only the man who really wants to buy that yarn that buys it, but it is also somebody else who is only a piecegoods merchant and who thinks that the level for yarn is cheap who buys. That kind of thing goes on. It may be even an outsider who goes and buys, because he thinks it is a good investment for the time being. Merchants are constantly thinking of the lines which promise to give them more profits and therefore, in the futures market, you have thousands of people who are not directly dealing in that particular business. So, in a big collapse, the results are not as disastrous in an exchange as they are in markets where there is no exchange.

Q. On the other hand does not the existence of a big market like that of which not only the mills but piecegoods merchants and outsiders could become members.....

A. They cannot be members.

Q. Who can be members ?

A. It is for the body to elect the members, and the first shareholders are generally members. In the old days a man had to take a certain number of shares before he would be enrolled as a member.

Q. Is any technical qualification necessary to be a member ?

A. Nothing, excepting that he is a man of fairly substantial means to be able to meet his liabilities in case of fluctuations.

Q. But is there not also the possibility that the existence of an exchange of this kind promotes speculation? It gives opportunities for people for gambling which they would not otherwise have.

A. You will find a much better answer to that in the speeches I have given you from the Liverpool Association. They are trying to answer the same question as to whether it is gambling or whether it is an encouragement to business.

Q. I understand the position as regards cotton, but not as regards yarn.

A. Yarn in Japan has been supposed to be the one thing that will be nearest to the manufactured goods, because yarn is half manufactured and it has been considered an advantage to hedge in a half manufactured production where the movements would be more closely in correspondence with the movements of piecegoods rather than to hedge in cotton.

Mr. Subba Rao.—Like pig iron for example?

A. Yes.

President.—Has Manchester got a yarn exchange?

A. It has got an exchange; but it is not a futures exchange. I am not in close touch with it.

Raja Hari Kishan Kaul.—Is it not a difficulty here that the mills do not generally sell their yarn?

A. Still there is a very large business in coarser yarns still going on in Bombay—a good deal of business in yarns of 6s, 10s, 14s.

Q. If they hedged on a large scale they might not have the yarn available if the demand is made by the purchaser.

A. No; there is no danger of that, because the amount still sold as yarn is quite considerable. And then what will happen is in the case of a manufactured article if anybody tries to corner, it is quite easy for a mill to postpone its production of something else, and start on say 20s. for a few days and turn out the quantities required. It all depends on the prices.

Q. You think it is practicable?

A. Yes; because it is practicable in Japan.

Q. With cloth it will be difficult?

A. Because there will be difficulty about the basis of the cloth. Perhaps the Millowners will be able to tell you whether there is any basis. I am not familiar with that problem.

Mr. Subba Rao.—In reply to Question 120 you say 'the margin of profit on higher counts has been much poorer than that on coarser counts'.

A. Yes.

Q. Will you please tell us why the margin is much poorer in that case?

A. If you ask why, that is a technical problem. My point is I cannot tell you why the margin is poorer. If you simply take the margin in annas per pound, it may be found to be bigger but when you distribute that margin over the total capital employed and the total time taken for the product, you would find that it would pay a mill to turn out coarser counts than to turn out finer counts. The net return of the capital employed will be poorer.

Q. Because of the greater employment of the spindles and so on?

A. That is my impression from such information as I have from my friends in Bombay, and I know of several mills who thought it advisable to go back from finer counts to coarser counts because they thought that the latter paid them better. It is merely a side issue, because your present enquiry is not an enquiry for protection in general. It is against the present conditions. I simply say that this will be the problem to be tackled if you wanted to deal with finer counts. Your enquiry is for protection against present conditions. So I simply said that this would be a problem to be put forward if you want finer counts.

Mr. Subba Rao.—Do you suggest that we should go on to finer counts?

A. I think it should be the next development. Even to-day we are importing a considerable amount of fine counts of yarn and there is no reason why it should not be manufactured in this country although there are climatic and other considerations.

Q. Raw material?

A. It is a handicap to us as well as to Japan or Lancashire. They have no raw material. American cotton has got to be imported from America.

Q. It is a question of climate?

A. Climate and other conditions. But those difficulties could be got over.

Q. You think the development is desirable?

A. I think it is highly desirable.

ANNEXURE A
Average Daily Wages of Mill-hands in Japan
(as per Monthly Reports of the Rengokwai)

Mills reporting		T. T. on London	Wages per day	
			Male	Female
61	October 1922	26 5/16	1.536	1.225
61	November "	26	1.517	1.212
	December "	25 1/2		
54	January 1923	25 1/16	1.518	1.200
55	September 1923	25 7/8	1.469	1.174
54	October "	26 3/16	1.474	1.176
54	November "	27	1.497	1.184
54	December "	26 11/16	1.525	1.198
54	January 1924	27 1/16	1.158	1.200
54	February "	26 9/16	1.512	1.207
54	March "	26 11/16	1.516	1.210
51	April "	23 7/16	1.517	1.211
50	May "	22 1/2	1.525	1.21
49	June "	23	1.52	1.224
	July "	23		
47	August "	22 5/16	1.527	1.184
47	September "	22 3/16	1.529	1.193
47	October "	21 9/16	1.522	1.201
47	November "	20 5/16	1.534	1.218
48	December "	19 15/16	1.546	1.225
48	January 1925	19 1/2	1.543	1.232
48	February "	19 7/8	1.532	1.235-
48	March "	20 9/16	1.551	1.240
48	April "	20 13/16	1.539	1.218
48	May "	20 9/16	1.535	1.217
	June "	20 1/2		
49	July "	20 3/4	1.557	1.225
50	August "	20 5/8	1.555	1.208
50	September "	20 1/2	1.551	1.211
50	October "	20 1/4	1.548	1.217
50	November "	21 1/16	1.549	1.229
50	December "	21 1/2	1.569	1.235
	January 1926			
50	February "			
49	March "			
	April "			

} Wages figures not given.

ANNEXURE B

Note on the Yarn Futures Markets in Japan

There are several places in Japan where yarn is bought and sold for future deliveries just as cotton is bought and sold for "Vaidas" in Bombay. These markets are organized as joint-stock Companies with very substantial capital. The largest of such Exchanges is at Osaka, although there are Yarn Exchanges at Tokyo, Nagoya and Kobe, and perhaps also at other places. They have a similar Exchange for Chinese yarn at Shanghai, China, which shows that the Chinese also have felt both the utility and the necessity of such an Exchange.

The members are elected by the Board of Directors of this Exchange, and they must be shareholders before they can become eligible for membership.

In Japan, there is a general law dealing with markets where business is transacted for future deliveries, and the organisers of any such Exchange, whether it is yarn or cotton

or rice or oil or shares, have to apply for a charter under the Act and to submit to the supervising powers given to Minister in charge under such Act. The rules and bye-laws are also subject to his approval.

Under such rules and bye-laws the Board of Directors of the Exchange has power to regulate the conditions of business, the power to allow or suspend business and the power to call for margins.

The theory is that the Exchange itself buys and sells. Only members can deal in that Exchange, but they are supposed to deal not with each other but with the Exchange, who becomes the counter party to both the buyer and the seller. The result is that the failure of any member does not affect other members, as it is the Exchange that they look to, to fulfil their commitments.

For standing as intermediary, the Exchange gets from each member half the brokerage that he can charge of his own clients under the rules, and this forms a very substantial source of income to the Exchange. To protect itself for the risk it undergoes as intermediary, the Exchange has power to call up margins, and to close the transaction if such margins are not forthcoming by noon the following day. Members have the same rights and ask for margins from their clients.

The amounts to be called up for margins are indicated in the bye-laws, so that all who deal in that Exchange know what to expect. There are three kinds of margins—first margins, follow-up margins, extraordinary margins. As soon as a business is booked, the Exchange calls up the first margin from both buyer as well as seller. This is generally a figure equivalent to about 5 per cent. on the average price of the stuff during the past year. It is permissible to give securities instead of cash for such 'first' margins. Then the 'follow-up' margin is called up as and when market goes against a party, i.e., from the seller in case of a rise, and from the buyer in case of a fall. This must be in cash and is generally called up as soon as half the original or first margin is exhausted by the fluctuations of the market. The extraordinary margin is extra money called up in times of wild fluctuations to protect the Exchange against a big rise or fall between the closing market on one day and the opening market on the following day. Contracts are compared and margins and other matters settled at 12 noon every day.

The deliveries were only 1st, 2nd and 3rd month in pre-war days, but now business is permitted for seven months at a time, i.e., one can buy or sell to-day for December—January—February—March—April—May or June delivery.

The procedure of deliveries is as follows :—

All delivery and payments is supposed to be due on the last day of the particular month of delivery, i.e., 31st January for January unless the Exchange rules it otherwise.

There is however, no physical delivery on the last day. Every one that intends to deliver has to bring and put his goods into certain warehouses in the control of officers of the Exchange, and get warehouse warrants. Then he has to apply to the Inspection Office of the Exchange for inspection of the quality. The Inspecting Officer examines the goods, and gives a suitable certificate if they pass the standards laid down by the Exchange. There must be one certificate for each warehouse warrant of 5 bales which is the unit of delivery. Then, on the last day—day of delivery—the seller goes to the Delivery Office of the Exchange with his warrants with Certificates duly attached, and hands them over and gets the cheque at the settlement price. It is thus possible to complete delivery of thousands of bales in a few hours.

The present rates of brokerage are 62 Sen (100 Sen=1 yen) per bale up to a price of yen 260 per bale and 2 Sen per bale more for every yen 10 higher in price. This applies to the first three months of delivery. For the next three months it is 6 Sen per bale extra. For the seventh month, it is a further 6 Sen, i.e., 12 Sen more than the rate chargeable for first, second or third month.

The basis quality is the 20s yarn of a particular mill selected by the Board of Directors as nearest to their standard specification. The yarns of the other mills are declared as so much "on" or off. Thus Mill A may be the standard, and the seller receives and the buyer pays the price named in the Contract. Mill B is declared say Yen 2 per bale off. Then if yarn of Mill B is tendered, the buyer pays and the seller receives Yen 2 per bale less than the contract price, and so on.

The basis mill and the "ons" and "offs" for other mills are fixed by the Board three months in advance of the deliveries to which they would apply, and so those who give and those who take deliveries know exactly what they will get.

There are no disputes and no appeals against arbitration after delivery as in Cotton in Bombay, because the surveys are held by the Officers of the Exchange, and based on standard tests without being influenced by the position of bulls and bears at date of delivery.

The charges for storage are—

10 Sen for bale per month for storage.
12 " " Yen 100 for insurance.

Yarn once warehoused and certified is good tender for three months from date of certificate. Then a fresh inspection must be applied for, and a fresh certificate obtained when it is again good for another three months.

It may be mentioned here that the oldest of the Yarn Exchanges in Japan, viz., Osaka is named—"The Sampin Exchange" the word "Sampin" meaning "3 articles" because the original idea was to deal in 1 Cotton, 2 Cotton Yarn, 3 Cotton Cloth. Somehow it was found impossible to develop the first and third, i.e., Cotton and Cloth, and yarn alone holds the field to this day, although attempts are being made for the past 4-5 years to organise a Cotton Exchange also.

ANNEXURE C

In my oral evidence yesterday I said that prices do not get adjusted to the current rate of exchange in countries with depreciating currencies and quoted some figures that I had worked out, of the French Index Numbers, to prove that there continued to be a great disparity between the actual level of prices and the level as it should be, if there was any adjustment proportionate to the change in the rate of exchange. I attach a statement of these figures herewith as it may be useful for your record.

I also enclose an extract from the monthly review of the National City Bank of New York (for August 1926) which has a bearing on the same subject and may interest your Committee.

Retail Prices and Exchange

That retail prices do not move to correspond with the movements of exchange can be best seen from the figures of France.

1926	Par of Exchange 25·22½			
	Prices in U. K.	French Exchange	What France should be at parity	Actual French Figure
January ..	171	129	870	480
February ..	168	132	879	495
March ..	165	137	896	497
April ..	159	145	914	503
May ..	158	155	971	522
June ..	158	168	1,052	544

The above are monthly figures for the current year when fluctuations have been rather wild. The same phenomenon can be noticed in the yearly figures :-

Year	Par of Exchange 25·22½			
	Price in U. K.	French Exchange	What France should be at parity	Actual French Figure
1914.. ..	100	25·15	100	100
1918.. ..	210	28	233	206
1919.. ..	209	41	340	261
1920.. ..	258	61	624	373
1921.. ..	220	52½	454	306
1922.. ..	180	66½	435	297
1923.. ..	162	88	573	321

The case of France is taken for illustration because it shows the disparity, as if from a magnifying glass, i.e., on a large scale, between the movements of exchange and prices, although the same situation will be noticeable in other countries with depreciated currencies.

MONTHLY REVIEW OF THE NATIONAL CITY BANK OF NEW YORK
(AUGUST 1926)

Depreciating and appreciating currencies

The depreciating and appreciating currencies have been harmful to trade by the confusion they have caused in wage and price relations. A depreciating currency reduces real wages by a gradual and silent process that is almost unnoticed for a time, so that a considerable reduction may occur before a compensating readjustment of wage rates is made. Prices are affected in like manner. Instead of rising promptly to compensate for the declining value of the currency they respond slowly, thus falling below prices in gold standard currencies.

The iron and steel and textile industries have been notably affected, because their products enter largely into world trade and consumption in these lines is not up to par. Belgium and France undersell Great Britain, Germany and the United States, because foreign buyers are able to convert their funds into French and Belgian currencies advantageously, while French and Belgian costs and prices have not increased in corresponding degree. Canadian iron and steel producers recently have appealed to the new Advisory Tariff Board of the Dominion for special customs duties to protect them against importations from countries with depreciated currencies, referring to France and Belgium.

Of course this apparent advantage to a country from the falling value of its own currency is temporary and deceptive. The country is selling its products and labour for less than they are worth, usually without knowing it. The people of Germany went all through that experience and want no more of it, although complaining now of loss of business to Belgium and France. The Committee of Experts appointed to advise the French Treasury, in its recent report, says that "the French people are working and producing, but most of them are being impoverished unconsciously."

The British Situation

On the other hand, an appreciating currency carries up wages and prices in purchasing power in terms of foreign currencies, unless readjustments are made, and this disturbs trade relations. Thus in Great Britain from the beginning of 1925 to the beginning of 1926 the general wholesale price level declined about 10 per cent. and the cost of living as calculated officially declined about 5 per cent., mainly as the result of raising the currency to the pre-war parity. The decline in one case was greater than in the other because wages are a smaller factor in wholesale prices than in retail prices, and wages yield more slowly than any other factor in prices. Eventually the readjustment probably will be practically uniform, but at present the situation is that British prices in competitive lines are forced down while costs have not declined in like degree. The purchasing power of British wages is tending upward, but British employers have failed almost wholly to get wage concessions on this account. About 25 per cent. of the coal production in Great Britain is sold for export, and now must be sold at a lower nominal price, although in currency of higher purchasing value. The miners are contending for the same nominal wages as they had last year, but if account is taken of the higher value of the currency this would mean higher wages. In the present state of the industry the margin of profit is too small to stand it, hence the shut down. Thus what should be only a readjustment of wages and prices to a change in the value of currency, without in the long run affecting the standard of living, becomes the issue of a great industrial controversy.

Witness No. 61

Mr. J. A. WADIA, BOMBAY

Written Statement

(i) Reprint of an article from the "Times of India" dated the 24th December, 1925

On the 27th September, 1924, you were good enough to publish a review for the previous year. The review for the past year is belated owing to my absence from Bombay. The results for the past year are extremely disappointing and show a net loss of 25.27 lakhs, although dividends to the extent of 73.48 lakhs have been paid out of reserves or sums carried forward. Agents' commission came to 19.71 lakhs, salaries and wages come to 6.40 crores, interest on working capital is 1.27 crores, insurance comes to 36.49 lakhs, and depreciation is reckoned at 43.29 lakhs, the lowest figure since 1905. I give below the usual figures for purposes of comparison which will show at a glance the adverse circumstances the industry had been labouring under since 1921; I also give you prices of yarn and long cloth since 1914.

Year	Prices of local cloth and yarn		Longcloth grey annas per lb.
	Yarn per lb. annas		
	No. 10s.	No. 20s.	
1914	6 $\frac{1}{2}$	7 $\frac{3}{8}$	10.3
1918	20	27	40
1922	12 $\frac{1}{2}$	18	26
1923	11 $\frac{1}{2}$	15	20
1924	14 $\frac{1}{2}$	17	23
1925	10 $\frac{1}{2}$	13	19

Year	Profit lakhs	Less Commission lakhs	Less Depreciation lakhs	Spindles lakhs	Looms	Wage	Paid-up Capital crores
1905	347	47	65	25.60	28,000	201	6.3
1906	314	47	66.25	26.14	28,000	218	6.1
1907	185	36	67.70	26.13	32,000	217	6
1908	130	34	72	27.34	36,000	219	6.1
1909	121	30	74.62	28.00	39,000	229	6.5
1910	60	26	75.50	28.04	41,000	256	6.8
1911	52	24	77	28.90	42,500	256	6.4
1912	260	40	78.12	28.85	43,400	268	6.8
1913	182	29	79.75	29.25	45,250	247	6.8
1914	89	25	83.15	30.09	49,000	237	6.3
1915	186	32	83.37	30.00	52,000	300	6.8
1916	312	42	84.62	30.00	53,205	318	8
1917	674	76	85.25	29.33	57,900	376	8.8
1918	497	61.50	84.82	28.82	59,102	402	9.3
1919	1,306	131	86.37	29.64	60,778	500	13.1
1920	1,653	153	170	29.64	60,634	672	16.1
1921	1,539	140	177	30.22	62,763	782	18.6
1922	727	85.40	132	31.17	65,521	819	18.9
1923	261	39.54	69.37	33.49	68,946	747	20.05
1924	37.43	19.71	43.29	34.27	71,138	640	20

In the whole of India we have 336 mills having 83·13 lakhs spindles, 1·51 lakhs looms employing on an average 357,000 hands and consuming 19·18 lakh bales of cotton. We consumed less cotton last year than we did in 1922 when the consumption reached 22 lakh bales per annum. In Bombay we have 82 mills with 34·27 lakh spindles, and 71,000 looms employing on an average 148,000 hands daily. Our consumption of cotton was only 8·21 lakh bales compared to 1922 when we consumed 10·74 lakh bales. The quantity of yarn produced during the year under review came to about 60 crore lbs. against 70 crore lbs. of the previous year, or a decrease of about 14 per cent. Of this amount about 36 crores were consumed in the production of 40 crore lbs. of cloth, whilst we exported to foreign countries about 38 lakh lbs. leaving a balance of about 24·37 crore lbs. for the hand-loom weavers. Shipments of yarn to China have now become quite negligible. In 1905 we shipped to China about 6,52,000 bales; last year we shipped only 31,161 bales. I give below the progress made by India, China and Japan since 1914 as regards additions to spindles and looms.

Year	All India	Bombay only	China	Japan
1914	67·78 lakh spindles 1·04 ,, looms	30 lakh spindles 48,900 looms	10 lakh spindles 4,755 looms	26·67 lakh spindles. 25,443 looms
1924	83·13 lakh spindles 1·515 looms	34·27 lakh spindles. 71,033 looms	35·81 lakh spindles. 22,477 looms	44·77 lakh spindles. 64,460 looms

The Japanese mills are working night and day and employing largely female labour. The above figures show you at a glance the progress of respective countries. It is a matter of great satisfaction that the excise duty has been removed. Of late years it has been falling. In 1921 India paid 2·38 crore rupees, whilst imported goods paid 6·41 crores. For the year 1924 India paid 1·66 crores, imported goods paid 6·16 crores. The prospects for the current year are anything but bright as we have had a strike of mill-hands which lasted very nearly for ten weeks. High price of cotton, high wages and poor prices and indifferent consumption coupled with high exchange all combined against the prosperity of the mill industry. The raising of the exchange from 1s. 4d. to 1s. 6d. has inflicted a grievous burden on the producer. He is losing about 12½ per cent. on the export value of his commodities. Not only that, but all other articles which are consumed in the country such as cotton and wheat are also affected by export prices. The purchasing power of the producer has been reduced by 12½ per cent. and his economic condition has become worse. It is said that the rise in prices in the markets of the world compensates him for the loss inflicted upon him by the currency policy of the Government of India. Is he so rich that he should be deprived in an indirect way of the benefits which arise in price of his commodities in the neutral markets of the world gives him? Moreover who can guarantee that this rise in the gold value of his commodities will be maintained?

The American cotton crop is estimated at 1·62 crore bales with the result that prices have fallen enormously and Indian cotton is following in the wake of American cotton. The loss inflicted on our cotton producer by the rise in exchange came to about 12 crores on his entire crop of 60 lakh bales last year. One can imagine what all the producers are losing on all the different crops. Unless our currency is put on a sound basis, by reducing fixity from 1s. 6d. to 1s. 4d. and unless the country has an automatic currency and the rupee relegated to its proper position as a token coin by limiting its output, I do not see how the economic condition of India in general and of cotton industry in particular could be improved. We were deprived of an honest silver currency and were given a token currency which has resulted in inflation of prices and wages long before the war. The Government has collected £40 millions sterling in its gold standard reserve fund by sweating the token currency. It is said that the profits on coinage have remained with the country. This is one of those half truths which are worse than lies, because they are so deceptive. For every pound sterling gained by Government by the selling of token currency, the producer must have lost more than ten times the amount. Let me illustrate the point. It is said that if you put back exchange from 1s. 6d. to 1s. 4d. the Government will require 3 crores more towards home charges. As I have shown above the producer of cotton alone, not to say anything about the other crops, has lost something like 12 crores last year by the rise in exchange from 1s. 4d. to 1s. 6d. I will not discuss this matter further since a Currency Committee is again inquiring into the question.

I will, however, permit myself to say one thing and that is that our currency muddle which has been allowed to exist for over 30 years reflects great discredit on the

Government and the people of this country. I attribute our currency confusion more to our ignorance and apathy in the matter, and even now our knowledge of the subject is anything but thorough. I have however read with extreme pleasure and gratification the notes submitted to the Currency Committee by Mr. P. M. Dalal who shows a thorough knowledge of the subject and a masterful grasp of all the intricacies which are elucidated by him with a gratifying clearness.

The year 1926 is expected to be more cheerful than the year which is about to close. Cotton has gone down and owing to the strike for ten weeks the stocks of cloth are low and are estimated at about 80,000 bales. Prices have not fallen to the same extent as the fall in cotton, but the industry must be freed from constant meddling with its currency and crushing taxation. The removal of 3½ per cent. excise duty will cheapen cloth for the consumer to that extent, but the burden of competition with imported cloth remains since the imported cloth is cheapened to the extent of 12½ per cent. by the rise in exchange. The burden of high wages owing to inflation still remains. It is said that wages have risen about 90 per cent. since 1914 but the cost of living has risen only 53 per cent. It should, however, not be forgotten that the workman got no compensation for the rise in prices between 1904 and 1914. The index number of food-grain prices rose from 117 to 222 during the above periods.

(ii) *Reprint of an article from the "Times of India" dated the 1st April 1926*

It is usual with me to furnish you with a review of this important industry which of late years you have been good enough to publish some time in September. Owing to my absence from Bombay, I was not able to give you one earlier than the one published by you on the 24th December last. As I am once more leaving Bombay on the 10th April, I am afraid I will not be able to give you as complete a review of the past year as I would wish.

I told you last year that we worked at a loss, and I find from a few of the reports which have come into my hands that the losses for 1925 will be greater than those of the previous years. The extent of the loss I am not able to surmise, as the great majority of the annual reports are not yet out. It is necessary to take a bird's eye view of the industrial situation which existed in the past year and the immediate prospects for the future. We have had a great deal of heated discussion from Mr. N. N. Wadia, C.I.E., and others about the keenness of the unfair Japanese competition owing to low exchange under-paid labour, long hours, and employment of women and children for night labour against the Geneva Convention. At one time Messrs. N. M. Wadia & Co. (unlimited), laid all our misfortunes at the door of the Excise Duty. That having been removed by Government, our industrialists find that the shoe is still pinching; and in their endeavour to find out a scapegoat, they have lighted upon the employment of women and children for night work. For my part I have seen in their utterances more heat than light, and I am extremely anxious to put before you what I think of the whole question.

Imports of Piece-goods

It is said that low exchange favours Japan. Japan has done nothing to lower it whilst we have deliberately raised our exchange from 16d. to 18d. with the result that our imports of yarn and cloth have gone up from 66·30 crores in 1914, 70·13 crores in 1923 and 67·48 crores in 1924, to 82·32 crores of rupees in 1925. Of course high exchange is bound to favour imports as it did during the 2s. rupee boom; but out of about 82 crores of textiles imported, Japan's share is 5·74 crores of rupees worth of piece-goods and 4·59 crores worth of yarn. Practically the import of cotton goods and yarn is confined to the United Kingdom and Japan which monopolise the bulk of our import trade in this direction. The following figures show the total percentage of piece-goods imported:—

Year	UNITED KINGDOM		JAPAN
	Per cent.		Per cent.
1921	11·3
1922	8·3
1923	6·8
1924	8·2
1925	8·5

Turning to our own manufacture, we have produced more yarn and cloth than we did during the previous year. We produced last year 71·93 crore lbs. against 61·73 crore lbs. for the previous year, or an increase of 16·53 per cent. We consumed about 40·95 crore lbs. of yarn in producing 45·86 crore lbs. of cloth. We shipped to foreign markets about 36·53 lakh lbs. of yarn, and the rest, viz., 30·62 crore lbs. were consumed

by the handloom weavers at home. The money value of our cloth, I reckon, at about 69 crores and of yarn sold at home and abroad about 23·50 crores of rupees. So, against imported cloth and yarn of the value of 82 crores and the home production valued at about 92·50 crores, or in all 174·50 crores, the Japanese imports came to about 10 crores.

No progress in Bombay

If you ask me why we have increased our own production of cloth and yarn, the reason to my mind is very simple. We have been carrying on our industry for very many years under adverse and unnatural conditions. Barring the boom period, we have been struggling. Mr. B. F. Madon in his speech at the Indian Chamber of Commerce truly said that our manufacturers hardly pay any attention to the exchange question which is at the bottom of a great deal of our misfortune. Of all our mill agents Sir Victor Sassoon is the only intelligent and honourable exception who emphasised the part played by exchange at the last annual meeting of the Association, and who expatiated on the serious disadvantages of high exchange artificially raised. I have said about that the Bombay cotton industry is carried on under adverse circumstances brought about by exchange. Bombay mills have not increased in number since 1900. In 1900 we had 82 mills with 25·36 lakh spindles and 22·215 looms. We have 82 mills to-day with 34·27 lakh spindles and 71·133 looms. You will say that we have made some fair progress. I say no. We have increased our weft spindles, because we have increased our looms. Our blow room and card room machinery is practically the same. We increased our looms because our yarn was driven out of China. Yarn which paid us 3½ per cent. excise duty was causing heavy losses. It is doing the same to-day; and even to-day all who have reserves and can finance are forced to fall back on the production of cloth. Every addition of 100 looms would require 1,600 weft spindles. In 1900 about 41 mills or half the number were purely spinning. To-day not four are left.

I would, however, give you a better test of our progress as compared with China and Japan as regards consumption of cotton. I take the figures from a hand-book by Messrs. J. H. Springham & Co., and I am indebted for it to Mr. Lakhmidas Nemidas, a highly respectable cotton broker to Messrs. Volkart Bros. :-

Year	BOMBAY			INDIA		
	Spindles	Looms	Cotton Consumption	Spindles	Looms	Cotton Consumption
	Lacs		Lac bales	Lacs		Lac bales
1914	30	48,800	10·78	67·78	1,04,000	21·43
1923	33·49	69,000	10·59	79·27	1,44,800	21·52
1924	34·27	71,100	8·21	83·30	1,51,500	19·17
1925	34·57	72,200	9·94	85·10	1,54,200	22·26

Year	CHINA			JAPAN		
	Spindles	Looms	Cotton Consumption	Spindles	Looms	Cotton Consumption
	Lacs		Lac bales	Lacs		Lac bales
1914	10	4,755	6·60	26·57	25,443	18·34
1923	26·80	13,631	10·00	8·77	60,900	24·06
1924	35·81	22,500	16·24	44·37	64,460	19·22
1925	35·81	22,500	16·24	51·10	64,460	24·44

Indian bales contain 392 lbs. and the bales consumed by China and Japan are reckoned at 500 lbs. to the bale. Upcountry mills are differently and more advantageously situated. Their expansion of spindles and looms is more natural, ours is forced. We have been compelled to sink more money in Bombay for looms and spindles when the depression in the cloth market had been very acute and even to-day mills with large reserves are doing their utmost to reduce their yarn output and turn to cloth which gives a small margin of profit, whilst yarn is a dead loss although there has been no excise duty on yarn. In 1914 we shipped to China 3·24 lakh bales, in 1923 58,000 bales; in 1924 31,000 bales; in 1925 28,600 bales. One may say that it is natural for China to supply her wants. That is quite true, but what I say is that cheap labour and silver currency have materially helped her, whilst your currency muddle has destroyed both for us. In your able leader of the 24th March last under the heading "Trade and the Empire", you rightly say as follows: "Any reference to the gold standard and currency in its effect on trade and industry is usually dismissed contemptuously as the vapourings of currency cranks. But Mr. McKenna cannot be thus impolitely dismissed, and it is incontestable that the prolonged effort to contract British currency to a point at which the gold standard could be safely re-introduced had a markedly deleterious effect on the trade particularly the trade in the home market of Great Britain."

Inflated Prices

The way you worked our 1s. 4l. rupee may be gauged from the index numbers of our food-grain prices. In 1904 it stood at 117; in 1913, 199; and in 1914, 222; and all this in times of profound peace. You destroyed our natural currency, and flooded us with token currency which resulted in an ostensible profit to the treasury of 40 million pounds sterling. You know the losses sustained in the reverse council bills which were computed at 30 crores, and Sir M. de P. Webb computed the loss to the country at 200 crores. The inflation of prices meant higher wages and higher wages meant higher taxation, Government alone taking from the public in direct taxation something like 45 crores per annum, to say nothing of indirect burdens, which I roughly estimate, at another 45 crores per annum. I am told that I am always quoting food-grain prices which do not represent more than 60 per cent. of the cost of living to a workman; but I do not see much difference between the cost of living and the cost of food-grain prices. In your issue of the 16th March under the heading "The cost of living" you report as follows: "In February 1926 the working class cost of living index was 154 and 150 for food articles only."

Working Hours in Japan

Another point to which great importance has been given is long hours of labour and female and child labour. It is said that Japanese mills are working 22 hours a day in two shifts. Mr. N. N. Wadia worked his mills also during the boom period in two shifts, and in consequence, I believe, he had to leave the Millowners' Association which I am happy to say he has rejoined. He and his brother Mr. C. N. Wadia are both very useful and intelligent members of the Association and I worked with them as a member of the Committee for nearly eighteen years. If I disagree with his opinions he will please consider that it is after all a friendly difference. In answer to a question in the House of Commons it was officially given out that the Japanese mills are working day and night in two shifts, each shift 9½ hours. In your issue of the 16th March under the heading "Cotton Trade of Lancashire" the following paragraph occurs: "Mr. Holroyd referred to the fact that the Japanese cotton industry was largely protected and that 20 hours a day were worked in the mills. In addition the cotton exports from Japan were being subsidised by the State. I have no hesitation in saying that the foreigner is not winning or retaining the markets by reason of his skill or enterprise, but because he is favoured with conditions which are denied to us."

Let us examine these conditions. Japan is a protectionist country. We can be that if we like. She is working 20 hours. We can do that also; but our labour will not have it. She is working with 80 per cent. of female labour which is cheaper than men. This advantage will always remain with her. We may pay whatever we like, female labour will never be available to us largely. The conditions of the two countries are quite different. The only serious objection, which is urged against Japan with truth is that, having signed the Geneva Convention, she is employing female and child labour at night. I will now assume that she gets a result from working with cheap female labour during day time which is not available to us and which I estimate, say, at 100. Now it is a great advantage to work your entire costly plant during the night also which we can never do. People in India tried it in Bombay and elsewhere and have failed. We have no labour for night work. I will estimate this result of the night work at 150. Now if Japan discontinues

female labour at night, I may knock of 25 or 50 per cent. of the advantage which she reaps from cheap female labour. So the result will be that she gains a hundred by day labour which is 80 per cent. female and she gains a hundred in spite of employing all male labour; because the advantage of working her plant continuously remains with her.

Effects of High Exchange

What has hurt us to-day is not Japanese cheap labour, but the deliberate raising of the exchange from 1s. 4l. to 1s. 6l. with the result that instead of importing 69 crores worth of cotton goods we have imported 82; and as to labour the cost of living has gone up since 1914 by 54 per cent., whilst wages have been doubled, and every attempt to reduce it by even 11 per cent. has failed for the simple reason that you do not take into consideration the rise in food-grain prices which has taken place between 1904 and 1914, and which I estimate at 90 per cent. The serious question to my mind is to consider dispassionately our present economic situation as regards the cotton industry and how to set about to remedy it. That to my mind is a proper question for consideration.

Before I proceed further perhaps you would like to know the opinion of the Honourable Sir D. E. Wacha on this point. In a paper read before the Royal Society of Arts in London, which was published by you on the 26th June 1918 he recommends as regards Japanese competition and export duty on cotton. Some time back he supported our Government as regards export duty on hide and skin. I then wrote to you strongly protesting against these absurd duties. But in his paper there is something more curious when he says "there is no doubt that the abolition of all duties (import) in 1882-83 gave a great stimulus to the multiplication of the cotton factories in the country". I have never read anything so absurd in all my life. The export duties are objectionable because in your attempt to support your own textile industry, you would be injuring the interests of the ryot who is a producer and seller of cotton. The paper is bristling with absurdities and I only quote him to show that prominent men like him who are connected with the industry for the last half a century are not capable of taking correct economic views. I have often been pained at the denunciations of Sir Dinsha Wacha, Mr. N. N. Wadia and many others against the 3½ per cent. excise duty, to which I at one time myself objected, but directly our Government differentiated between Indian goods and imported goods, I ceased to object to the excise duties. I have repeatedly shown, as I have tried to show in this article, that yarn which paid no duty lost ground heavily, whilst cloth which paid duty was comparatively better off. We find that the excise duties are now removed, for which we are all glad; but I also find that the import duties of 11 per cent. practically disappeared long before the 3½ per cent. excise duties were removed.

Double the Import Duties

Let me consider the incidence of this taxation. I hold that these duties were paid neither by Indian manufacturers nor by Lancashire. They were paid by the consumers of the cloth. One paid 3½ per cent. the other paid 11 per cent.; but I also hold that imported cotton goods are entering India duty-free to-day. You have cheapened Lancashire cloth to the consumer by raising your exchange from 1s. 4d. to 1s. to 6d. so on one hand you take from him 11 per cent. and give back in exchange 12½ per cent. Therefore the simplest solution to my mind is to double the import duties now levied and not to make any difference between imported yarn and cloth since home-made yarn stands more in need of protection than cloth. You may say that we would be injuring Lancashire trade if we doubled the duties. I do not want it permanently; I want it till such time as the exchange question remains unsettled, and imported cloth continues to get a bounty through high exchange. I have no desire to injure Lancashire, although the industry owes nothing to Lancashire but pin-pricks, but we owe a lot to England who has made India what she is to-day; and you have only to glance at the condition of native states as compared with British India to appreciate what I have said. Last year we realised 51.41 lakhs by duty on yarn. We realised 7.73 crores by import duty on cloth. Why take from the public about 8.25 crores which we do not require as we have a surplus without it? My idea is that you do not injure a community as a whole if you take 8.25 crores from them more than you require, if you gave up the same amount by remitting taxation by reducing or abolishing salt duties or railway charges or income-tax, super-tax, duties on silk and wool, etc., in any manner you like. You do not reduce the purchasing power of the community, because what you take in one shape you give up in another. In the meantime you have the satisfaction of supporting a great home industry, which sorely requires immediate help.

The worst is over

we have seen the worst. Cotton is low, and although yarn is losing, cloth is showing a fair margin of profit and the mills are bound to do much better in 1926 than they have done for the last three years. Stocks of cloth to-day unsold are reckoned at 50,000 bales; whilst cloth is selling at 18 annas per lb., No. 20s. yarn $11\frac{1}{2}$ annas per lb., and 10s. at $9\frac{1}{2}$ annas which compares with the previous year as follows: cloth 19 annas per lb. 20s. yarn at 13 annas and 10s. at $10\frac{1}{2}$ annas per lb. whilst cotton has dropped more than Rs. 100 per candy since last year. This is my twenty-first annual review and I cannot give you at present the actual figures of profit and loss which are not available yet for the past year. I hope to give you a fuller survey of the industry at about the end of the year when I hope to return from Europe.

Witness No. 61

Mr. J. A. WADIA

Oral Evidence recorded at Bombay on the 31st August, 1926

President.—Very briefly, Mr. Wadia, what do you consider are the causes of the present depression ?

A. I attribute it first to the great quantity of goods imported during the boom period. Our average imports from all countries are about 70 crores per annum in value. In the year 1921 we imported 102 crores. There was thus an excess there. That had to be worked off and that caused depression for years. After that we again went back to our 70 crores per annum and a little under, never over. In the year 1924-25 again exchange was shifted from 1s. 3d. to 1s. 6d. The result was that we went up to 82 crores, another 12 crores more, and we have now, between 1921 and 1925, owing to exchange an excess of 44 crores over and above what we are producing.

Q. Forty-four crores of rupees ?

A. Yes, rupees. One year we had 102 crores and another 82 crores, instead of 70 crores. Of course we have gone back for the year ending 31st March 1926. We have gone back to 70 crores. But the excess has to be worked off and it will take years. Our profits have been declining. In fact there have been no profits for the last few years and I believe this will continue for another two or three years. I will read these figures from the review of the trade of India :—

In 1913-14 the average was	66·36	crores.
„ 1919-20	59·8	„
„ 1920-21	102	„
„ 1921-22	56·94	„
„ 1922-23	70·13	„
„ 1923-24	67·48	„
„ 1924-25	83·32	„

So, you have got 102 crores in 1920-21, in 1924-25 83·32 crores. Of course that means that we must produce less and we are producing less. We have gone on strike, a three months strike. That must cause shrinkage. Then, bad trade, that will prevent us from expanding. All these are causes which have gone a long way to cause this present depression in the industry.

Q. I should have asked you at the outset, Mr. Wadia, what is your own connection with the industry ?

A. I have been connected with the industry for the last 40 years. I have been a promoter and am now the controller of about 13,000 looms out of the 71,000 in Bombay.

Q. In what capacity ?

A. I am a Director.

Q. Of how many mills ?

A. About 13 mills, which control about 13,000 looms, perhaps a little more, not less, out of 71,000 in Bombay.

Q. You have a very extensive knowledge of the trade. You were saying that production decreased last year owing to the strike ?

A. Yes, I have no figures for that.

Q. It is hardly borne out by the figures the Millowners have given us ?

A. Those figures are for the whole of India. I am speaking of Bombay. Now, in Indore they are having a strike. I have no figures for the last year.

Q. They show a decrease in 1918-19 and 1922-24, but apart from that, the figures for Bombay, in spite of strikes, have been steadily going up and were at their highest in 1924-25.

A. Let me draw your attention to one thing. When exchange was fixed at 1s. 4d. at the end of 1898, we had nearly 42 yarn mills pure and simple in Bombay. Not two remain to-day. I generally go by the quantity of cotton consumed and I find that in 1919 we consumed 9·99 lakhs bales, in 1920 we consumed 9·57 lakhs bales, in 1921 we consumed 10·60 lakhs bales, in 1922 we consumed 10·74 lakhs, in 1923 we consumed 10·59 lakhs bales and in 1924 8·21 lakhs. When we found that we were being driven out of China owing to exchange and the fall in China exchange we found that our spinning mills were not doing anything worth the name. When we started, we did not want weaving mills. There is not one spinning mill with us to-day, not one out of the 13 that we are controlling, is a spinning mill. We are doing our level best to add looms because if they do not pay you they do not lose. But yarn is losing. In one of the concerns where we have got about 65 to 75,000 spindles we were keeping 18,000 spindles idle

because we have not got looms enough for them, and we have not got enough money for the looms.

Q. When you say 'driven out of China by the exchange,' I expect you saw in the papers an account of our discussion with the millowners on that point, in which we pointed out to them that it took 15 years for the China trade to go, that it took 15 to 20 years after the mints were closed for the China trade to disappear, and that other factors had come in in that period, namely the rise of the Japanese industry and what was even more important, the establishment of mills in China. Therefore there is something to be said for the view that it was not exchange which drove India out of the China yarn trade. Another factor in favour of India was that Japan also went in for a gold standard in 1898 and that therefore Japan was exactly in the same position as India after 1898. In these circumstances we asked the millowners and we should like to ask you how it can be held that it was exchange which meant the end of the China trade in yarn?

A. Well, Sir, you said just now that it took 15 to 20 years before our yarn trade practically disappeared. How many years have we taken to change from yarn to cloth? We have been changing from 1900 to this very day and we have not yet changed entirely. As to your saying that Japan was identically in the same position there is a great deal of difference. There is a great deal of difference between the two. One was protected, the other was not protected. Even the 3½ per cent. duty you were levying for purposes of revenue necessitated an excise duty. In 1917 you continued to levy the 3½ per cent. and raised the import duty.

Q. That is not the point. That does not affect the export trade. My point is that Japan went over to the gold standard in 1898 and that therefore, as far as exchange was concerned, was in no more favourable position in regard to the China trade than India. The fact that India had not an import duty of more than 3½ per cent. does not seem to me to affect the export trade of the two countries.

A. Japan having protected her own industry was bound to do better. She has driven out Lancashire. She has not driven out Bombay alone.

Q. You mean in China?

A. Yes. If I am protected at Home I can afford to do cheap trade and even to lose money on it.

Q. Does it not depend on the comparative extent of your home market and your export market?

A. It shows clearly this, that if the home industry is protected it can drive away foreign industry and they have done it not with Bombay alone but with Lancashire also.

Q. In other words, Mr. Wadia, you mean that you can make sufficient out of the home consumer by charging him higher prices?

A. Absolutely. All import duties are a tax on the consumer.

Q. Then the question arises whether this is a good doctrine to apply to India where you have got an enormous mass of poverty-stricken consumers?

A. They are not consuming our imported goods. They are too expensive for them.

Q. Imported goods?

A. Yes. I think all our imported goods excepting 25 per cent. are luxuries. That is what I think. I had a discussion in the Press with a gentleman and I went into the figures and I could only make out that 25 per cent. alone could be considered to be consumed by the poor people. I doubt whether the poor people are consuming our own cloth.

Q. Are you able to give us any exact idea of the competition between Indian, Japanese and Lancashire goods? If you would enlarge on the subject, it would be helpful.

A. All that I can say is that goods produced by Lancashire and consumed by the country are consumed by the better class of people. Even our mill goods are not consumed by the poverty-stricken people. There is a great deal of handloom weaving going on. They are consuming large quantities of Indian yarn and they are consuming large quantities of imported yarn.

Q. We have been told that the handloom weavers use a very large proportion at any rate of the finer counts?

A. Quite right. Handloom weaving also caters for better classes of people, certain handlooms. But we are to-day selling 6s, 8s, etc., in large quantities. Of 20s, 24s and 30s we can sell only very little.

Q. Do I understand your view to be that the handloom weavers use yarn of counts at the two extremities, the very coarse and the very fine?

A. Yes.

Q. However, in spite of the fact that you consider that the duty is paid by the consumer, you want the import duty to be doubled?

A. Just to protect the industry. I do not want to take more money from the people. I want to take it in the shape of import duties and want to give them back the eight crores or so which I wish to take from them. My present purpose is to protect this industry.

Q. But how are you going to give it back to them?

A. In the shape of rebate in other taxes. There is the salt duty for instance. Suppose I am now getting 8 crores of rupees. I ask you now to double it and you get 16 crores. You will say you do not want the extra money. I say give it back in remission of taxes, remitting the duty on salt, income-tax or anything you like. That is for the Finance Minister to suggest. I do not want to take more money out of their pockets. I only want for the time being to protect the industry if you think, Sir, that this industry is in a bad way. If you do not think so, there is an end of the matter.

Q. You consider that the end will be achieved by doubling the present rate of duty?

A. Only for the time being.

Q. For the time being? That is an important point. What do you mean by 'For the time being'?

A. Till the imports are checked, till the 44 crores rupees worth of goods they have taken into the country owing to high exchange are consumed, till we have had a chance, a fair run. It is not the loss of profits only that we are suffering from, but loss of credit. There is nobody lending them money. That is more serious. There is nobody to lend them money. The public won't lend any money. Only the banks, the Imperial Bank and other powerful banks stand by you. If they do not, you will have to shut up shop. Loss of credit is the more serious thing.

Q. Quite so, then you have no idea as to how long?

A. About four years, about three or four years.

Q. You have made a careful study of this question, Mr. Wadia. You know how difficult it is to take off a duty once it has been put on?

A. I know that. That has been said about the exchange, that it is very difficult to take it up and take it down. But when it suits Government they do it like a seesaw.

Q. There have been very few countries in the world which once they started on protection have taken it off?

A. I am aware of that, but there are very few countries without protection. Even England herself according to me is protecting her industry. Without protection, Lancashire would go to the wall. She has been protecting her industry all these years by compelling us to be on a free trade basis. What Japan did with Lancashire we can do just as well. Lancashire industry is an unnatural industry for Lancashire. She has got no raw materials; she has got no market. We have got labour, raw material, capital, market and yet we are not doing well.

Q. Quite so, but why are you not doing well if you have got all these advantages over Lancashire?

A. Because you have put us on what you call a free trade basis.

Q. If you have two countries both on a free trade basis one of which has the advantage of labour, raw material and markets, it is obvious that if the country with the advantages cannot compete with the other there must be something wrong. What is it?

A. That is not so. After the Franco-German war Germany went in for free trade on your basis. She discontinued it: If you have developed your industry with the help of protection and if you afterwards ask me to be on the same basis as yourself, I cannot compete, not successfully. If you have a race horse and I have a cart horse—both are horses—but we cannot run a race, and I cannot win with my cart horse. Ours is a young industry. The men who are working, the labourers, are not experienced. The men who are managing are not experienced. The Directors themselves do not know much about the business. They have acquired knowledge for the last 50 or 70 years and they have not collected much yet. It takes time.

President: After 70 years' existence, you say, Mr. Wadia, that yours is a young industry? The Japanese seem to have acquired their knowledge in less than 70 years.

A. Because of the question of protection again.

Q. How has that helped?

A. Because protection has given them time to learn.

Q. You have had time to learn?

A. Imagine those who have acquired knowledge and who have been working an industry for 20 or 30 years. Suppose they all went into liquidation. Their knowledge is worth nothing. If protection was not of any great advantage, the world would not adopt it.

Lancashire would not have insisted upon our having excise duties. It insisted all these days; and when she was helpless she kept quiet.

Q. I cannot see, as I said before, why there should be this difference when both the countries are on a free trade basis.

A. It is just like a wrestler whose muscles are well trained and who is strong, wrestling with another whose muscles are not trained. The first man must win. Your knowledge is greater than ours. Your labourers are more skilful than our labourers. You are more intelligent and clever.

Q. Exactly; now you are getting to the real difference, Mr. Wadia. It lies in the efficiency of labour. Do you consider that if you have protection, you are going to improve your labour standard, so that your labourers will be in every way as efficient as those of Lancashire?

A. Yes, if we had the same chances as the Japanese had, I think we could have done equally well.

Q. What chances are you referring to?

A. Protection.

Q. How is protection going to improve the efficiency of labour?

A. During the boom period we were flush of cash. We began to build chawls for our workmen. We began to allocate money for welfare and other works. Once you are prosperous you can improve. What I want to urge is this, that Japan has turned out Lancashire and we can turn out both Lancashire and Japan in no time. But here we are. We have got our excise duty. We have an exchange which is being meddled with for the last 33 years. We have had inflation of prices owing to the way in which you work the exchange. Before the war the prices of food grains rose cent. per cent. owing to your token currency. I will give you an instance. In 1894 your food grain prices stood at 114. In 1904, they stood at 117; in 1912 they stood at 189; in 1913 at 199 and in 1914 at 222. You inflated your currency. You inflated prices and we are paying to-day to the Bombay labourers about 3½ crores of rupees more owing to inflation and we cannot reduce it. We cannot reduce the wages, although the cost of living has gone down by 50 per cent. since the war, because we have not given the labourers sufficient compensation when the rise took place before the war. We have been made to work under all unnatural conditions. If you had given us a 1s. 4d. exchange and an automatic currency, it would not have harmed us a bit.

Q. But when you had a 1s. 4d. rupee you had what you wanted?

A. No. You gave us 1s. 4d. and gave us token currency. If you had given us what the Fowler Committee had recommended, we would not have suffered from inflation. The food grain prices which never rose for 50 years, you took up from 117 in 1904 to 222 before the war.

Q. I do not feel competent to discuss these large questions of exchange before the war. But to the best of my knowledge, that rise in prices to which you refer was not special to India. It was a world rise in prices and was the effect of the gold discoveries from about 1895 onwards.

A. Yes. But I am now talking of prices between 1904 and 1914.

Q. I say that was a world rise of prices. It was not special to India. If you had had everything you wanted in the way of gold currency in India, it would not have been the smallest difference, because the Indian prices were in sympathy with those throughout the world.

A. Let me tell you this. I am sorry I have not brought with me the figures. I would have given you figures from the "Statist" to show that English prices did not rise.

Q. From 1909 to 1914?

A. Yes; they did not rise.

Q. If you could send us the figures, we should be glad.

A. I should be very happy to submit them.

Mr. Subba Rao.—You say that the present depression is due in part, if not largely, to the excessive imports in 1919-20 and 1922-23. I think you mentioned those two years in particular. I think you said later that Lancashire goods did not compete very largely with the Indian mill products. How do you reconcile the two positions? If the imports did not compete with the local production, how would that affect the production in the Indian mills?

A. It would affect it. I could not explain it to you. But if you have a larger quantity of foreign goods, it will affect your production.

Q. In other words, the competition is much keener than what you yourself suggest?

A. Yes, it must be.

Q. I want to know if it is. I want to know the results of your experience.

A. Take for instance a piece of cloth which Lancashire was selling for a pound. It was then sold at Rs. 15 and the same piece is now selling at Rs. 13-8-0. The consumer gets the benefit and he is likely to consume more. Anything cheap will sell better and if anything is selling cheaper it must be at the cost of something else.

President.—You mean that it brings the price of everything else down in proportion ?

A. Yes.

Mr. Subba Rao.—Secondly, I think you said that weaving involves less loss than spinning. Therefore any development that led to an increase in looms would not be in itself undesirable ?

A. It is Hobson's choice.

Q. Therefore, though the spur might have come from the loss of the Chinese trade, the movement was on the whole desirable ?

A. It was going on since 1900. We had 42 yarn mills ; there are not two remaining but all have turned to looms.

Q. Is that desirable ?

A. Very desirable. You see the manufacturer is not an economist. He finds that he is losing money in some direction and he wants to avoid it.

Q. But the change has been for the better ?

A. It is so and must be so. There is no doubt about that.

Q. Turning to the rise in prices before 1914 I have got here the figures you referred to. They were given in your evidence before the Fiscal Commission. Can you from those figures say that prices in England had not risen ?

President.—Where did you get your prices in India ?

A. From the official records.

Mr. Subba Rao.—Here in these figures, you take 1913 as the basis and from that you have a rise of 27 points in 1915. But don't you see that in both the cases you ought to take 1904 as the basis ? And if you d.d that, you get a considerable rise of English prices between 1904 and 1914 ?

A. I remember having seen a rise. But when we rose cent. per cent., they rose only 10 per cent.

Q. You get about 32 or 33 per cent. rise in world prices and about the same approximately in India. The disparity in your figures is due to the fact that you have taken different bases for the two countries. For India you start with 1894 and for England you start with 1913 and then you say that there is no large rise in the case of England. In 1913 there was already a considerable rise in prices. Naturally you would not get a large rise between those two years. You compare the Indian prices of 1914 with those of 1894, while you take 1913 for England and say there is no rise. You must start with the same basis for the two countries, whether 1904 or 1894.

A. I have never paid any attention to prices during the war period. The pre-war figures so far as I remember from the Statist, show a rise between 1894 and 1914 which is very small. I am not prepared to give any explanation about this. But I shall produce my figures and also the Government of India figures. But I know that the inflation of foodgrain prices has been from 117 to 222. The inflation that took place since the war I have not taken into consideration because war conditions are war conditions.

Q. You said that the mills now were suffering from want of finance, and that they cannot borrow as freely as before. Do you think it possible to remedy the present situation to any appreciable degree by making it easy for them to borrow on good security ?

A. That would be an advantage. But the only way to induce people, bankers or outsiders, to lend money is to improve the position of the industry.

Q. And you cannot improve unless you give them more credit. It is a sort of vicious circle.

A. If you give me credit and my concern is making a loss.....

Q. But suppose it is certified that it is a good mill, would it be possible to help it by arranging loans on better terms than before ? You think it possible ?

A. Yes ; it is possible.

Mr. Majmudar.—You say that when the Lancashire goods sell cheaper in the country, they compete with the Indian goods. Is it actual competition between the two, quality for quality ?

A. You see the English goods are better than the Indian goods and if I can get a better quality of goods at cheaper prices, I will have it.

Q. But the Lancashire prices would not be cheaper than the Indian ?

A. No. But suppose Indian prices are 15 or 20 per cent. cheaper and the other is about 12 per cent. cheaper. I should say that 5 or 7 per cent. more does not matter. I am getting a better cloth. The difference may be even 20 per cent. between the two. If I know that it is a better thing and I will get it at a cheaper price though the difference is there, I should buy it.

Q. But as the Indian people are poor how can they go in for the dearer goods ?

A. I could not say these things. But from a practical point of view, you find that given a thing cheap, it will sell more if it is good. When an ordinary buyer comes and finds the English goods which are no doubt superior and if he could get them at a little difference between the Indian and English goods, he will buy the English goods.

President.—How far do you consider the Bombay mills are being affected by the competition of up-country mills ?

A. To a very large extent. I have a report of a mill of which at one time I was a Director. That mill has made a profit of 10 or 12 lakhs, after paying handsomely to their agents. It is the Kalyanmall Mills. They were working 12 hours in the first place.

Q. That has come down to ten hours now, of course ?

A. It has come down to nothing, because the mills are all closed. And the second thing is they get their wages 25 per cent. cheaper. I am talking of the mill of which I was a Director. It was not financially a very flourishing one and yet it made a profit of 10 lakhs after giving 2 lakhs to the agents. But another of my mills is financially better but made nothing at all and that is a Bombay mill.

Q. That is a point to which I am now coming. Suppose you have your protective duty. Will that remove the danger of competition from up-country mills ? You have 82 mills in Bombay and 255 up-country. How are you going to protect Bombay mills from up-country mills ?

A. No ; you can't protect them, particularly from those in the Native States.

Q. Does it not follow that the Bombay mills will be exactly in the same position as before ?

A. Bombay mills have always made less profits than the up-country mills.

Q. Do you advocate protection of the 82 Bombay mills against the 250 mills up-country or only against about 68 mills in Japan ?

A. But don't take it that way. Half the number of spindles in India are in Bombay and the other half are spread all over India.

Q. But I cannot quite see how your measure of protection will protect you against the Japanese mills and at the same time protect you against the rest of India.

A. We will make less profit than they do and in future we shall all be going up-country to put up mills if we wish to do so, if that is a better field. But all these years when we were not complaining and when we were doing fairly well, up-country mills always did better.

Q. They did not do better during the boom years surely.

A. Nothing in connection with the war, I am willing to consider. I neither consider the boom nor the foodgrain prices nor any other figures. They were all abnormal.

Raja Hari Kishan Kaul.—Is it merely the lower wages or are there any other factors which are giving the up-country mills an advantage over the Bombay mills ?

A. Yes, lower wages, cotton on the spot, cheap coal—all these are advantages. Freight also is cheap because they are nearer the market.

President.—But as regards railway freight, we have rather striking figures in support of the contention that it would pay a man to bring the cloth from Sholapur to Bombay and send it to Calcutta instead of sending it straight from Sholapur to Calcutta though it is nearer Calcutta.

A. There is no use in taking solitary instances. Taking it as a whole, the up-country mills have always done better than the Bombay mills.

Raja Hari Kishan Kaul.—You mean to say that so far as the markets round about the centres are concerned, they have an advantage ?

A. Say for instance Indore, from where goods are sent to Cawnpore, Agra and other places. The freight from Indore must be cheaper.

Q. I do not think it is much cheaper.

A. I believe so. I cannot say.

Mr. Majmudar.—There is an export duty in Indore on cotton going out of the State?

A. I could not tell you. There may be some duty.

Q. With regard to the advantage of upcountry mills, Bombay also has a number of advantages. Their cost of putting down the mills is cheaper in not having to pay freight on the machinery and all that.

A. As to that, a 2s. exchange would be good, because it would bring down the price of your machinery.

Q. The advantage does amount to something.

A. Something; but the disadvantages are so great. You were just saying that Bombay has got some advantages. I do not deny that. I say if you have a 2s. exchange you will get the machinery much cheaper.

Q. But then that advantage will be equally shared by the upcountry mills.

A. I have not cast a balance sheet as to the advantages or disadvantages. I could not give you any information on that point.

President.—Would you like to express any opinion on the question of mill management, or do you consider that the Millowners' Association have said all you wish to be said on the subject?

A. It is good and bad everywhere. In some cases the agents are lax, in others the Directors are lax and in others the subordinates or the managers are lax. But on the whole, I do not think I could call it bad. When the agents are straight some of the subordinates are not straight. In all big concerns you cannot expect everything to go on smoothly.

Q. You could at any rate throw considerable light on one point and that is the question of the extent to which Directors of mills have any influence on the working of the mill. You are a Director of 13 mills. Can you give us a description of the work which you actually do in connection with those mills?

A. As to that, my impression is, speaking broadly, that the majority of the Directors, whether they are Directors of Banks or Directors of Mills, hardly take much interest in the concerns. If they are a bit active, then they go.

Q. That seems rather a damaging statement to make.

A. I am told the same thing about the jute mills in Calcutta, that you should not interfere with the agents; if you do, you go. They told me that about the English managed concerns; and here it is the same thing more or less. It all depends upon the position of the Director. If one has a position and he is not there solely for his fees, then it is a different thing. But still the agents are all powerful and they have a large number of shares which enable them to get rid of him. But speaking broadly, I do not think that the management is so very defective. I have always found in mills I have been connected with that the agents are prepared to listen to everything we tell them.

Q. What is the use of Directors at all, if that is the position? Why can't you have only managing agents and leave it at that?

A. Because the Act compels them to have Directors. It is your Act. The same is the case with some of the biggest banks in Bombay.

Q. I do not for a moment suggest that the position is peculiar to the cotton industry. Do you consider that there is any possibility of exchanging managing agents for Boards of Directors with a Managing Director?

A. No; the position of the agents is extremely delicate and difficult. If you ask me to be an agent of a mill I should not undertake it even if I was financially strong. The managing agent has got to direct, he has got to finance, to look after the shareholder who only look to the dividend. If you do not give them dividends, they are dissatisfied with you, never mind the causes. You cannot tell a shareholder that there has been inflation of prices, you cannot tell him that foreign goods have come very largely. You cannot reason with him. You cannot tell him anything. He wants his dividend, but dividend is not forthcoming.

Q. I take it that in any case whilst it is easy enough to argue that the other system would be better, its adoption would involve a complete dislocation of the whole commercial system of India?

A. You mean managing without the agents

Q. Yes.

A. I am sure of it.

Q. You suggest a currency change then?

A. What you are now offering, what this present Currency Committee Report is offering is a higher value on your rupee—at 1s. 6d.—which I do not like. Personally I would prefer 1s. 4d. But it is a better rate now in the way they wish to work if than 1s. 4d. as they worked it.

Q. To that extent it will be an influence for steadiness?

A. Of course it would steady even at 1s. 4d. I would rather have this 1s. 6d. than the 1s. 4d. you gave us before.

Q. When the cost of production does not come down, can you suggest any method whereby prices could be raised?

A. Suppose no help is coming forward in any shape and you have to work the industry as you are working to-day and if you are not making profits you will have to struggle as long as you can or to quarrel with your workmen and they will again go on strike and things like that.

Q. Apart from reduction of wages? what is the other alternative for making costs and prices reach parity?

A. There is no other alternative.

Q. A rise in price is the only choice?

A. We are curtailing overproduction now but you cannot go beyond a certain limit.

Q. Therefore I want to ask you what you think will be the method of getting parity between the cost of production and prices. If the cost does not fall you must devise some method whereby price will rise?

A. My idea is this that I attach great importance to currency. Once you stabilise and you put the country on an automatic currency basis you prevent inflation and when you prevent inflation your prices won't be affected through inflation because inflation would cease. In fact it is ceasing now. There has been no coining of rupees for the last five years. We will have to reduce our output. The normal increase of the industry will be checked, and when you have less production, your profits will be more satisfactory. We will have to curtail production. Higher exchange means curtailing your production, whether it is of agriculture or manufacture. If I am a cultivator cultivating 100 acres of land with cotton for which I get Rs. 13-8-0 only at 1s 6d. exchange for one sovereign worth of goods instead of Rs. 15, I curtail my cotton production. So if my manufacture on the basis of 1s 6d. does not pay me, I curtail it. They are curtailing it today. Some mill have gone into liquidation. That is curtailing production. That is what our rulers call adjustment. It will be adjusted in time; but it will be a painful process.

Q. But would not reduction of output lead to a rise in prices?

A. Yes.

Q. Unless the better of mills increase their output?

A. If mills are not paying, they will not add to their plant and that is all that will happen. It is happening today.

Q. Therefore, the remedy must be in a rise of prices?

A. Yes.

Q. The industry then visualises a rise in prices?

A. That will follow. They do not visualise.

Mr. Majumdar.—When the existing mills go into liquidation, some other persons will take them up and the production will not stop. There may be a stoppage of 6 or 8 months.

A. Yes; but there is less production for the time being.

Q. But that does not solve the problem?

A. Nothing will solve the problem unless you put the industry on a competing basis. How to do it is the question. We say that we are not working on a competing basis. When you have a concern like a mill you cannot shut up your shop in a day. There are your overhead charges, working charges, insurance and interest, your officers under agreement, and so on. All these have to be taken into consideration.

Q. Have you studied the system of sales?

A. Yes; to some extent.

Q. What is your idea about sales through wholesalers and sales directly to merchants into the various markets?

A. You sell to your selling agents and they sell to others. You cannot eliminate middlemen. They are necessary evils. Those who have tried to work direct have not been successful.

Q. Binnys and the Nagpur mills are doing that.

A. I do not know about Nagpur.

Q. They are selling directly.

A. May be.

Q. About Binnys, have you any information ?

A. No, I have no knowledge.

President.—We now come to remedial measures, in fact, to where we started, Mr. Wadia. Your view is that it is only a rise in prices which can save the industry ?

A. Yes, and stability, and no more meddling with the currency.

Q. On that assumption, of course. On the assumption that the exchange and currency policy remain as they are, the only hope is rise in prices ?

A. Yes.

Q. And these prices can in your view be secured in two ways. One is the slow and painful process of adjustment and the other is the more speedy process of an immediate duty, by doubling the duty ?

A. Yes.

Q. As regards the second process, this protective duty, I take it that you have not worked it out ; as, in our view, the Millowners' Association have not worked out the exact amount of protection which would secure the purpose. The Millowners' Association have only worked it out on entirely general principles. They say 16 per cent. protection for exchange. Deducting half of that for the cost of cotton they get 8 per cent. and they want another 5 per cent. for night work in Japan and 4½ per cent. for depreciation on machinery. They have worked it out entirely on general principles. What is your view ?

A. I think if you double the duty, it would protect the industry sufficiently.

Q. Have you any grounds for saying that, except *a priori* grounds ?

A. No other grounds except that the imported goods will be so much dearer and you will be protected to that extent.

Q. What about the restriction of consumption which would undoubtedly ensue ?

A. There is restriction now ; because there is restriction on output. This distressing condition of the industry is compelling us to restrict our production. Some of our looms and spindles are idle. Some of the mills have gone into liquidation.

Q. There has been no visible restriction of production yet.

A. No ; it will come in time. You will see it. These things are not immediate ; they will take time.

Q. The real question I want to get at is whether you consider that the mills would lose more by restriction of consumption than they would gain by increase in prices. It is no use increasing prices unless you are going to secure sufficient consumption to give you a profit.

A. I believe so. I believe the duty would put the industry on its legs again at once. I have no doubt as to that. As it is, we are doing better than we did last year.

Q. But if you are doing better without artificial aid, would it not be better that the present state of things should go on ?

A. We will have to.

Q. That depends on the view Government may take. What I am asking you is for your own point of view.

A. Yes ; we shall have to struggle on. What I think is this, that our great trouble has risen out of these 44 crores worth of goods which have been received into the country—more than the annual average—and that has affected us ; and that will cease now. Until this is worked off—it cannot be worked off in one or two years—we cannot be on a sound natural basis.

Q. You are therefore definitely of opinion, I gather, that any duty which is imposed should be on all cloth. You would double the duty on all cloth or do you differentiate according to the quality of the cloth ?

A. I am in favour of doubling it on all cloth. If you differentiate and if you check the Japanese imports, the Japanese manufacturers will give you what you want. They will change at once ; it won't take time to change. They are very active.

Q. You consider that it is protection which has given them this active spirit ?

A. If you give money in my pocket I can do wonders. Protection is putting money in their pockets. It is taxing the consumer for the benefit of the industry and you do that because you believe it benefits the country.

Q. But there is a school of thought which holds that it is competition which keeps people alert ?

A. That is the English way of putting it. They themselves have built up their industries by protection and when they were sufficiently strong they asked everybody to go on with free trade. She imposed that on France and France has given it up. Germany followed and gave it up. We alone are in your hands. Having one-fifth of the human race under your thumb you say, "it will do you good, you go on"; and we have gone on and gone to the wall.

Q. I do not altogether accept your reading of history, Mr. Wadia. I think there is a good deal to be said for the point of view that a great many industries in Great Britain have sprung up since the end of the protective tariff.

A. Yes, but my content on is that England having compelled India to be on this so called free trade basis has been protecting herself all through. It is another way of protecting herself. The Japanese have recently protected their industry by removing the consumption tax of 10 per cent. which the mills had to pay. But there is one thing. I would like to tell you in this connection, with regard to this free trade and protection business. You must have heard of the great German economist, List, who died in 1846. In 1845 he wrote a book and warned Germany not to follow England in the matter of free trade, because England had built up her industry through protection and it was strong enough to fight. So if you follow England you will go to the wall. This is what he said and I believe quite correctly and we are now in the same position. Of course, now I see that the present Indian Government is more for protecting the Indian industries. I see there is such a disposition. For instance, there is the protection to the Tata Iron and Steel Company. But the Englishmen move so slowly.

Q. Have you any views on the subject of export bounties ? The Millowners' Association has suggested it.

A. I am not in favour of an export bounty.

Q. On what grounds ?

A. What is the good of an export bounty if you can protect by an import duty ?

Raja Hari Kishan Kaul.—You justify the additional import duty because the Bombay mills are all more or less suffering ? That is, they make no profits or they are suffering losses ?

A. Yes.

Q. You also say that the up-country mills are in a better position and they are generally making profits.

A. Yes.

Q. Then how could you justify protection from the point of view of these up-country mills ?

A. What you say is this, that if you protect industries by import duties, the up-country mills also will get the benefit ?

Q. We have to see whether protection is needed. You justify it on the basis of the figures of the Bombay mills. According to the number of mills, the number of mills outside Bombay is about three times as great as that in Bombay, though referring to the number of spindles and looms, it will be half and half. We have to see whether protection is justified from the point of view of the other half.

A. As I have told you, the up-country mills have always made profits, more profit than the Bombay mills and if you have higher import duty, it will benefit them more than the Bombay mills.

Q. But do you think that such weakening has taken place in their conditions as to justify protection ?

A. I do not know that. I am not in a position to say that. I think they are still making more profits. The great thing which is troubling us now is want of consumption, and that is, I think, owing to the heavy imports that we are suffering from.

Q. And you think an import duty all round will keep off the imports for a time, until this surplus is wiped off ?

A. Yes. These 44 crores worth of extra goods that are coming must be reduced. I think in Bombay to-day we have got about 1,40,000 bales in stock. Only 60,000 bales are sold.

President.—Mill stocks?

A. Yes.

Q. What about the imported piece-goods ?

A. I don't think that is very excessive.

Raja Hari Kishan Kaul.—Much restriction in consumption does not seem to have taken place. The figures are probably 16·5 and 15. It has gone down by about 1·5 yard per head.

A. But there is one thing I want to draw your attention to. My idea is that there has been an enormous consumption of cloth in India. Perhaps you are taking into consideration the enormous quantity of yarn that is going into the hand-loom weaving.

Q. Yes. Could you give us any idea of the consumption by the hand-loomers?

A. Certainly, 10 crores worth of it.

Q. You have worked it on the basis of yarn?

A. Yes.

Q. And you think that hand-spun yarn is negligible?

A. There is no such thing as hand-spun yarn. I think they are all using either imported yarn or our own yarn.

Q. The khadi movement has increased it. Has it not?

A. The production of cloth. The quantity of yarn produced in India during the official year 1924-25, is nearly 72,00,00,000 pounds. Out of this 44 crores was used in cloth by the looms and 3·65 crores was exported.

Q. 12 to 13 hundred million yards is supposed to be the production of hand-loom industry.

A. Nearly 28 crores of pounds were used by hand-loomers, plus 10 crores worth of imported yarn.

Q. What I want to ask is about the evident contraction that has taken place in the finer cloth. Because the coarser cloth is used by the peasants and by the lower classes of people who must cover up the body somehow, therefore, the decrease which has taken place must have taken place in the consumption of finer varieties of cloth. Then, if you protect yarn up to 40s or 42s counts and cloth manufactured out of those counts, would it not be sufficient to reduce the import of cloth which competes with your mill-made cloth and yarn and give you time to work off the surplus which you say is now lying in hand?

A. Any duty with a view to protect the industry is sure to reduce the foreign imports and that would in itself help the industry.

Q. I just want to ask your opinion on the suggestion that instead of imposing a duty on all Japanese goods or on all goods, we might have a duty on yarn of counts up to 40s or 42s and on cloth manufactured from yarn of these counts from wherever it might be imported. What is your opinion?

A. Yes. I believe most of the Japanese and most of the Lancashire goods are made of yarn in the neighbourhood of 40s and under. If you say you would impose the duty on all goods over 30s, it would be a help.

Q. That is, you would exempt goods made of counts below 30s?

A. My idea is to exempt nothing. Because once you commence to exempt you will complicate matters. I would rather put a lower duty and treat all alike. But if you wish to have exemption you can do it for goods under 30s.

Q. Then you would not protect the lower counts which probably form the bulk of the Indian production.

A. Why should you? The lower count does not compete against my production.

President.—Does not a good deal of drill come in from Japan which is made of 14s and 16s?

A. That is why I say, don't complicate by differentiating.

Raja Hari Kishan Kaul.—So, on the whole you prefer to have one duty all through?

A. Yes.

Mr. Subba Rao.—Am I to understand you have recently changed your views about protection for India? Or did you have these views all throughout? You gave evidence before the Fiscal Commission in 1923 against protection to the cotton industry. What special reasons induce you now to demand protection?

A. We are begging now. If there was no need, I don't want protection.

Q. Is there any special cause?

A. Bad times; large imports.

Q. It is a question of extra imports?

A. Yes. We had imported in 1921, 32 crores of rupees worth of goods more and in 1925, 12 to 13 crores more.

Q. Do you mean to say that they are kept in stock even now?

A. Not all. You cannot consume 45 crores of rupees worth of goods in a year or two.

Q. It is six years.

A. You have added since. You have added 13 crores more.

Q. These extra imports are the cause?

A. Of course. I was always a protectionist and I am a protectionist today. The Fiscal Commission asked me whether I would have a higher duty than the existing one and I am not in favour of higher duties. Because I hold that the duties are a tax on the country and on the consumer; but when it is necessary I would not stick to that. It is remedy according to the disease.

Q. I think you stated some time before that you require higher prices for cotton goods in order to make both ends meet. Is it not also your view that with protection there might be a stimulus to over-production and a consequent lowering of prices?

A. How can there be over-production when I am making handsome profits? One of the conditions of protecting your industry and taxing your consumers is that you should expand and ultimately make the things cheap.

Q. You will get higher prices for the time being and later on lower the prices?

A. Yes; because I produce more and lower the prices. If I am selling a thing at Re. 1 and producing 50 per cent. more, I shall reduce the price to cheapen it.

Q. Any undue impetus to the industry would bring in more capital and labour, and ultimately you produce more by diverting capital from other occupations?

A. These are all theories which free traders generally put before you. But look at the world which has been protectionist and look what they are doing. If you think that they have succeeded, follow them. If you think they are a failure, don't follow them. I think that protection has been a success. My idea is, there is no use of protecting any industry which requires more than 25 per cent. protection. For instance, if you levy a duty of 25 per cent. on yarn and cloth you will be protecting your industry. If you levy a duty of 50 per cent. on machinery, you will not be able to make machinery even for 100 years. Protection is not to draw sunbeams from cucumbers.

Q. And you want it for a time?

A. Exactly so.

Q. What is the kind of standard you will have for making profits?

A. Nobody is a better judge than the Finance Minister.

Q. What is your view?

A. If I am not able to give my shareholders 7 or 8 per cent.

Q. You are also in favour of reducing the other duties the moment you give protection? You link up this increase with corresponding reductions in other duties?

A. Yes.

President.—There is only one further question I should like to ask you, about the export duty on cotton which you so emphatically disapprove. On what grounds do you disapprove of it?

A. Whoever taxes one's own raw material unless it is a monopoly like jute and even tea to a very large extent?

Q. The point which has been urged before us by some witnesses is that Indian cotton is to a large extent a monopoly and that there is nothing else like it anywhere else?

A. No, China cotton is like Indian cotton. I might add again "unless it is a monopoly like jute or tea." It is no use benefiting your manufacturing industry to victimize the agricultural industry. I see no sense in it. I know it has been advocated by a man like Sir Dinshaw Wacha, but I am strongly opposed to it.

Q. You mean you are penalising a section of the agricultural community?

A. Yes, of course. He is already penalised by the high exchange and now you penalise him by levying an export duty on him!

ANNEXURE A

I have spoken of inflation of currency which has led to inflation of prices. I now give the figures. The Indian figures are taken from the Government "Index Numbers of Indian Prices," 1861 to 1918. Although the mints were closed in 1893 the prices were not affected until 1904. The coining of rupees was commenced in the year 1901. By 1914 about 50 crores worth of rupees had been coined without any effect on prices. Thereafter foodgrain prices began to rise. I attach very little importance to import prices since I hold that 75 per cent. of our imports are luxuries.

Year	Indian food grain prices Retail	Atkinson's Syllabus prices	Gold prices "Statist"
1894	114	131	63
1904	117	129	70
1912	189	186	85
1913	199	195	85
1914	222	200	85

In Bombay the cost of living is only four points higher than food grain prices.

witness No. 62

PROFESSOR M. J. ANTIA, SYDENHAM COLLEGE, BOMBAY

Written Statement, dated August, 1926

SECTION I

General

1. The present depression in the cotton textile industry is not confined to Bombay, but extends to Ahmedabad and upcountry centres generally. It is felt, however, most severely in Bombay.

It does not affect all mills in the same centre alike.

2. The depression in the cotton industry is due first of all to the operation of world factors. The textile industry in Lancashire has suffered greatly from acute depression for the last four or five years, chiefly owing to the reduction in the purchasing power of its customers in its chief export markets. Japan has not escaped from similar trade depression, although it has not felt it to the same extent as other countries.

The causes of the depression in India may be summarised as follows :—

- (1) the loss of the yarn market in China ;
- (2) the consequent increase in the production of piecegoods by Indian mills ;
- (3) the apparent inability of the home market to go on absorbing ever increasing supplies of coarse cloth such as is made in Indian mills ;
- (4) the heavy stocks carried by the mills, necessitating the locking up of working capital and the payment of heavy interest charges ;
- (5) a high exchange which is advantageous to importers ;
- (6) and lastly the *Khadder* movement which familiarised many people to the wearing of coarse cloth and consequently led to a fall in the demand for better sorts of cloth. (This last cause has hit Bombay more than other centres, as Bombay mills turn out cloth of higher qualities than mills elsewhere, e.g., Ahmedabad.)

The reasons why the depression has hit mills in Bombay specially hard may be stated as follows :—

- (1) comparatively higher cost of labour ;
- (2) comparatively higher charges of management ;
- (3) extensions to mill machinery in the boom period at very high prices, which must have been in many cases cent. per cent. higher than at present ;
- (4) a fall in the demand for the more expensive varieties of cloth which some mills in Bombay usually turn out ;
- (5) labour troubles which have been rather prominent of late years.

3. Some of the causes of the present depression are temporary. There are already signs of a better demand. It seems as if the clouds are lifting.

5. Many mills are selling at a fair margin of profit. For instance, the Central India Mills are doing fairly well. Some mills in Bombay like the West-rn India Mills and the Hindustan Mills recently published satisfactory balance sheets. The Indore Malwa Mills at Indore are also doing well.

Mills in Bombay which show losses may be able to sell at rates which would leave them a very small margin of profit or which would give them no profit at all. But interest on working capital and the large stocks carried by them put them to serious losses.

Some mills have large stocks of piecegoods made of cotton bought at high prices. Their agents would not part with them at the present low prices. There seems little chance of prices going up ; in fact, they must go down on account of the fall in the price of cotton. It will be long before such mills will show satisfactory results.

Mills in Ahmedabad are doing better than mills in Bombay owing to somewhat more economical working, as well as a greater husbanding of their resources in the boom period. They produce somewhat coarser counts of yarn and consequently coarser goods than mills in Bombay, and are thus able to sell their goods at a small profit.

The Empress Mills at Nagpur have large funds which are invested in securities which yield a rate of interest higher than that raised on their working capital. Their management is economical and efficient.

Upcountry mills are as a rule doing fairly well. They have a lower cost of production owing to a lower wage bill, a saving on transport charges on cotton, and proximity to consuming centres.

6. At present prices of raw cotton are low; but they may be expected to go down still more. Prices of Indian cotton will fall as a result of

- (a) large crop in America this season which will provide ample supplies for a long time to come;
- (b) a possible increase in the size of the Indian crop owing to a favourable monsoon;
- (c) the fixing of the exchange value of the rupee at 1/6 and
- (d) a possible greater consumption by Japan of cheaper growths of American cotton.

The fall in the price of cotton will result in the further cheapening of manufactured goods. It will, therefore, have a two-fold effect. Cheaper cotton goods will mean an increase in consumption and will thus help the mills. At the same time there may be larger quantities of cheap cloth imported from Japan and which would compete with local goods.

On the whole cheaper cotton will help the mills.

9. There has been a fall in the purchasing power of the agricultural classes which is due to high prices of food-stuffs and other articles. The cost of living is, however, coming down, and the inauguration of a vigorous policy of agricultural development will tend to increase the real income of the agricultural classes and thus lead to a greater demand for cloth.

The people of India generally prefer cheap cloth. A low price is, therefore, essential before a strong demand for local goods can be felt.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. (i) The loss of the trade in yarn with China was due chiefly to the growth of the spinning industry in China itself. It was also due to the vigorous competition of Japanese yarn.

(ii) The expansion of the weaving industry in India was due to

- (a) the natural expansion of the industry due to growth of population, greater demand, increase in wealth, transport facilities, and also increased experience of mill management, and
- (b) a decrease in the profits arising from the trade in yarn with China, and later on to the almost complete loss of this trade.

(iii) The loss of the yarn trade with China did no doubt affect the industry; but since 1919 many mills like the Currimbhoy and David Mills which were formerly spinning mills have erected weaving sheds and are now utilising their yarn production to manufacture cloth. The depression, therefore, is due not to the loss of the China trade but is due to the cloth in India itself and the low prices of relatively high cost of production in Indian mills, especially in Bombay.

14. A proper answer to this question based on a study of the import figures in yarn and cloth would settle the whole question whether the Indian industry requires protection or not.

As regards yarn, imports from Japan have increased; but at the same time imports from the United Kingdom have decreased.

Our home production in 1924-25 was 719 million lbs., of which 96·5 per cent. was of counts 1-30. Of this we exported only 36 million lbs. The bulk of the yarn produced at home is turned into cloth.

Our total imports of yarn in the same year were 55·9 million lbs. of which Japan was responsible for 32 million lbs. and the United Kingdom for 20·7 million lbs. Imports from Japan are increasing, while imports from the United Kingdom are decreasing. 63 per cent. of the yarn imported is of counts over 30s.

There does not therefore appear to be much competition at present, such as would necessitate the protection of the Indian industry in yarn. Besides this, the imported yarn is chiefly for the use of handloom weavers and a higher import duty would make yarn dearer for them and put a disability upon a class whose interests ought to be jealously guarded.

As regards piece-goods, the Indian industry is affected not so much by the volume of the imported article as by the price at which it is sold in India. The price of cloth has been steadily falling. Buyers are very cautious in their dealings; they know that prices must come down and so they do not enter into long commitments. The mills are not able to sell except in small lots and that too at prices which in many cases, it is alleged, do not leave a margin of profit. The mills in Bombay are not able to bring their cost of production down to a figure which would enable the cloth to be sold at a remunerative price. Stocks therefore increase and this is a great burden on the mills, necessitating as it does an accumulation of interest charges on working capital—a factor which, according to market gossip, has placed a heavy strain on the financial resources of one of the leading firms of mill agents in Bombay and may even lead them to part with some of their concerns. This is no doubt a serious state of affairs and one which ought to receive very anxious consideration.

The production of piece-goods in the Indian mills in 1924-25 was 1,970 million yards as against a pre-war average of 1,105 million yards. As against this, we imported 155 million yards from Japan and of this 109 million yards were grey goods.

We also imported 1,613 million yards from the United Kingdom as against a pre-war average of 2,563 million yards. With the further cheapening of American cotton and exchange at 1/6 it is more than likely that figures for 1926-27 will show an increase. It is, however, noticeable that when the market for English piece-goods is active, it has a reflex effect on the market for local goods. Besides English piece-goods, being of the finer sort, do not compete with the products of the Indian power looms. It is also not possible for English goods to compete with Indian goods with an import duty of 11 per cent.

The competition in the Indian market is therefore felt chiefly on account of the increasing imports of piece-goods from Japan. Every year there is an increase and a marked increase in imports from Japan, and Japanese goods compete directly with Indian goods. Of course the imports from Japan in 1924-25 were only 8 per cent. of the total Indian production for the year, and according to the estimate made by Mr. Chadwick, who took it for granted that 90 per cent. of the imports from Japan competed directly with Indian goods, the percentage would be 6½, as against a percentage of 4 in an average of 3 years from 1911-12 to 1913-14. If, however, not percentages, but actual figures are considered, the imports from Japan have increased remarkably of late years as can be seen from the following figures:—

Imports of Piece-goods from Japan

Pre-war average	(In thousands of yards)		
	1922-23	1923-24	1924-25
Grey 2,559	90,037	96,936	109,859
White 48	2,375	2,307	4,484
Coloured 521	15,366	23,422	40,979
Total 3,127	107,778	122,667	155,303

No figures for 1925-26 are available. But from the figures of imports into Calcutta, it can be assumed that the all India figures will show that imports from Japan have increased considerably in this period also.

Italy has also increased per quota. But both Japan and Italy have gained at the expense of the United Kingdom, the imports from which show a considerable drop in 1925-26.

15. Imports of yarn from Japan are chiefly of counts 31 to 40. Indian mills do not produce this class of yarn in large quantities.

Japanese piece-goods compete directly with the piece-goods produced by the Indian mills. The figures given above show that it is in grey cloth that Japanese imports are considerable although in coloured goods also Japan is making tremendous headway. Some kinds of Japanese goods compete with Lancashire goods; but the bulk of the

Japanese imports compete with goods made locally, especially in the following lines : grey sheetings, T. cloths, and domestics, drills and jeans, longcloths and shirtings.

According to the Collector of Customs, Calcutta, " Japan competed in 1925-26, with Lancashire and India in the coarser styles of grey goods and has started dealings in grey dhoties. In the coloured and fancy trade she has also made great headway and heavy forward bookings are reported. One advantage which Japan enjoys is that certain of her products, e.g., grey shirtings, striped drills, cotton flannelettes, coarser types of poplin, low qualities of prints, white jeans and dyed crepes, are consumed largely in Japan, only about 10 per cent. of the production is exported to India. She is thus in a position, not merely to ship speculative consignments not covered by contracts, but also to give immediate shipments on cabled orders which from Manchester or Bombay take two to four months for delivery ". (See " Capital ", June 30, 1926.)

23. Imports of piece-goods into India are likely to increase on account of the exchange value of the rupee being fixed at 1/6. But imports from the United Kingdom will probably suffer, owing to the increasing competition of Japan, Italy and the Netherlands.

25. The depreciation in the value of the yen was of great assistance to the Japanese in sending their goods to other countries, especially India, at lower rates.

Latest advices show that the yen is appreciating and this will probably make it less easy for Japan to compete with local goods.

27. The stabilisation of the exchange value of the rupee at 1/6 will enable importers to land their goods in India at cheaper rates. But as the exchange has ruled in the neighbourhood of 1/6 for some time, it will not accentuate foreign competition.

As against the advantage to importers, we must consider that exchange at 1/6 means that Indian mills have to pay less for Indian cotton than Japan ; hence the whole of the advantage will not be on the side of Japan. Again, exchange at 1/6 will enable the mills to get machinery and mill stores at relatively cheaper rates.

28. Japanese labour conditions have loomed large in recent discussions on the subject. The chief difference between labour conditions in India and Japan lies in the greater employment of female labour and its employment at night in Japan.

Wages in Japan are, however, not lower than wages in Bombay. According to a report on Japanese labour conditions reproduced by the " Bombay Labour Gazette ", the average daily wages of operatives in weaving and dyeing factories are 136 sen for men and 87 sen for women, which comes to Rs. 1-11-5 for men and Re. 1-1-6 for women. The average daily wages for cotton workers in Bombay city in 1923 were Re. 1-7-2 for men and Re. 0-12-5 for women.

According to the Japanese Factory Amendment Act of 1923 which is stated to have recently come into force, young persons under 16 and women can no longer be employed in factories between the hours of 10 p.m. and 5 a.m. provided that such persons may be employed till 11 p.m. with the sanction of the authorities. In Indian factories women cannot be employed between 7 p.m. and 5-30 a.m.

Japanese labour conditions are sure to improve as time goes on. But the fact that in the textile industry—the most important industry in Japan—80 per cent. of the persons employed are women who board and lodge in dormitories during their employment, the wages are not as high as in other Japanese industries. This must help the Japanese mills to produce cloth somewhat cheaply. But it cannot be said that Japanese labour is very much cheaper than Indian labour, and the hours of work in Osaka are stated to be not more than 10 per day.

29. Japanese producers are not directly helped by subsidies or very high protective duties, but they must doubtless gain considerably by national shipping companies and banks.

Precise information regarding the help given by Japanese shipping companies to national industries would be helpful in determining whether Japanese competition could be called " un aiv ".

34. It cannot be said that Indian consumers are showing a greater preference for qualities of cloth finer than those produced in Indian mills. If that were the case, imports from England would not fall off so considerably as they have done in recent years, nor would India have also absorbed large quantities of grey cloth imported from Japan.

Besides those mills in Bombay which intended to turn out finer cloths from African cotton found that there was no demand and had to revert to the manufacture of coarser cloth. I can give the example of a mill which bought African cotton worth Rs. 34,00,000 but which it could not utilize owing to absence of demand for finer cloth. The mill has already lost Rs. 14,00,000 on this lot of cotton.

SECTION III

Internal Competition

35. The establishment of mills in up-country centres like Aurangabad must tend to decrease the demand for the ordinary makes of cloth made by the mills in Bombay. These up-country mills are said to be doing fairly well, and they naturally tap the markets which formerly depended upon the output of the Bombay mills.

36. The mills in Bombay have some advantages, although not as many as they had formerly. They were well situated as regards supplies of coal. Being in Bombay itself they were able to ship yarn and piece-goods without having to incur railway charges. The yarn trade with China is, however, practically dead. They are still in a more advantageous position as regards the export of piece-goods.

Most of the mills are now driven by hydro-electric power. This is an advantage, as they need no longer be afraid of shortage of coal supplies which was a serious difficulty in war time. Electric energy also gives a firmer drive.

The humid climate of Bombay is a great natural advantage. Bombay takes the lead in the spinning of fine counts. It can also obtain cotton from Uganda and spin fine counts, as is done in some mills.

37. On the other hand, mills in Ahmedabad and up-country centres have some advantages over Bombay. Mills in the Central Provinces and Central India States are in the heart of cotton growing tracts and can thus get their raw material cheaper. Mills in Ahmedabad use Dholera cotton which can be put down at the mills there at a relatively cheaper rate.

Owing to the use of hydro-electric power by mills in Bombay, proximity to coal-fields is not of special advantage to up-country mills.

38. The hand-loom industry has existed in the country for many years side by side with the power-looms. The products of the hand-looms are usually some specialities which cannot be economically produced on power-looms, as the demand for them is limited to particular localities. There is no reason to suppose that the production of the hand-looms has increased so much as to constitute a menace to the power-looms. The hand weavers also use yarn of counts higher than 30s. as is evidenced by the large imports of such yarn into India. There is no competition between hand-looms and power-looms.

The only item in which there can be some competition is "Khaddar" the production of which has been recently encouraged on a large scale. It is possible that many persons who were formerly consumers of Indian mill cloth now use hand made cloth. The vogue of Khaddar may have also reduced the demand for the better types of cloth produced by the Bombay mills.

It is reported that a quantity of Indian mill made cloth was recently thrown on the Calcutta market at a sacrifice and thus replaced the demand for hand made cloth.

SECTION IV

Mill management

40. This question can certainly be answered in the affirmative.

41. The managing agency system may be theoretically considered defective in certain respects. But it is the system which is best suited to the present industrial conditions in the country. This is particularly so as regards the provision of working capital, which is generally obtained from the public on the credit of the agents.

42. Formerly the system was to charge agency commission on production. When large profits were made, the articles of association were altered and it was resolved to charge commission on profits. This is now the prevailing practice. The agents of some mills are entitled to a minimum commission, irrespective of profits. However many agents have foregone their commission, even when the mills have made a slight profit.

44. The association of managing agents with other classes or kinds of business is common. This is not detrimental to the interests of the industry. In some cases, where the agents are also dealers or importers of mill stores or machinery, the mills of which they are agents, have considerably benefited.

SECTION V

Mill Finance

46. Some mills went in for extensions and replacements of machinery in the boom period when the prices of machinery were much higher than they are now. This may be regarded as one of the subsidiary causes of the difficult position of some of the mills, particularly in Bombay.

47. The dividends paid out in the boom period by some mill companies were excessive. If the directors had used foresight and had not been carried away by the desire to inflate the market prices of the shares of certain companies by declaring huge dividends, they would have conserved the financial resources of their mills, which would have in consequence been better able to weather the difficult period of depression.

This cannot be regarded as one of the principal causes of the Present depression. All the same those mills which did not pay out unduly high dividends increased their financial strength and have been better able to withstand the present difficult times; while mills which paid out unduly high dividends have not paid any dividends for the last three years and have made losses.

SECTION VI

*Costs of Production**(b) Raw Material*

60. Some mills in Bombay which have good financial resources lay in their cotton requirements for the year in the season and they are able to do this on account of their having large storage accommodation. This is also done by the Empress Mills in Nagpur. This is of course not an ideal system; as the prices of cotton may go down later on and the mills would lose the chance of getting in their raw material at a cheaper rate. It is, however, usually found that good styles of Indian cotton are not available in large quantities towards the end of the cotton season, and prices of "spot" lots, therefore, frequently rule higher than the prices of corresponding hedge contracts.

In Lancashire the business of spinning is separated from the business of making cloth. The spinner gets an order for a certain quantity of yarn of specific counts. He works out the price at which he can sell his yarn after taking into consideration the price of raw cotton, labour, etc., and then quotes a certain price. The order may keep his mills busy for six months or a year. He does not, however, lay in his full cotton requirements for the time his spindles will be busy on the order; but he buys futures, either on the ordinary or "call" system, at the price ruling on the day he accepts the order, and then sells off as much of his "futures" as he goes on buying "spot" cotton. He thus saves on godown rent and insurance and is certain of obtaining his requirements. In Lancashire the bulk of the cotton used is American, and it is not as difficult to get good lots of "ready" cotton at any time as it is in Bombay. In the Bombay market the difference between "spot" and "hedge" prices of the same growths is not one to be relied upon, and hedge contracts do not afford a trustworthy insurance against loss as they do in the Liverpool market. The Lancashire spinners are therefore in a much better position than Bombay mill-owners as regards the purchase of the raw material. The Bombay market is not as responsible as it ought to be to world factors which govern the price of cotton. It is also inclined to be too speculative at times and this is a disadvantage to the *bona-fide* consumers of cotton.

Not much information can be given as regards the methods adopted by the Japanese. But a few general observations can be made.

The Japanese use Indian, American and Chinese growths of cotton. They have thus the advantage of entering the market which happens to be relatively cheaper for the time being. When American cotton prices are comparatively cheaper than prices of Indian cotton (and this happens not infrequently), they increase their purchases of American cotton and they hold off from the Indian market. They have better facilities to obtain American cotton than Bombay mills. Having large buying organisations in the markets of the world, and aided by their own banks, they can take up large quantities in falling markets, and can make profits on the cotton held by them when they find that the market is forced up by speculative causes. It is reported that when the prices of Oomra cotton were unduly forced up in the Bombay market when a corner in Oomras was engineered by some Bombay speculators, the Japanese sold much of the cotton held by them at high rates and re-bought it at very favourable rates when the prices fall as a result of the operator's failure to pay for all the cotton tendered to them.

The Japanese may or may not be experts in the art of buying raw cotton at favourable prices; but acting as they do through powerful buying organizations, helped as they are in finance by their own banks, and being able to form perhaps a better judgment of the future trend of world prices, they are able to buy it at times more cheaply than Bombay mills which may buy in small lots and want supplies when decent lots are at a premium. The Japanese have their own agents at important up-country cotton centres in India to buy seed cotton and they have it ginned and pressed at their own factories and rail it down to Bombay, thus saving middlemen's profits. Their buying organizations assisted by their own banks and shipping companies must be one of the factors which enable them to compete with Indian mills in the home and foreign markets.

There is no reason why the Bombay millowners should not combine and build up an organization for the purchase of cotton in up-country markets during the season. I know that "buying agencies" in Guzerat on behalf of the millowners were tried some years ago but did not meet with success. The times have however changed and a new scheme should be tried. If worked in conjunction with the Agricultural Department, a buying agency on a large scale would also benefit cotton growers; because at present the complaint is made that the consumers of cotton have no knowledge of the improved varieties grown in the districts from selected seed.

86. In mill accounts depreciation on machinery is taken at 5 per cent. of the value and on building at 2½ per cent. The amount set aside on this basis is sufficient.

Depreciation should properly be regarded as a charge on cost of production. The accounts of the mills as they are invariably prepared in India, present only a profit and loss account. No separate account of production showing gross profits is prepared.

Mills which have made losses have not been able to allocate funds to depreciation. It is, however, surprising to see that some mills which have recently declared dividends have not provided for depreciation in their accounts. In the case of mills which have made losses and have not been able to provide for depreciation, the amount which would be necessary for depreciation in normal circumstances should be added to the loss made by the companies.

87. The usual method of valuation is that cotton and stores are generally valued at cost or at times slightly below cost, and yarn and cloth are valued either a little above or below cost or at approximate selling prices. The auditors do not make their own valuation, but have to rely on the information given by the agents.

It is really difficult to value stocks even approximately, as they may not be sold for six months or a year and the prices may sag considerably in the meanwhile.

88. As a rule the audit is an annual one. Very few mills have running audits.

SECTION VII

Suggestions as to remedial measures

(a) Suggestions put forward by the Bombay Millowners' Association

96. The duty on machinery is only 2½ per cent. Its abolition would make very little difference to the prices of machinery paid by the industry.

The duties on mill stores range from 2½ to 15 per cent. A 15 per cent. duty on dyes is rather high; and a material reduction in the duty would give a slight relief to the industry.

100. Railway rates are usually not governed by considerations of industrial development but are based on commercial considerations. It is not however too much to ask that railways, particularly State Railways, should assist in the industrial development of the country. Railway companies should give special facilities to Indian industries. Freight rates on cotton consigned direct to mills and on manufactured goods from Bombay, Ahmedabad, Sholapur, to consuming centres should be lowered. Bombay is a long way off from Calcutta. The Japanese can land their goods in Bombay as well as in Calcutta, and the railway freight paid on manufactured goods from Bombay to Calcutta must raise the prices of Bombay mill manufactures in Calcutta. A reduction in such freight rates would be desirable in the interests of the home industry.

104—112. It is well known that the Indian cotton manufacturing industry is passing through a serious period of depression. This is due to several factors. It is contended that the most serious factor is foreign competition, particularly from Japan, imports

of cotton manufactures from which compete directly with the products of the Indian mills. If from an examination of the situation, it is considered that the industry requires protection, the only method of giving such protection would be by means of higher import duties.

Such enhanced import duties should not be levied on imports from one country alone. Such a course would lead to a tariff war and the consequences would not be beneficial to India. Hence if increased import duties are levied, they should be levied on imports of cotton manufactures from all countries alike. Our largest imports of cotton manufactures are received from England, and it is admitted that they do not compete directly with the home made article. Higher import duties on all cotton manufactures would not be advisable, as they would result in still higher prices of such high class goods as mulls, cambrics, lawns, nainsooks, shirtings, duck, which are not produced in India (and if at all produced, are not of the same class). Such duties would also have no protective effect.

Hence protection is needed; it would best be afforded by increased duties on cloths similar to those produced by the Indian mills, that is, on cloth which is made of yarns of 30 counts and under, but irrespective of the country of origin.

This is, therefore, the only feasible method of giving protection to the Indian industry, if such protection is considered necessary.

It has been suggested that an additional duty of at least 13 per cent. should be levied on imported yarn and cloth. This would mean a protective duty of 18 per cent. on yarn and of 24 per cent. on cloth. I think that for purposes of protection, the increase suggested is higher than needed. I should think that another 5 to 6 per cent. would suffice; and if at all it should be levied on imported cloth made of yarns of 30 counts and under, and there should be no increase whatever in the duty on imported yarn. The Tariff Board should, however, work out the rate of increase which would effectively serve the purpose of protecting the home industry without serious detriment to the interests of the consumers.

I do not however, think that the time has yet come when the Indian cotton industry should be considered to be definitely in need of protection. I suggest that the question of affording protection to it should be postponed for the time being, but not shelved. I believe that in the course of one year or so, we should be in a better position to judge the incidence of foreign competition and its effect on the earning capacity of the mills in Bombay and Ahmedabad and to determine whether the protection asked for by the industry is essential or not. At present there does not appear to be an overwhelming case for protection; but if adverse conditions persist and increased imports of foreign cloth continue to affect the trade in Indian mill-made cloth, there would be a case for affording the home industry protection on the lines mentioned above. If a grave situation arises protection would be the only remedy, and in that case the remedy ought to be applied without further inquiry or delay. In the meanwhile the situation should be closely watched; the figures of imports and of mill stocks should be scrutinized month by month; returns of sales of yarn and piecegoods by the mills and the prices realised by them should be sent in by all mills; and in this and other ways the Tariff Board, or any other agency that may be considered suitable in its place, should keep itself well informed of the conditions prevailing in the mill industry.

I make this suggestion, because I do not think a decision of such vital importance should be taken in haste. It is not possible to determine, in the space of a few months, whether an industry like the cotton industry, which is spread over the whole country and which produces an enormous quantity of cotton manufactures, requires protection or not. The enquiry ought to last at least a year, and some delay in coming to a definite decision will not make much difference.

I think that by the end of the financial year it will become apparent whether the industry has definitely turned the corner or whether it is heading towards still further depression. If the times improve, there will be no necessity to take action; but should the situation grow worse and it becomes apparent that the mills are unable to compete with foreign imports, the industry would have to be protected. If a grave situation arises, if the industry is undermined by foreign competition—whether it is "fair" or "unfair" does not matter in the least—protective duties ought to be levied to save the industry. For although protective duties will raise the prices of cotton manufactures and will thus hit the consumer, it will be a poor gain to the consumer that he should get his cloth at a cheaper rate if the price of that benefit is to be the slow destruction of the most important industry in the country. Besides the consumer is after all a producer just as the producer is also a consumer. And in the case of a country like India we want our home industries to thrive and progress in order to bring about that diversification of industries which is the great economic need of the country.

I am not, therefore, against protective duties as such when they are necessitated by the interests of the country. The question to be decided is not a theoretical one. It is a question of fact. Has the cotton manufacturing industry of India, which has been long established in this country, which has previously weathered many bad periods of depression, which has expanded rapidly in the past without the help of bounties or protective duties, now come to such a state of difficulty and danger that it requires to be protected by means of high import duties? If the answer is in the affirmative, it should be given the protection it wants immediately. I am afraid, however, that it would be difficult to prove that the industry has come to such a pass.

To protect the Indian cotton industry by means of a tariff is a step which should be taken as a last resort when no other means of giving a helping hand to the industry can be found. It should be amply demonstrated that the industry would languish without the aid of protective duties.

The imposition of a protective duty of 24 per cent. on cloth made of yarn of 30 counts and under would certainly shut out Japanese imports of cloth into this country. It would give to the Indian mills a monopoly of the market for coarse cloth. The mills would be greatly benefitted and there would be probably a considerable expansion of the industry in a few years.

Such a duty would, however, raise the price of cloth in India. What would be a gain to the mills would be a loss to the consumer. As cloth is a necessity of life and as the people of India generally can afford to purchase sufficient quantities of cloth only when it is cheap, an increase in its price by the action of high import duties is, at all times, to be deplored. Every increase in the price of cloth tends to check consumption, just as every fall in its price stimulates demand and increases consumption. A high import duty on coarse cloth would not be economically sound, because it would raise the price of cloth required by the poor man. Expensive kinds of cloth may be regarded as articles of luxury and could bear a higher duty; but high duties on the poor man's cloth must increase the cost of living. Moreover if consumption is checked, it would not be in the interests of the industry itself.

113. As imports of yarn below 30 counts are negligible, an increase in the duty on yarn would not help the industry to any great extent. It would have an injurious effect on the handloom industry. Formerly there was no duty on imported yarn; but when cloth was made to pay 11 per cent. a duty of 5 per cent. was levied on yarn, as the indigenous product would thus get some protection from the 11 per cent. duty on cloth. Any further increase in the duty on yarn, would operate against the interests of the handloom weavers.

Besides according to the figures of the trade of Calcutta for 1925-26, there was a decrease of 28 per cent. in the imports of twist and yarn from Japan, and it is reported that Indian production is replacing a good part of the demand for yarn of counts between 16s., 20s., 30s., and 40s.

(b) Other Suggestions

As regards the suggestion of an export duty on cotton, I am surprised that it should ever have been put forward. Such a duty would be most unwise in the general interests of the whole country and it would not confer any benefit on the mill industry.

Export duties are generally never countenanced as a protective measure. An export duty may be levied on an article of which a country has a monopoly. India has no such monopoly in the case of its cotton, and hence an export duty would not be paid by its foreign consumers but will have to come out of the pockets of the agriculturists. If this extremely simple economic proposition is put before the mill-owners, I am sure that no one will come forward to advocate such a duty.

India now grows 6 million bales of cotton. It is likely that the quantity produced will improve both in quantity and quality as a result of the efforts of the Central Cotton Committee and the interest now taken in agricultural improvements in India generally. Indian mills consume only 2-2 million bales and the rest of the produce must therefore be exported to foreign markets. An export duty would check the demand for Indian cotton and hence its price would fall. The duty will therefore come out of the pockets of the growers, and would thus involve a serious economic loss.

It must not be forgotten that Japan is at present an important customer of Indian cotton. It is to the advantage of the country that she should remain a customer; as there are no other countries which take or can take as much cotton as Japan takes. It

is doubtful whether the Japanese would always depend on India for their requirements of raw cotton for they are paying attention to the growing of cotton in Japan and places near Japan.

There would thus be no gain, but a positive and serious economic loss from the imposition of an export duty on cotton grown in India.

119—123. The Indian cotton manufacturing industry is carried on with a certain reasonable amount of efficiency. But that is not tantamount to saying that it stands in no need of improvement especially on the technical side. Such matters as joint purchase of cotton, adoption of labour saving devices, utilization of waste, experiments on new fabrics and introduction of new weaves, and many others ought to be seriously considered. No industry can flourish for long if it is carried on on antiquated and old-fashioned lines, and if it is not frequently overhauled and if its organization is not carefully scrutinized with a view to the elimination of inefficiency. It is a mistake to suppose that the Japanese have succeeded merely by employing female labour. Their success must be due to other causes as well.

Whether protection is granted to the industry or not, the Bombay mills must get together and appoint a permanent Council of Industrial Efficiency, which would examine the main features of the organization of the industry, suggest new methods of work new lines of development and money-saving devices. The industry has a claim to demand assistance from the State; but it should also do its best to improve the efficiency of its organization.

CONCLUSION

Whether the cotton manufacturing industry of India should be given protection or not is a question of extreme complexity and delicacy. Although the great number of spinning and weaving concerns are in Bombay City and Ahmedabad, there are mills in the Central Provinces, Central India, and in other provinces. The mills in Ahmedabad seem to be in a better position than mills in Bombay City, and even in Bombay City some mills are able to show a satisfactory earning capacity. The Central India Mills in Nagpur earn more money than they did before the war.

It would be interesting to institute a contrast between the cotton industry and the steel industry.

The steel industry is an infant industry. Steel is produced practically by one company which has its works in one place. It is easy to ascertain the cost at which steel can be economically produced in this country and to know the prices at which imported steel is sold in this country. It is very desirable that the steel industry in the country should flourish; and if Indian steel is unable to compete with imported steel, the industry must be protected. It is on these broad considerations that protection has been granted to the Indian steel industry.

The cotton industry, on the other hand, is not an infant industry. It has been established in this country since 1854, and it has considerably expanded and strengthened its position in late years. The industry has not to rely on imported labour and almost all the managers of mills in Bombay and Ahmedabad are Indians. A glance at the table showing the progress of Indian mills during the past 50 years (pages 101-2) would not lead anyone to imagine that the Indian industry is languishing, or is in process of slow strangulation, as one writer has put it. Whereas in 1913-14 Indian mill production of cloth was 1,164 million yards and imported goods amounted to 3,197 million yards, in 1924-25 Indian mill production reached the record figure of 1,970·5 million yards as against imports amounting to 1,823 million yards. These figures also show the progress that the industry is making and they are gratifying as they show that Indian mills are now supplying the needs of the home market on a much larger scale than before the war.

Another important factor to be taken into consideration is that cloth, unlike steel, is a necessary of life, and that the cloth made by Indian mills is consumed by the relatively poorer classes of the population of the country.

A further consideration is that the cotton industry has made rapid progress since 1900 in spite of the fact that there was an excise duty of 3½ per cent. The position now is that there is an import duty of 11 per cent. and there is no excise duty. There is also a duty of 5 per cent. on imported yarn, which only a few years ago was free of duty.

The only change which has come over the industry recently is that before the war 97·1 per cent. of the total imports of cloth came from the United Kingdom and only 0·3 per cent. came from Japan. In 1924-25 88·5 per cent. of the piecegoods imported came from the United Kingdom and 8·5 per cent. from Japan. Formerly the Indian

mills had practically a monopoly of the Indian market for coarse cloth, but now they have to share that market with Japanese cloth, which is competing very vigorously with Indian mill-made cloth. Even then the percentage of Japanese cloth which directly competes with Indian mill-made cloth is small, being calculated at about 6 4/5 per cent. The greatest sufferer from Japanese competition appears to be not the Indian mill industry but Lancashire, imports from which have fallen enormously since 1913-14.

Statistics at least do not show that Japanese imports have displaced Indian manufactures. They demonstrate rather that India and Japan combined have displaced Lancashire goods and are likely to displace them still more in the near future. The statistics also do not prove that there is a very sound case for the erection of a tariff wall between India and foreign countries in the interests of the Indian cotton industry.

I think, however, that all Indian industries should be actively helped and encouraged by the Government; for the economic good of the country requires a diversification of the occupations of the people. The cotton manufacturing industry is the most important industry in the country and the only great industry which is managed by Indian business men. It should receive encouragement and assistance from the State in various directions. In all advanced countries, the State has now exerted itself to give assistance to industries. The success which has attended the Japanese cotton manufacturing industry is ascribed to Government help. "In Japan there is a close association between industry and the Government. Because of this much government assistance is given to foster the growth of an industry." (World Developments in the Cotton Industry, by L. Bader.)

The granting of protection to an industry is not the sole method by which the government of a country can promote its interests. The fact that the Japanese have their own steamship companies is a great element in their favour. We should strive for the attainment of a similar object. The establishment of an Indian Mercantile Marine would promote Indian industrial development. The working of the railways in India should be avowedly in the interests of Indian industries. The provision of banking facilities particularly for industries would be also a powerful aid to their growth. Finance and transport are two great factors in promoting industrial development. Technical education also should not be neglected. In these and various other ways, the State could do much for the promotion of the interests of Indian industries.

The institution of inquiries into the conditions of different Indian industries should not be taken up piecemeal by committees, the personnel of each of which would be different. The time has come when a much more comprehensive enquiry into the conditions of all industries and the various ways in which State assistance can be given to industries should be instituted, not by separate committees, but by a permanent body to be called by some such name as the Indian Industrial Council which would keep in close touch with the conditions of Indian industries and offer a comprehensive programme of industrial development in multifarious directions. The energies of such a body should not be confined to any one industry like the cotton industry, but it should take the whole of the industrial field in its survey which should include transport, finance and technical education. The State would then come into closer touch with industry and the country as a whole will be sure to benefit by the initiation of a comprehensive programme of industrial regeneration and reconstruction. It may be said that industrial organization is a matter for each industry to decide for itself. This may be possible in advanced countries like England. But in a country like India little progress can be made without the active help and direction of government agency.

Moreover a survey of industrial conditions and an inquiry into the various directions in which the State can afford help to industries on comprehensive and all-embracing lines as suggested here can only be undertaken by the State.

In conclusion, I may state that while I am doubtful as regards the immediate necessity of the grant of protection to the cotton industry by means of import duties, I think that the industry should be given all the assistance that can be granted to it by the State, and that such assistance should not, depend on the conditions prevailing in the industry, whether it is prosperous or otherwise.

ANNEXURE A.

A note on the determination of wages in the cotton textile industry

With reference to paragraphs 82-89 in the representation made by the Millowners Association to the Tariff Board, I wish to make one or two suggestions, which, I trust, will receive consideration.

The wages of workers in the cotton mills in Bombay were raised during the war period owing chiefly to the great rise in the cost of living. The mills had also made phenomenal profits in this period, and the increases in wages were granted by the millowners without much ado. But when the increases were granted, no stipulation was made that they were granted only as a temporary boon, and that the wages would be reduced with reduction in the cost of living. For this omission the industry has now to pay dearly.

The cost of living in Bombay has gone down considerably. According to the Labour Office, the cost of living index number has gone down from 193 in October 1920 to 157 in July 1926. The real wages of labour have, therefore, increased since the time when the increments in wages were granted. But the money wages remain the same. The workman has become accustomed to receive a fixed sum of money as his wages, and naturally he does not like the idea of having his wages reduced. He is unable to see the advantage he has reaped by falling prices, and he is not in a position to appreciate the difficulties of the industry of which he is so important a unit.

This was apparent during the last great mill strike in Bombay, which was due to an attempt on the part of the millowners to effect a 10 per cent. cut in wages. The workers determined not to submit to any reduction in their wages; and in this determination they were helped by some voluntary friends of labour who exhorted them to stand firm, and by a vague anticipation that the Excise Duty would be abolished.

It might appear from this that when once wages are granted on a certain scale, it is well nigh impossible to reduce them even a little. Indian labour is uneducated; and it is difficult to negotiate with it on account of the absence of labour organizations and of leaders who would command the confidence of the men. The workmen have no idea of the organization of industry on capitalistic lines. They imagine that the mill in which they work is the property of a very rich man and that this enormously rich man can afford to give them their wages even if the mills do not earn profits. Perhaps they cannot even understand how it is possible for a mill to make a loss.

If however, it is admitted that wages in the cotton mills in Bombay are fairly high, that the high cost of labour is an impediment to the prosperity of the industry, and if it is also admitted that the cost of living has fallen and will fall still further, it follows that a slight reduction in the cost of labour will act as a helping factor to the mills in the present times. A slight reduction in wages appears to be, therefore, necessary. Wages are dependent on the profits of industry; and no industry can long pay in wages more than it can afford. All employees in the mills, including the higher grades, should be therefore prepared to make a sacrifice in the interests of the industry.

I think, therefore, that in spite of the failure of the last attempt on the part of the millowners to effect a reductions in wages and in spite of the many difficulties in the way of such reduction, a fresh attempt ought to be made to bring money wages more in line with real wages. If real wages have increased, a slight reduction in money wages will not cause hardships to the operatives but it will materially help the mills to tide over the present difficult times. I have therefore taken the liberty to submit the following suggestions :—

1. I suggest that an independent committee should be appointed to examine the question of wages in relation to the cost of living and to determine a minimum scale of wages which should be paid to the operatives in every department of a cotton mill. The minimum should not be a bare subsistence wage, but should take into account the standard of life of the workmen in Bombay. With the valuable mass of information collected by the Bombay Labour Office, it should not be difficult to arrive at the figures of minimum wages below which wages should never be allowed to fall.

2. After this preliminary inquiry, which should not take long, the determination of the actual wages to be paid to the operatives should be entrusted to a Textile Industry Wages Board, which should be specially appointed for the purpose and which should have on it representatives of the millowners, the workers and a few outsiders who should

not be connected with trade or business. The Board should determine the wages to be paid to mill-workers at periodical intervals on the following lines :—

- (a) there should be a minimum below which wages will not be allowed to fall ;
- (b) there should be a sliding-scale system of wage payment ; hence the scale of wages would vary and would be higher than the minimum whenever circumstances warrant ;
- (c) there should be a periodical review of the earning capacity of the mills ; and
- (d) there should be a fixation of wages on a higher or lower scale according to the earning capacity of the mills.

3 The proposed Wages Board should be a semi-permanent body. Its members need not be paid. Its personnel should be such as to win the confidence of labour. It should meet, say, every six months and ascertain the position of the mills in the island of Bombay. It would then determine the scale of wages to be paid to the workers for the ensuing six months, and the wages thus fixed would be higher or lower than the previous scale, provided that they should not fall below the minimum.

The determination of wages will be thus not exclusively in the hands of the millowners but of an independent body. If adopted, such a scheme would result in a reduction of wages, when the mills are not doing well, and an assured increase in the earnings of the operatives in times of prosperity. A mere wage-cut would be opposed by labour. But a wage-cut coupled with an assurance that the cut would be restored as soon as times improve is more likely to meet with acceptance.

A scheme of this sort would also put an end to the long-drawn disputes which have marked the relations between capital and labour in the Bombay mill industry in the last few years. It would also be useful in obtaining some relief for the mills in times of depression.

I am aware that such a proposal would be considered as impractical and too complicated to be understood by the average millhand. But further suggestions might improve it and give it a more acceptable form. A one-sided attempt to reduce wages from their present level would probably be doomed to failure. That is why an adequate machinery is urgently needed for the determination of wages on the two-fold basis of cost of living and the state of the industry for the time being.

Witness No. 62

PROFESSOR M. J. ANTIA

Oral Evidence recorded at Bombay on 23th August 1926

SECTION I

General

President.—First of all, Professor Antia, I should like you to give us a very brief statement, for our record, of your special qualifications.

A. To come and give evidence here ?

Q. Yes. It is evident from your written statement that you have special qualifications ; but we should like to know what they are for the information of those who will study our evidence when it is published ?

A. I have no special qualifications as regards the mill industry on the technical side. I have studied the economics of the cotton trade and of the Indian cotton industry and also the world cotton industry from the information that one can get from books, reports, journals and various other literature.

Q. Let us take your academical qualifications ?

A. I am Professor of Cotton Trade in the Sydenham College of Commerce and Economics, Bombay. It includes cotton industry also.

Q. How long have you been a Professor ?

A. For about 11 years.

Q. And you have been in Bombay for 11 years making a careful study of the cotton trade ?

A. Not for 11 years. I was given charge of the subject of cotton trade about seven years ago.

Q. For the last six years you have been working solely on cotton ?

A. No ; on account of the exigencies of Government service I have to take other subjects as well, e.g., English, Administration and so on. I acted as Principal for some time.

Q. Did you go straight to the Sydenham College after you had finished your college career ?

A. I was at Cambridge for 4 years. I was then Professor of English at the Deccan College. I joined the Sydenham College in 1915 as Professor of English and then I was given the subject of cotton.

Q. The Sydenham College is a Government College, I think ?

A. Yes. But of course I come here in my personal capacity.

Q. Quite so. In your answer to Question 2, you say "The depression in the cotton industry is due first of all to the operation of world factors." It has been held that world factors cannot affect India as they have undoubtedly affected Lancashire. The depression in the Lancashire industry is partly due to the state of Europe and to general depression amongst its customers. It has been urged before us that that argument cannot apply to India ?

A. I should think that it must apply to India, because India, is part of the world and we receive imports from various countries. We are not absolutely in a position of isolation from the world. We always find that when the Lancashire mills are doing well, the Indian mills are doing well, the Japanese mills are doing well and mills in the United States are doing well. We now find that Lancashire is doing rather badly, mills in the United States are not doing well, mills in Japan are not doing extremely well ; but mills in India are doing fairly well in some centres but very badly in Bombay city on account of certain reasons. But it is quite evident that there must be the operation of world factors in regard to the depression in the cotton industry. What happened was that during the war there was a terrible shortage of cotton goods and that before the war Lancashire used to supply the markets in China, India and the Dutch East Indies. During the war supplies were cut off and it was said that the people in these countries had got a small income and they were not able to lay aside large stocks in reserve. So the markets became very bare of stocks in a short time and that gave an incentive to the Japanese to produce more and their production greatly increased. So did the production in India ; and now after five years we find that all these three countries, India, China and Japan, have got as many spindles as the United States has and the joint effect of the production of all countries must be to depress the prices.

Q. Would you agree that, as stated to us, the depression in Lancashire is largely due to over-capitalisation and the high cost of production and that these are special factors affecting Lancashire ?

A. There was some sort of over-capitalisation in Lancashire during the boom period. But Lancashire does not depend on the home market. The home market takes only 10th of the Lancashire production. It depends on export markets chiefly, and the share of Lancashire in the export markets then in the last five years has greatly decreased and that is put down by a great authority as due to the decrease in the purchasing power if the people in those countries, China, India, Dutch East Indies and other places. It is thought that, when world conditions become more stabilised and the purchasing power of the people in the East increases, Lancashire will again find a better demand for her goods. I think, as I have stated, that the depression in Lancashire is chiefly owing to the reduction in the purchasing power of its customers in its chief export markets, although that cannot be the only cause. There are many causes affecting its trade. Lancashire specialises in the finer goods and the finer goods are more expensive and, therefore, people who were formerly purchasing Lancashire cloth are not now able to do it or at any rate not to the same extent as before and there has not been the same development in the industry as in Japan and in India since 1913-14.

Q. Amongst the causes of depression in India is the heavy stocks carried by the mills. Do you consider that the mill stocks are at present unduly heavy ?

A. Yes, in Bombay, and I believe in Ahmedabad also. But I have been informed that that is partly due to the unwillingness of the agents to sell at low rates. They anticipated, I suppose, that the rates would go up but they proved wrong in their calculations and the rates are going down.

Q. The stocks at present, judging from Table 9 in the Millowners' Association's statement, are no higher in fact than what they have been for some months and considerably less than what they were in 1923. If you look at Table A and Table 9 you will see that throughout 1923 they were much higher.

A. But they have not always been like that.

Q. You have no idea what the normal figure was before 1923 ?

A. No, I have not got the figure with me now. When that happens in other countries, they work short time; they try their best to reduce stocks. We have not done it in India, especially in Bombay.

Q. Would not the better arrangement, when you have a market the size of India, be to work full time and instead of reducing the stocks, reduce the prices ?

A. Yes; but then, I doubt the capacity of the market in India to go on absorbing, as I have said, an ever-increasing supply of coarse cloth after a certain point. We can absorb large quantities of cloth but then our cloth production should be diversified. The range ought to be more diversified than what it is now. Production is in a few special lines and that is why we have got to import other lines which we do not produce here. We have a large market no doubt and the consumption in India is not such as it was. We have not yet come to the figure of 4,000 million yards which was the figure in 1913-14. But I think that is because less fine cloth is imported into India, not because of smaller production of coarse cloth. The production of coarse cloth has been doubled.

Q. The next cause you mention is the high exchange which is advantageous to importers. Are not imports much less than they were in the pre-war period ?

A. That is so; but the high exchange is advantageous and the imports would have been still less if the exchange had been at 1s. 4d. That is one of the causes of depression, that is, the prices at which the imported goods can sell in this country are lower with the exchange at 1s. 6d. than they would be with the exchange at 1s. 4d. That has been so for the last two years.

Q. The third cause you mention is "the apparent inability of the home market to go on absorbing ever increasing supplies of coarse cloth such as is made in Indian mills" and the sixth cause is "the khadder movement which familiarised many people to the wearing of coarse cloth." Is there not a little inconsistency here ? In the one case you say that there has been an increasing demand for coarse cloth and in the other you apparently think that there has not been ?

A. I see that there is some inconsistency in that. But my idea was that the people who used Indian mill made cloth are the people who use khadder. It is not that people who did not use mill made country cloth took to the wearing of khadder. A few people did that; but that won't affect greatly the demand for coarse cloth.

Q. In your answer to Question 5 you say, mills in Ahmedabad "produce somewhat coarser counts of yarn and consequently coarser goods than mills in Bombay". Have you been to Ahmedabad? Do you know the Ahmedabad mills at all?

A. That is an incorrect statement. I have since got the figures which show that the mills in Ahmedabad in some cases produce even better kinds of yarn than the Bombay mills.

Q. We have here figures for the last year for the whole of India from which you will see that Ahmedabad with its smaller number of mills produces practically the same amount of yarn of counts between 30s and 40s as Bombay. Their proportion of higher counts is more than double that of Bombay, about 2½ times as much.

A. Yes; I quite agree; in fact, I have got all the figures down.

Raja Hari Kishan Kaul.—In answer to Question 1, you say "the depression does not affect all mills in the same centre alike". I just want to understand what you mean by that. Is it that the effect is less in the case of a better managed mill than in a badly managed one?

A. Yes. Of course, there would be depression in the industry but some mills would make a small profit, some will make less and others a degree less and so on. I should say the effect of the depression varies considerably.

Q. Yes; the sum total is that the depression affects all the mills, more or less?

A. Yes; quite so.

Q. As regards the world factors you mention in answer to Question 3, you say imports from Japan are increasing?

A. Yes.

Q. Imports from England and other countries have decreased. So Japan does not seem to be suffering in harmony with Lancashire and America.

A. Yes. But there is depression in Japan in the same way as there is depression in India. Now in India if an outsider were to look at the condition of the cotton manufacturing industry, in some centres at any rate, he might think that the industry is doing quite well.

Q. What I mean, is that there seems to be no harmony between the conditions in Japan, the conditions in Lancashire and the conditions in America?

A. I should say there is. The cotton industry in the world is affected jointly by various factors. But of course, in each country there are special factors.

Q. Could you tell us those factors?

A. Yes. Japan has increased her productive capacity immensely and the home market is not sufficient for the production by the Japanese mills. Besides that, the Japanese are working more hours and their production is therefore double what they would produce if they worked single shifts; it may not be exactly double because night work is not as productive.

Q. What are the causes which affect Japan, America and India alike?

A. We find when there has been what we call a trade cycle of great prosperity. It is followed by a cycle of depression. What happens when there is prosperity is that, when they are making large profits, they increase their plant and machinery. In that way production is greatly stimulated, and perhaps more is produced than there is a demand for.

Q. So that is the factor, the over-capitalisation or over-production in all the countries followed by lack of demand?

A. As I said before, Lancashire is affected, because her goods are much finer. She specialises in the finer goods. Otherwise there would be no market for Lancashire goods in the other countries of the world.

Q. Then we are not affected by that cause?

A. And the special cause that affects Lancashire is the loss in the purchasing power of her customers.

Q. We are not affected by that cause.

A. Perhaps a little. You have a question, I think, to that effect but I did not reply to it.

Q. Who are suffering from decrease of purchasing power?

A. The Chinese perhaps; I cannot say much about China.

Q. We are suffering from the same cause, in regard to our exports?

A. Our exports have gone up a little in piece-goods. Of course, they have gone down in yarn.

Q. I want to know what are the world causes which affect this Indian mill industry.

A. Take your first question about Japan sending more imports into India. As I said, the Japanese have increased their productive capacity greatly and the markets for which they are producing are principally China, Manchuria, Korea, and all these places where they have been able to get more influence. They are principally aiming at exports to China. But then they find that they can also send their goods by their steamship companies.

Q. In any case they have no depression; they are producing large quantities and they are exporting large quantities.

A. There is some depression. The mills are not doing as well as they used to do.

Q. Naturally not as well as in the boom period.

A. Not even as well as they were doing in 1920, 1921 or 1922.

Q. They are giving fairly good dividends.

A. Some are some of the mills in India.

Q. Are they giving such good dividends as Japan is giving?

A. No. But then if you take, for instance, the Kanegafuchi Company in Japan they have got mills even in China. So their dividends may be affected that way.

Q. Let us come back to the world factors.

A. There is general trade depression everywhere. There is depression not only in one industry.

Q. I want to know the causes.

A. As I said, there has been more production than before. Our production has doubled in fact. It is not absolutely the chief cause but it is one of the causes.

Q. What are the other causes?

A. The prices of cotton have come down. We have got our mills holding stocks of cloth made from cotton which they bought, say in the previous year at prices which probably were a hundred rupees a candy more than what they are now.

Q. I do not quite follow that. You see the stocks in India, judging from the figures for mills which send in their returns, seem to have a way of adjusting themselves. You will see here if you look at Table 12A that although the stock in June were 127 thousand bales and 109 thousand in the previous month in the four previous months they were only 99 thousand, 87 thousand, 79 thousand and 83 thousand respectively—comparatively low. If you go a little earlier, you find 75 thousand, 84 thousand, then 112 thousand, 159 thousand and so on it rises again. So that in 1925 in the same month the stocks were much heavier. In the same way in the earlier years.

President:—You cannot judge by the figures just quoted. What you have to remember in dealing with the figures for 1925-26 is that this low period followed the three months, strike and that the stocks in the early part of the year were distinctly lower owing to the three months strike?

A. Yes.

Raja Hari Kishan Kaul:—They seem to vary between 100 and 150 thousand bales. They go up and come down. Conditions do not therefore seem to have been so abnormal as to lead to the inference that stocks of cotton produced last year are still lying in the hands of the mills to a greater extent than in the previous years?

A. But if you get the stocks for 1918, 1919, 1920 I should think you would find that the stocks now are more than they were in the previous years. I believe that stocks must have been very much less in the previous years.

Q. You talk of the continual fall in the price of cotton as another cause?

A. Yes.

Q. Any other cause?

A. The depression in the Bombay mills can be attributed to the very high cost.....

Q. We have not come to that. Falling prices and production, those you think are the two world factors?

A. Yes.

President.—I suppose you would add a general psychological factor that the various countries of the world are so bound up together that the depression in one is reflected in the others? Is that not so?

A. Quite so.

Raja Hari Kishan Kaul.—Among the causes of depression in Bombay is not overcapitalisation one ?

A. I cannot say that is a principal cause. A mill that has been overcapitalised would show a bigger loss. What about those mills which have not been overcapitalised ? I know some mills represent in plant and machinery a crore of rupees while the capital stands at the old figure.

Q. Not overcapitalised ?

A. Not to such an extent as to call it a cause of depression. There has been overcapitalisation in some cases.

Q. There are several instances in which depression is felt all the more because there is over capitalisation ?

A. Yes, but I should not call that as I have said here a principal cause of depression. I have said it in the section called " Finance ".

Q. Mills in Ahmedabad are doing better than mills in Bombay owing to more economical working as well as greater husbanding of reserves in the boom period ?

A. Yes.

Q. Is not cheap labour the main factor in their favour ?

A. Slightly cheaper labour, yes. They were able to effect economies I think in 1924.

President.—In labour ?

A. Yes.

Q. Did they reduce wages ?

A. Yes.

Q. Since the last labour census ?

A. Since August 1923. I have the figures here for men. The figure for May 1914 is Rs. 18 ; in Ahmedabad it was Rs. 15-6-0. But in August 1923 Bombay men got Rs. 35. These are the average monthly wages earned.

Q. For what month ?

A. For August.

Q. For each class of men ?

A. This is the average monthly amount.

Q. In Ahmedabad ?

A. Rs. 33.

Q. Against Rs. 35-10-0 ?

A. Yes, against Rs. 35-10-0 in Bombay Rs. 33-0-9 in Ahmedabad. Now it will be still less.

Raja Hari Kishan Kaul.—We were told that in Ahmedabad they were making profits on bleached goods and very little on grey ?

A. I cannot say.

Q. We understood that they were gaining mostly on bleached goods because hand bleaching was very cheap there ?

A. I think their goods are more heavily sized than the goods of the Bombay mills. They produce the sort of things which they know are in demand round about Ahmedabad. The Bombay mills do not study the demand so well as the mills in Ahmedabad perhaps.

Mr. Subba Rao.—You may perhaps make a modification in your statement about Japan. You said they are not making now such high profits as in 1920. You mean in comparison with the dividends paid in 1920, because that year was not a good one for the Japanese industry. I have got a list of dividends which they gave on the previous year's production in 1920.

A. I did not mean 1920 or any particular year. What I mean is that now they are not doing as well as before. They have passed through a period of depression. If you take their best mill company, the Kanegafuchi, you will find that it has been also affected, but it is in a very strong position as it owns many mills in Japan and also some China.

Q. I do not think you stressed it sufficiently. Talking about world factors, don't you think that the prices of foodstuffs and other materials have not risen in proportion to the rise in manufactured goods ? Is that not one of the causes in the depression of the cotton industry ?

A. Yes. Manufactured goods have not come down in the same proportion as other goods.

Q. Seeing that the agriculturist is the biggest consumer, is that not one of the reasons why the cotton industry in Lancashire and in India is in depression, because their best customer is not able to pay as much as before. Could it not be one of the world factors?

A. I should think so.

Q. The fact that he cannot get higher prices, the same relative prices, must explain the reason why he cannot buy and why the trade is in depression?

A. The poorer people in India are not the largest customers of Lancashire goods. The better classes of people buy goods from Lancashire. It won't affect the poorer classes so much. Even a man of fairly moderate means would curtail his purchases of cloth if it is very costly.

Q. But does not Lancashire also keep its eye on the monsoons?

A. Yes.

Q. There is a relation between the prosperity of the Indian people and the prosperity of the Lancashire mills?

A. Yes.

Q. That is all I wanted to bring out.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

President.—You say in your reply to Question 14, whether the present depression in the industry is due to increasing competition both in regard to quantity and price of imported yarn and piecegoods from Japan and other countries, that a proper answer to this question based on a study of the import figures in yarn and cloth would settle the whole question whether the Indian industry requires protection or not. Would it? Would a study of the import figures in yarn and cloth settle the question? Is it not a question of price rather than of volume?

A. I was thinking more of yarn than of cloth, and I think there is a statement in the last Review of the Trade of India that the Japanese are competing more with the Lancashire mills in yarn imports than they used to do before. They are not competing so much with Indian mills in coarser yarn.

Q. In answer to Question 22 you refer to an article in "Capital", dated June 30, 1926?

A. That is not from "Capital". Those are the remarks of the Collector of Customs, Calcutta, reprinted in "Capital". I had no access to that report. I reproduced it from "Capital".

Q. But we have been told in the evidence given before the Fiscal Commission that the Japanese make for India entirely different classes of goods from what they make for home consumption. How does that square with this opinion?

A. That is one of the factors of their success.

Q. My point is that the statement is made in the article that Japan has always large quantities in hand of certain special lines. Can you reconcile that with the evidence which comes from other sources that Japan makes an entirely different class of goods for export from what she does for home consumption?

A. Yes, that is so. In Japan the people are said to be using better cloth than what is exported.

Q. Then, how do the two views agree? Can you reconcile them?

A. Japan is now competing with Lancashire as well.

Q. We are here told that one advantage which Japan enjoys is that certain lines are consumed very largely in Japan and only a small proportion is exported to India, but we have been told from other sources that what Japan makes for home consumption is entirely different from what is consumed in India?

A. I am sorry I cannot say.

Q. You cannot reconcile the two views? Neither can I.

A. I do not suppose there is a hard and fast line between the exported goods and those used at home.

Q. Probably not. As regards the stabilisation of exchange at 1s. 6d., you say it would not accentuate foreign competition. Would it keep it at its present level or would there be an adjustment of prices? Have you studied the exchange question?

A. Somewhat, yes, as a part of general economics.

Q. Is it your view that the stabilisation of the rupee at 1s. 6d. would merely keep competition at its present level or that prices will so adjust themselves that the competition may decrease ?

A. My point is that exchange has been in the region of 1s. 6l. for the last year or two years. So, its stabilisation at that figure won't accentuate foreign competition as much as it would have done if exchange had been, say, in the neighbourhood of 1s. 4d. for the last two years.

Q. Is it then your view that stabilisation of exchange will merely retain competition at its present level or that there will be any adjustment which will make a difference ?

A. There will be a difference as regards the Japanese exchange because the Japanese exchange depends on the parity of the yen also. Their yen is coming to parity with gold and that will not give them now the same advantage as they had when their exchange had depreciated owing to the earthquake.

Q. But the yen is practically at its gold parity now ?

A. It is very nearly coming up to it now. So Japan will be in the same position as other countries.

Q. In regard to Question 34, the point there raised was whether there was not a tendency on the part of the Indian consumers to use finer qualities of cloth not necessarily as good as those imported from Lancashire but something in between and whether the Japanese were not satisfying what one might call the medium demand which the Indian mills were not doing ?

A. I think there is something in that.

Q. The point of the question was that there has been an improvement in standard of living throughout India. Would you agree that in recent years there has been an improvement in the standard of living in India ?

A. In the towns.

Q. Not in the districts ?

A. No.

Q. Not in cotton districts ?

A. Yes, but they would buy the same kind of cloth. They would buy more but not better kinds. Our industry depends chiefly on the relatively poorer classes of the population of India.

Q. But even amongst them, don't you consider that there has been an improvement in the standard of living in recent years ?

A. Well, with the rise in the price of commodities since 1914, how can we say that there has been an improvement in the standard of living ?

Q. I am only speaking from my own experience. I know that in some of the cotton growing districts the ryots are buying gramophones and putting up tiled houses—things which they certainly did not do twenty years ago

A. There is a noticeable tendency for people to buy many things which they did not go in for before.

Q. Is not that an improvement in the standard of living ?

A. There are luxuries which people had no idea of before. Those things, foreign articles of that sort, have become cheap owing to the exchange and some people may be going in for them. I do not think there has been a general rise in the standard of living.

Q. You think there has been a rise in the towns ?

A. Yes.

Q. Then, my point was whether such a rise in the standard of living would not bring about a demand for some of the finer kinds of cloth which are not generally manufactured in the Indian mills, and to satisfy this want they turn to Japanese goods. Do you think there is anything in that view ?

A. I think the Indian mills are also trying to improve their goods in that way and that both the Japanese and Indian mills are displacing the demand which was formerly for Lancashire goods.

Q. You mean the lower classes of Lancashire goods ?

A. Yes.

Q. The point is whether the competition may not have been due to the fact that Japan was doing this before the Indian mills started ? What is your view in regard to that ?

A. I personally have not formed any conclusions, but what we read is that the Japanese are now sending out finer cloth. In the beginning during the war when they first got their footing here they sent out cloth which was not liked at all. People bought it because it was cheap, but they did not like it. But now they say that the people appreciate the quality of Japanese cloth.

Raja Hari Kishan Kaul.—In the imports of yarn of counts 31s to 40s you don't think they come in competition ?

A. It is not likely.

Q. The import of counts 31s to 40s is 19 million pounds and the production is also 19 million pounds. You don't think they come into competition ?

A. Yes ; but then if you compare them with the huge quantity of yarn of 1s to 20s and 21s to 30s it is a very small percentage. We have to compare the effect of the imports on the industry. It is an infinitesimal quantity.

Q. If the imported amount is equal to the home production, does it not come into competition ?

A. The question is whether the whole of that is put on the market for sale or whether it is consumed in the mills.

Q. Whether it is one or the other, it does come into competition probably because if the outside yarn does not come, the local mills will produce so much more. They are capable of producing it ?

A. They have not shown their capacity to produce so far as figures go.

Q. If they can produce 19 million pounds, they can surely produce 38 millions.

A. Probably yes.

Q. I am asking this because the imports of counts up to 40s from Japan constitute 80 per cent. of the total imports from that country.

A. Yes ; but you should take 31s to 40s but not 1s to 40s.

Q. Yes ; if you go up to 40s it practically covers the bulk of the imports.

A. Yes. My point was that the amount imported compared to the bulk of the production is very small.

Mr. Subba Rao.—I want to know a reference. In answer to Question 28 you refer to the *Bombay Labour Gazette*. I would like to have the reference.

A. The *Labour Gazette* for July last. Working on those figures I find that 80 per cent. of the labour in Japan is female labour. Money wages are higher for men. Working on the proportion of male labour and female labour I have arrived at these figures. In Japan for 100 operatives, the wages bill would be Rs. 120 while in Bombay it is Rs. 135 because of the higher proportion of the female labour there. But here we employ 80 per cent. men and only 20 per cent. women.

President.—So that, if you remember the comparative efficiency of the two, it is hardly surprising that the Bombay mill industry is suffering from depression ?

A. Would you say that the Japanese labour is more efficient than the Indian mill labour ?

Q. I do not know whether you have studied that aspect of the question. Have you worked out the number of spindles that a Japanese operative looks after compared with the Indian ?

A. I have not. But according to the American Report for 1921, their efficiency is very low compared to the American ; it is one-quarter of the American.

Q. Did you notice the number of looms and spindles that the Japanese operative looks after ?

A. No. But I don't think there is much difference.

Q. The Japanese operative looks after 240 spindles and 2½ looms and the Indian 160 spindles and 2 looms. Does it not show that the Japanese operative is more efficient than the Indian ?

A. I have not studied that and I cannot say anything. But according to the American publication, the efficiency is one-quarter of what it is in the United States. The efficiency of the Indian labour is supposed to be one-quarter of the Lancashire mill labour and Lancashire labour cannot be less efficient than the United States labour.

Q. That depends on what basis you are working. The American efficiency in the medium counts is probably higher than that of Lancashire now because of their great use of automatic looms which have not come into use in England.

Mr. Majumdar.—In reply to Question 14 you say ' There does not therefore appear to be much competition at present, such as would necessitate the protection of the Indian industry in yarn '. That is because you think that India does not produce a sufficient quantity or that it cannot produce ?

A. Perhaps the quantity may appear to be large when you take the figure 19 millions ; but compared with the high production in counts 1s to 25s which comes to 58 million pounds, the imports being only 5·3 millions, it is nothing. So far as counts from 1s to 25s are concerned you won't say that there is any competition. When we come to 26s to 40s we produce 19 million pounds and the imports come to 26 millions.

Q. But if it is possible to manufacture the same quantity in India and if it is only due to the foreign competition that India is not able to produce more, would you agree that some protective measures should be given ?

A. I do not admit that we are not producing more. We have increased our production.

Q. Not in those counts. If you look to the production of 31s to 40s it is only 19 million pounds. So instead of increasing we are steady or are producing even less.

A. Yes, steady on the figures for 1913-14.

Q. So that shows that we are not able to make headway in these counts like other countries.

A. Probably we do not want to manufacture that yarn into cloth.

Q. No; the mills say it does not pay them in competition with Japan; and if it be so, if there be competition and if that is the reason why they are not able to push forward the manufacture, then of course, you would suggest the imposition of a duty ?

A. No; I would not even then. Because it is so small compared with the huge production of 700 million pounds. It is only 19 million pounds. It is a very small part of our production; and how much of it is put on the market for sale ?

Q. They are not able to put it on the market because of the Japanese competition.

A. No. May I say that they are turning that into better class of cloth ? I don't think the whole of this production is on the market.

Q. As I said, the millowners say that they are not able to sell because of the Japanese competition.

Then with reference to the question of the medium qualities of cloth, taking the place of coarse qualities, the point is that the Japanese cloth made of medium counts, although of a little better quality than that of the Indian, sells at about the same price or even at a cheaper price. Naturally, therefore, it would be displacing the Indian coarse cloth. Is it not so ?

A. Yes. Of course I have said that there is Japanese competition. I have not denied it.

Q. The point is about the medium quality of the cloth displacing the Indian cloth.

A. Medium quality means cloth of counts from 21s to 30s ?

Q. 21s to 40s, is called medium quality ?

A. Would not the competition be felt most by Indian mills in cloth made of 21s to 30s because our production above 30s is very little ?

Q. Suppose we have 20s and 24s. What the Japanese would do is that they would give 24s and 30s at a price which is equal or a little lower than ours. Naturally the Indian consumer prefers to go in for the Japanese cloth because it is a shade finer and better and is also available at the same price or even at a lower price.

A. If that is so, there is certainly very severe competition.

Q. And that is why the medium quality of cloth is displacing the coarse cloth.

A. Yes; there is competition, no doubt.

Q. It is also true, I believe, in your opinion that the sales of cloth are pushed by the merchants in accordance with the profit they derive, and that if in the Japanese cloth they have a better margin of profit, they naturally push that quality of cloth as against the coarse cloth ?

A. Yes, I admit that.

SECTION III

Internal Competition

President.—One small point in regard to Section III and, that is that, in reply to question 36 you say, "the mills in Bombay have some advantages, although not as many as they had formerly. They were well situated as regards supplies of coal."

A. They were, before, because we could import coal and according to the Report of the Coal Committee, imported coal was sometimes cheaper than the Indian coal, African coal, for instance. So if we use imported coal, we are better situated than the up-country mills.

Q. Which up-country mills are you referring to ?

A. Ahmedabad, Baroda.

Q. Bombay is better off as regards coal than Ahmedabad. But certainly not than Nagpur or perhaps than Sholapur ? Proximity to coal fields was an advantage in the case of Bombay, which is worth mentioning, as compared with some up-country mills. But if you take a centre like Nagpur, is there very much in it ?

A. I agree.

Mr. Subba Rao.—The last statement you make under that section is “ It is reported that a quantity of Indian mill-made cloth was recently thrown on the Calcutta market at a sacrifice and thus replaced the demand for hand-made cloth ”. Who says that ?

A. That is also taken from the Report of the Collector of Customs, Calcutta, for 1925-26.

Mr. Majmudar.—In reply to Question 35 you refer to Aurangabad.

A. Yes, as an example. Any up-country centre such as Aurangabad.

Q. Aurangabad has got special advantages, being situated in the Nizam's Dominions. They have the advantage of not having to pay the export duty on cotton and also due to the import duty on cloth imported there. So I want to know whether you are referring to the mills in the Native States.

A. In all Native States they have advantages and naturally they would supply the demand which was formerly met from other mills in India. That shows the internal competition.

SECTION V

Mill finance

President.—What are your grounds for saying that some mills went in for extensions and replacement of machinery in the boom period, Mr. Antia ? The Millowners' Association hold that they did not.

A. I have not got any facts to substantiate this statement. But that is the general impression in Bombay. We live in Bombay and we come to hear of so many things. I think there must have been some replacement in that period, because the mills were not able to get any machinery either during the war period or immediately after the armistice. They had placed orders for machinery and they were getting machinery as they got their orders executed.

Q. We went into the question with them and you have doubtless seen in the Press what they said about it.

A. Otherwise how could there have been an increase in looms and spindles in these years ?

Q. I pointed that out to them. Their argument was that the replacement was carried as a result of the orders given either before the war or in the early part of the war.

A. I think the Currimbhoy Mill had no looms. They got in looms. The David Mill also got in looms. The looms in many of the mills were increased. It was not pure replacement. I used to read the reports of some mills. I saw they had gone in for extensions.

Q. Those are two cases which are worth further examination.

A. I am told that the price of machinery is about 100 per cent. less than what it was in 1919-20.

Q. Is it your view in regard to this question of high dividends paid during the boom period that whereas it cannot be said to be a cause of the present depression, it has accentuated the depression ?

A. Yes. If they had conserved the reserves, they would have been able to meet the depression with greater confidence and they would have been able to develop their markets. For instance, one thing that struck me during the boom period was that the millowners could have created a good fund to send out their own representatives to the export markets to study the needs of the export markets. But at that time we did not think of the export markets because our cloth was selling very well and we were making huge profits. We did not think that bad times would come and we did not prepare ourselves for the bad times.

Q. As regards the accentuation of the present depression, how far do you consider from the study you have made of the subject that the depression is caused or accentuated by the fact that weaker mills have had to sell their stocks at low prices and have therefore dragged down the better mills ? What force do you consider there is in that view ?

A. Or have not the better mills dragged down the weaker mills ?

Q. I want your opinion as to that. That is the question before us.

A. If there was an agreement among the millowners not to sell at a particular price, then the weaker mills would not suffer so much. By weaker mills do you mean mills in which the cost of production is high ?

Q. Yes, and the reserves are low.

A. And interest charges are probably higher

Q. A mill like that, living from hand to mouth, sells its cloth at any price it can get and therefore does not that compel better mills also to sell at a lower price than otherwise it would ?

A. The impression in Bombay at least is that there is one mill in Bombay which sets the standard of prices at which all the other mills sell. That is the impression in Bombay. I do not know if it is correct. But the Weekly Reviews in the *Times of India* say such and such a mill sold long cloth at Rs. 1-1-0 and other sales have been made on that basis. That is what is done in the Bombay market as regards the sales by mills.

Q. You think, therefore, that it is the best mill or at any rate one of the best mills which suggests the standard at which everybody sells ?

A. I have no information, but that is what we read. I think that if there was a combination, then it would not compel prices to go down to that extent. A combination of mills in Bombay, such as has been formed in the spinning section in Lancashire recently, would prevent prices from being forced down even if there is more Japanese competition and I suppose the Japanese also would not sell at lower prices.

Raja Hari Kishan Kaul.—Do you mean to say that the better mills sell at a price at which it will not be profitable for the other mills to sell ?

A. I have no information on the subject. I have not studied the conditions of the mills ; but if the price is settled by one concern, which is very well managed and where the cost of production has been kept down by higher efficiency of production, then the weaker mill will have to sell at that price.

Mr. Majmudar.—With reference to the question of level of prices generally, your impression is that the prices will be according to the price fixed by the bigger mills ?

A. I cannot answer this question with any confidence.

Q. I want to know whether a cut in prices by the smaller mills would not affect the general level of prices.

A. According to strict economic theory, the price would be settled by the cost of production of what is called a representative concern, not by the weakest nor by the strongest but by a representative concern, as Marshall says, which has reasonable economies of production, reasonable access to raw material, reasonable facilities of capital and so on. So the price is settled by the price at which such a representative concern can sell. That is the economic view. I do not know exactly how far that squares with the practice.

Q. Then you mention the combination of the Lancashire spinners. But you must have seen that although they can control prices, they are not able to sell their full production as before and they have been obliged to curtail production ?

A. They curtailed their production long ago. But now they are adopting another method.

Q. But so far they have not been able to increase their sales ?

A. It is too early to judge what will be the effect of the new method. It is too soon to say how far it will succeed.

SECTION VI—Costs of Production

A—Raw Material

President.—As regards the purchase of the raw material, Mr. Antia, have you studied this question of hedge contracts ?

A. Yes, a little. I am not an authority on it.

Q. Do you consider that you are a sufficient authority on the subject to give us your views as to whether it will be advisable in the interests of the mill industry that the number of hedge contracts on the East India Cotton Association should be reduced from five to one or two ?

A. The ideal system is, of course, to have one hedge contract, but the conditions in India are quite different from what they are in America or in Liverpool. In the American or Liverpool market, the bulk of the cotton used is American cotton and I believe the American cotton has been classified into grades. There is not that diversity of varieties and qualities there that we get in India. There is not that disparity in American cotton that there is in Indian and that is why it has been found that one hedge contract won't meet the needs of the Indian market. That is why they had seven hedge contracts. This they have reduced to five and out of these one, Fully Good Oomra, is not traded in at all and so there are really four. It think that there is also no trading in the Southern contract and so really speaking there are only three contracts now for all practical purposes in the Bombay market. I think that if there are these three, and that if the scope of each contract is sufficiently widened, so that you can tender against one contract even if another fails, if it is approximately equal in quality, it will certainly improve the system of trading. The wider the scope of a hedge contract, the greater is the insurance that it

Q. You don't think they can manage with less than three ?

A. No. I think the millowners also have agreed to that view. I think the Millowners' Association wrote to the East India Cotton Association in that way, that they would like to have these three or four contracts as was suggested by Messrs. Forbes, Forbes and Co., with liberty to tender against certain contracts certain other styles, say, C. P. 1st against Broach. They said that they would be satisfied with that as an instalment towards a better system. But I think it will be very long before we can come to the one-hedge contract ideal. I think it is only an ideal. I do not think it will come in practice.

President.—Have you made any study of the parity of American and Indian cotton ?

A. Usually of course they must move in parity because if Indian cotton were very high the demand would fall and people who are large exporters of Indian cotton would then buy American cotton in preference to the Indian cotton and so in the long run the price of cotton all over the world must come to a certain parity. But sometimes it happens that the Bombay market is out of parity with the Liverpool market. That happens not infrequently. Sometimes it is due to the smaller quantity of good quality cotton on the market, sometimes it is due to Broach cotton being weak in staple and better styles of Broach not being available in sufficient quantities. Sometimes the Oomra crop is very good and the price of Oomras does not maintain the same parity with the price of Broach, and so on. But as a rule there must be parity though sometimes Indian cotton becomes higher and American becomes cheaper.

Q. What is the position at the moment ?

A. Well, we are maintaining a fair parity with American cotton I think but day to day fluctuations are not absolutely on the same basis.

Q. How is the parity between the price of American cotton and Indian cotton fixed ? The common expression in the trade is to talk of parity between American and Indian cotton, but you cannot talk of it in the same way as you talk of parity in exchange ?

A. No.

Q. What is meant by parity of cotton exactly ?

A. A certain difference which should exist between the price of American and Broach cotton.

Q. What is that difference ?

A. Well, if you take American cotton at about 9d. per pound, Indian should be about 7¹/₂d. or 8d. per pound. But there is no middling Indian cotton which you can take as a standard for all Indian cotton and the spot price of the best Indian cotton sometimes even higher than the spot price of American cotton in the Liverpool market. That is given as one of the reasons by a writer why the Japanese are able to bring their costs down.

Q. Have you ever worked out the price of the American cotton in Japan and India ?

A. No.

Q. You have no information on that point ?

A. No.

Q. Might not the railway freight from the cotton growing districts to Seattle which as you know is a port on the Pacific Coast make American cotton dearer in Japan as compared with the cost at which the same cotton could be imported to Bombay from a port such as Galveston ?

A. Those Japanese lines are subsidised and therefore their freight rates are very low, that is a chief advantage of the Japanese industry, have a national shipping.

Q. You have no information as to the extent to which they are subsidised ?

A. Every book I have consulted shows that subsidies and bounties are paid.

Q. But it does not say to what extent, unfortunately ?

A. I have got figures for subsidies paid to the Nippon Yusen Kaisha—6 million Yen. That is from a book by a writer called Porter "Japan a new world Power" in which he states that 6 million Yen are paid to Nippon Yusen Kaisha. Subsidies are paid for ship building. Sea routes are subsidised. The Statesmen's Year Book also says that the Japanese Government subsidises shipping companies for foreign trade. So, their freight rates cannot be taken into consideration without considering the subsidies.

Q. Can you let us have that book of Porter's ?

A. I have got it in my college library. It is not however a recent publication. The Statesmen's Year Book is the latest publication. That only contains this one line—
"The Japanese Government subsidises shipping companies for foreign trade."

Q. The suggestion has been made to us that the millowners' troubles in regard to the purchase of cotton might be overcome to some extent if Bombay had a yarn exchange as there is in Osaka. Have you considered that point at all?

A. Yes, I think it would help us.

Q. In what way?

A. The better the organization in every respect the greater would be the help to the industry. There would not be any uncertainty as regards prices. As soon as yarn is made, we can sell ahead. I do not know whether the mills do make use of the hedge contracts. In Lancashire the spinning mills sell cotton against their yarn one cannot make out about the practice followed here. It is difficult to get information.

Mr. Subba Rao.—In your answer to Question 60, paragraph 4, you are comparing the Japanese methods of buying cotton and you say the Japanese save middleman's profits by having their own agents?

A. Not their own agents. There are big Japanese buying houses, Toyo Menka Kaisha for instance. They buy cotton in the districts themselves. I have seen Japanese going into the Berars and buying the produce. They get the cotton into their ginning factories and rail it down to Bombay and so I think they have an advantage as against the Indian millowners who buy cotton in the Bombay market.

Q. But is not that advantage modified by the fact that the Japanese have to pay their agents? A buying house is after all an agency. They have got to incur expenses. Is the difference appreciable?

A. Well, they buy large quantities and I think the railways can give them lower rates.

Q. That is a different point. The sum saved in middlemen's profits is reduced by the amount spent on the agency?

A. Yes, it is all right in the Berar markets where there are open markets, but in other districts it is a common complaint that the cotton grower does not realise adequate prices for his produce and that the middlemen's profits are higher than they are in the Berar markets. In the Berar market middlemen are eliminated but in the upcountry markets there are many middlemen.

Q. As between agents and the ryots?

A. No, as between the ryot and the trade.

Mr. Majmudar.—In regard to the middlemen's profits, which particular markets are you referring to?

A. All those markets upcountry, in the Gujarat districts, for instance all those places where there are no open markets.

Q. You mean that in Gujarat contracts are not made publicly?

A. You mean for cotton brought by the cultivators?

Q. Does it mean that all the cultivators do not get the same price.....

President.—You will find the question discussed in the Cotton Committee's report. In the Berars they have a more advanced system of cotton markets than in any other part of India. They have a special Cotton Markets Act. I do not know how far that has been copied elsewhere since the report was written.

A. It has not been copied. The Bombay Government had a draft Bill but it has been hung up. But in the Berar market even a Bombay mill can buy. I think when I was there the Central India mills were buying direct from the cultivators.

Mr. Majmudar.—That is the system in the Nizam's Dominions also.

A. In all parts of the country the complaint is that the cultivator himself does not get the benefit of the price that rules in the important trade centres and therefore there is a difference between the price the cultivator gets and the trades in Bombay pays.

D. Overhead charges

As regards Question 88, may I correct my answer in one respect. My information now is that a good few of the mills in Bombay have running audits.

President.—Yes, certainly.

SECTION VII

Remedial measures and suggestions put forward by the Bombay Millowners' Association.

In regard to your reply to Question 100 can you give us any cases from any other country in which preferential railway rates are given for home manufactures as compared with imports? Do you know of any country in the world in which a preferential rate is given for the transport of goods manufactured in that country?

A. I should not like to commit myself to a statement just now but I believe Germany and America are examples of such countries where the home manufacturer is given a definite preference.

Q. You might get that as regards exports, but do you know of any case in which preference is given in regard to inward movements so to speak ?

A. I cannot give you a definite statement, but I shall be glad to tell you later on.

Q. Can you find out ?

A. Yes.

Q. We shall be much obliged if you will do so.

A. These protectionist countries run their railways for the sake of the country, and I think that the Government of India have stated in a Resolution that railways should help Indian industries. So, I am not making any suggestion revolutionary in character, it is only evolutionary.

Q. What I want your opinion on is, whether if you are going to give protection at all it is not better to give it straight out instead of in this semi-concealed form of advantages in railway freight ?

A. It will at least help the development of industries if the railway rates are in favour of the producers and not so much in favour of the importer.

Q. But if they are both treated alike ? Railways must be run on a commercial basis and if you start making these distinctions are you using them for the purpose for which they were constructed ?

A. That is the English doctrine.

Q. Which doctrine is the sound one ? Do you consider this a good way of giving protection or that it is better to give protection in the form of an import duty instead of in such a way as this ?

A. My opinion is that import duty should be imposed in the last resort. That is the opinion I have given here. If you find there is no other way in which we can keep out foreign goods which compete with our industry then we must protect our industry.

Q. But are not you protecting them just as much, only in a somewhat different form ?

A. As regards cotton goods I do not think it will mean a great deal of protection.

Q. Then is it worth doing ? Would any reduction in railway freight be of sufficient help to make any difference ?

A. Japan as I said can land her goods in Bombay as well as in Calcutta. They can come to both ports but the Bombay mills have a disadvantage in Calcutta.

Q. I think it is one of the axioms laid down by the Fiscal Commission that no industry can be protected to the same extent in all parts of the country. Is not that so ?

A. As regards freight from Bombay to Calcutta the reduction might help them to compete with imported goods. Calcutta is also an important port for the imports. Bombay is a long way off.

Q. I do not quite relish your suggestion that we should sit here for another year. I am not quite sure that I want to but I cannot answer for my colleagues ?

A. Some other agency can be brought in.

Q. What do you propose that we should do ?

A. It is not for me to say.

Q. If you think that we should sit here for a year, you must have some idea as to what we should be doing during that year ?

A. I did not say that the Board should sit, but I think that after the Board had come to certain definite conclusions.....

Q. Your proposal roughly is that you think that we should come to the conclusion that nothing can be done for another six months or so ?

A. But the information and the conclusions that you draw from the information gathered by you will certainly be valuable when the time for action comes, because it is quite possible that certain things when they take place might have their effect on the conditions of the industry. First of all we are told that the times are more hopeful, secondly there is the appreciation of the yen, thirdly that the work for women in Japan is limited to 10 or 11 o'clock at night. All these things may have an effect. I do not say that they certainly will have.

Raja Hari Kishan Kaul.—That will be after three years.

President.—Japan has got an amended Factory Act.

A. Are women not supposed to work only up to 10 or 11 at night ?

Q. That provision does not come into force for three years. The amended Act came not force on the 1st of July. Is it your opinion this enquiry is somewhat premature and that it would have been better if it had not started till some months later ?

A. No, that is not my opinion. My opinion is that this is a big question, this is a complex question.

Q. Nobody knows that better than we do.

A. It would therefore have been better if it could have been spread over a year.

Q. I am afraid the Government of India wants it done very much quicker than that and I think the trade does so too. The industry in India wanted a rapid enquiry.

A. My reason is this. Supposing you come to a decision that protection is required; then if the condition of the industry will improve due to other factors people will say it was due to protection. On the other hand if protection is not given for one year and if it is given after one year or after nine months then it won't make much difference to the whole of the industry. It may make a difference to the mills of Bombay but won't make much difference. A delay of nine months or a year won't kill the industry. Something like forty new mills are now in process of construction according to the Millowners' Association Report for 1925-26.

Q. I take it from your study of political economy you would agree that there is no more difficult question for any one than to disentangle the effect of protection from that of other causes?

A. Yes, I do agree.

Q. You do not consider that protection is such a simple remedy as it appears sometimes to the uninitiated?

A. There will be many effects from the protection of the cotton industry.

Q. It has a certain measure of protection at present. Have you ever worked out what the effect of that has been?

A. You mean the 11 per cent.?

Q. Is not that an appreciable measure of protection?

A. Yes, it would have been if the exchange had been at 1s. 4d.

Q. Is it your view that the other factors are so complicated that it is practically impossible to work out the effect of one factor only?

A. Yes. If exchange had been 1s. 4d. and the exchange with Japan Rs. 150 for 100 yen, it would then have been difficult for Japan to bring in goods and sell them here but with exchange at 1s. 4d. the importance of the 11 per cent. factor is to some extent diminished.

Q. If you get the exchange stable at 1s. 6d. do you accept the millowners' view that the full effect of the 11 per cent. duty for the time being has been wiped out by the 12½ difference in exchange?

A. Not the whole effect, because in that case the Japanese will have to pay more for their cotton which they get from India. The advantage would be with them but not the whole of the advantage in exchange. As I have said in my written statement an 11 per cent. duty keeps out Lancashire goods more than the Japanese goods.

Q. Why?

A. That seems to be the effect of the duty, according to the figures for last year.

Q. Would not that be due to the special causes in Lancashire to which we referred in the beginning?

A. Labour there is dear and they use only one grade of cotton. Japan uses three types of cotton. That is considered by the writer of a report in the United States as being one of the chief causes of their success. I have worked out the proportion of cotton consumed in Japan as 58 per cent. Indian, 30 per cent. American, 6 per cent. Chinese, 3 Egyptian and 2 per cent. Korean. They say they mix the Chinese with the Indian cotton, Indian with American and so on and that that is one of the principal causes of their being able to produce better goods and that is why they are able to compete even with the United States. May I read this—"In 1911 the Japanese revised their tariff duty and put up a tariff wall, so the imports of cotton goods decreased in 1912." So the writer says that the heavy decline was due to the higher tariff inaugurated in 1911. "But none of these higher duties would have been effective except for the great extension that took place in the production of various kinds of cotton yarn and piecegoods so that the decline has been due to the development of the home industry rather than to the tariffs." And then he goes on to say that the Japanese have kept down the cost of the raw material by varying the mixing and then set off one cotton against another in a way that is not permissible in countries using a single grade of cotton.

Raja Hari Kishan Kaul.—What would be your test for holding that protection has become necessary?

A. If the industry had been confined to Bombay I might have said that protection had become necessary.

Q. What would be your test ?

A. Only 50 per cent. of the looms are in Bombay. It is a question whether the other half of the industry requires protection as well.

Q. You think that Bombay requires protection now ; as regards the other mills you are not sure ?

A. Yes, Bombay mills are certainly in difficulties.

Q. What is the test you would like to apply to the industry in order to judge whether protection is needed or not ?

A. Firstly, I should see whether production has declined owing to increased competition. Secondly, I would see whether any concerns have closed down, and how many have gone into liquidation and due to what causes. You should take the cost of production of some ten average concerns, not those which have got reserve funds amounting to a crore of rupees nor those with debentures amounting to 20 or 30 lakhs of rupees—and see whether these average concerns have been able to make profits or losses in a certain period. You cannot take one or two years. You should take three years at least. Because in the cotton industry as in other industries, there are some periods of depression as well as some periods of prosperity. From that if you find those mills are not able to sell at even a profit of 6 to 8 per cent. on their capital then I should say that failing all other remedies protection is the only remedy. I am not against protection as such. In fact I have stated that if you consider that the industry is in a very bad condition protection must be given. Because we do not want to see our Indian industries declining.

Q. These are the principal tests which you would like to apply to the mills before coming to the conclusion ; and with regard to the Bombay mills their production has not fallen yet ? You say they have to go on producing at a loss for a considerable time before they close down, because they have to see whether there is greater loss in running a mill and selling at cheap rates or in closing down the mills altogether. Therefore for a considerable time they would have to run the mills at a loss before they could come to a stage where the mills would have to close down. Probably production will not be a proper criterion ?

A. But if some mills close down production will be less. If five mills close down out of 100.....

Q. How many mills would you expect to be closed down ?

A. I saw from the millowners' statement that in 1925 the number of mills was less than what it was in the previous years and that the number of looms and spindles had gone up. Closing down of a mill means that it has been transferred to other hands.

Q. Or it may be that the other mills have increased their production. So it would not be a very satisfactory test ?

A. No. One test of course won't be a sufficient test. You have to apply all the tests and see the joint effect.

Q. These are all the tests that you can at present think of ?

A. Yes.

Q. Do you mean to suggest a safeguarding of Industries Act, in answer to Questions 104 to 111 ?

A. Yes, if you find that our industries are in a grave position then protection ought to be applied immediately.

Q. Some piece of legislation which would enable immediate relief to be given ?

A. I have not thought out how protection should be applied. I suppose a special Act would be useful.

Mr. Subba Rao.—I take it that you are in favour of a specific duty and not an *ad valorem* duty ? You prefer to impose the duty on the lines of goods that compete with Indian goods ?

A. There are two ways, *ad valorem* or on the quantity.

Q. Not merely on the goods from the competing countries, but a general duty, but the aim being to hit the goods that come from the competing countries ?

A. Yes. That is so.

Q. You say "it would best be afforded by increased duties on cloth similar to those produced by the Indian mills" and then you say "such enhanced import duties should not be levied on imports from one country alone," so that you would have an universal duty confine to lines in which imported goods compete with Indian goods ?

A. Yes, I do not say that it should be done but if it is necessary and if protection is to be applied then I say this is the way in which this should be applied.

Q. And then you suggest that the "figures of imports and of mill stocks should be scrutinised month by month; returns of sales of cotton by the mills and the prices realised by them should be sent in by all mills." I suppose you are aware that that would require some legislation. Mills cannot be compelled to send in these returns. Just now you said that they did not publish figures as to stocks held by them.

A. But would not the Bombay mills be too willing to give you the information, if it is stated that this information will be kept confidential? I think they should be willing.

Q. You have got to get statistics. They are just now not available to us.

A. Yes, I am also at a disadvantage in that respect. I do not know what their cost of production and selling price are.

Q. The figures now obtained by Government are limited to volume of production. You suggest figures of sales and prices.

A. Yes.

President.—You say "returns of sales of cotton by the mills." I presume you mean sales of cotton cloth?

A. I mean cotton manufactures.

Mr. Subba Rao.—A little later you say "the imposition of a protective duty of 24 per cent. on cloth made of yarn of 30 counts and under would certainly shut out Japanese imports of cloth into this country." Thereby you assume the present prices do not yield then a profit and they are dumping goods merely for creating a market? Is it not so?

A. I have no information on dumping.

Q. It is possible that even at a loss they might be dumping goods now?

A. The imposition of a duty of 24 per cent. duty would surely keep out such goods for which there is no demand in the Indian market at that price.

Q. On the assumption that it would cut into their manufacturing costs and lead to a considerable loss?

A. It should raise the price at which they can sell.

Q. Suppose they are now realising their full expenses of production (including profits) and if you put on a duty, unless prices rise correspondingly they must accept a price diminished by the amount of the import duty. In that case they might sell at the Indian market in spite of this reduction if they wanted to dump goods, as they are only losing the profits.

A. If there is excessive dumping now that will be diminished. But if there is no dumping now there may be dumping later on.

Mr. Majumdar.—In sub-paragraph 5 you say "I should think that another 5 to 6 per cent. would suffice."

A. A very high duty would have the effect of checking the consumption of cloth and would not be to the advantage of the industry which we want to protect.

Q. Would 5 to 6 per cent. give sufficient protection to the industry?

A. If it does not, the duty may be increased later on. Some people think that there is a 12½ per cent. export bounty on account of higher exchange and that there should be a duty of 12 or 13 per cent. to countervail that.

President.—You have got to take the price of the cotton itself into consideration. The corresponding exchange on cotton has to be considered?

A. That is why I should think that this extra 6 per cent. would be enough.

Q. In the last section of your statement, you express surprise at the export duty of cotton which has been suggested, and you point out that "an export duty may be levied on an article of which a country has a monopoly." But the whole argument which is brought forward for the export duty is that India has a monopoly of cotton of certain staple and quality which is not to be got elsewhere?

A. Yes. But then the price of cotton does not depend on the prices of Indian cotton and if the demand for Indian cotton is diminished, the price of Indian cotton should fall

Q. The point is this: that Japan is using 53 per cent. of Indian cotton and that for certain qualities which she manufactures she cannot use anything else but Indian cotton. The American cotton could not replace it and therefore if you were to impose this export duty she would have to seek outlets in other directions as she could not make the goods which are competing with Indian goods.

A. That may be so for a few years but in the long run that would give a great blow to the Indian cotton production because Japan is trying her level best to encourage cotton growing in Korea, in Manchuria and in some other places.

Q. Yes; but would that not take many years to bring about.

A. Say about four or five years.

Q. I do not suppose that Japan could grow two million bales of cotton similar to Indian cotton or even one million bales in five years.

A. She could certainly substitute other kinds of cotton. The effect of that would be to depress the prices of Indian cotton. It certainly won't stand examination from the economic point of view this proposal of an export duty on cotton.

Q. The suggestion as you know has been put forward in many quarters and we have therefore to examine it.

A. Yes. Japan takes 1.6 to 2 million bales. We cannot afford to lose a customer of that sort.

Q. The choice might be one of two evils. It might be the choice of losing your customer or preserving your home industry?

A. Then I should certainly choose the evil of the loss of the whole of the industry and not hit the agriculturist.

Q. You would prefer the loss of the whole industry in order to save the agriculturist? If you were to impose a protective duty on salt are you not hitting the community there?

A. A little, but not so much as to stop the demand for the production of the commodity.

Q. You will be simply making the community gradually curtail its consumption of one article. But in this case is it your view that the imposition of an export duty will simply be killing the income of those who grow cotton?

A. Only a comparatively small section, if you take the actual percentage. But taking the number of people which it would affect and the middlemen in the trade and the whole trade it would be in the nature of a calamity.

Q. Do not misunderstand me when I put the argument in this way. It is not that I agree with it; but it is my duty as President of this Board to put the opposite case in this extreme form for your consideration in order to elicit your views in the clearest possible way.

A. Let us take this instance. In the United Kingdom formerly the spinners did not take Indian cotton. When prices of American cotton went up, the spinners took about 2 lakhs of bales of Indian cotton but in the last two years when the price of American cotton has fallen Indian cotton is not taken to the same extent. One of the reasons why the American acreage has increased is the fear in America that the activities of the British Cotton Growing Corporation would permanently hit the cotton producer in America.

Q. Quite so. Do you consider that the Japanese could afford to allow the prices to go-down in Indian mills by holding off from the Indian market? If they were out of the Indian market, then prices would go-down. Do you think they can afford to do so?

A. If they have large stocks.

Q. It would depend upon how long they follow that procedure.

A. The demand for Indian cotton is principally for export now. With 6 millions of bales and only 2.2 million bales consumed at home the chief demand comes from the export and not from the industry at home.

Q. I gather from your replies to Questions 119 to 123 that you consider that the millowners might get together and do more in the way of organisation than they are doing at present?

A. Yes, I think so, because the Japanese are said to be very go-ahead people. They copy all the western methods, production, efficiency of production, buying and sales organisation and I do not see why we should be lacking in these. We have the brains but not the organisation.

Q. Don't you think that the two things go together? Don't you think organisation is a matter of brains.

A. Up-to-now we did not feel the necessity of organisation. We had a home market. But now there is the necessity and I think we should get together and improve our organisation, although, as I have said, I do not consider that the industry is not carried on with efficiency. Some of the Bombay mills are really worked extremely well.

Q. Undoubted. You mention banking facilities. What more banking facilities do you think they want than they have got?

A. Provision of capital for long periods. At present the banks do not lend for long periods and the rate of interest varies according to the rate fixed for the time being. So if you had a bank specially to help industries such as the Industrial Bank in Japan.....

Q. You had a Industrial Bank but it did not prove a success.

A. It should be a State-aided concern with plenty of capital supplied by the State as is done in Japan.

Q. Japan is a much smaller country than India and it is easier to do things in a small country. You propose an Indian Industrial Council. How is it to be composed? Where are you going to get the men for it?

A. Partly from the men engaged in industry and partly from outsiders whom you will have to get.

Q. It seems a somewhat a vague suggestion, Mr. Antia, if I may say so. These things look attractive at first sight. But when you come to work them out, things are not quite so easy.

A. It is being done for the cotton growing industry. We have the Indian Central Cotton Committee. I want to have the same thing for the manufacturing industries of the country.

Q. But the manufacturing industries have a much wider range of problems than cotton growing. For cotton growing you can get people who know all about it. But if you take industries generally, you cannot. The Central Cotton Committee is composed of experts, but could you get a committee of experts for industrial questions?

A. Although I admit that difficulty, there is a lot of common ground. All industries can benefit by certain common measures, while some may benefit by measures applicable to particular industries.

Q. There is also the difficulty of framing an industrial policy for India as a whole which is the outcome of the Reforms. These matters are now Provincial. It is somewhat difficult to see how you can have an industrial council for India as a whole.

A. There may be Provincial councils and Provincial questions may be referred to the Provincial branch of the Central Council.

Q. It is an interesting suggestion but the only thing is that this Board is not in a position to work it out.

A. My idea in making this suggestion was there are many inquiries but the inquiries are piecemeal. They do not take into account the whole field of Indian industries.

Q. They had an Indian Industrial Commission. Did they not take the whole thing into consideration?

A. We had another committee as a result of the Indian Cotton Committee.

Q. You want a permanent Committee for industries?

A. Yes.

Q. We have your interesting note in which you supplement your views on the determination of wages. Is it your view, speaking generally, or would you rather not commit yourself to an expression of opinion, that the wages in the textile industry are not greater than is desirable but greater than the industry can bear in its present economic condition?

A. I believe they are. It is probably a cause of the depression.

Q. Do you consider that wages represent now an unduly heavy proportion of the cost of production?

A. Yes, looking to the low cost of the raw material wages now represent rather a greater percentage of the cost of production. Of course I am at a disadvantage because I have not got the figures.

Q. We are endeavouring to get them.

A. The figures supplied by Sir N. N. Wadia at a meeting of the Committee of the Millowners' Association on the occasion of the visit of Sir Charles Innes show that labour costs amounted to 16 per cent. of the total cost of production. Now I think it will be 20 to 25 per cent.

Q. It is over 40 per cent. of the total cost of manufacture. That means about 20 per cent. of the total cost of cloth in 1924 and there has been no change since then.

A. If it is so, then certainly it is a very heavy item.

Q. And your scheme would permit of a more feasible adjustment than is likely to result in any other way?

A. Yes, that is the system in Lancashire and in many of the industries in England but I am not very optimistic as to its being a practical scheme.

Raja Hari Kishan Kaul.—You think it is not practical.

A. I do not think that. Otherwise I would not have proposed it.

Q. It is practical enough to be taken into consideration ?

A. Yes, whether labour will consent to have its wages reduced for the next six months is not quite clear because the attitude of labour in Bombay mills is not the attitude in the English mills. Here in Bombay the workers think that their interests are quite different from those of the industry. They have no love for the industry.

Q. The functions of the Indian Industrial Council which you propose would be somewhat different from those of the Council of Industrial Efficiency ?

A. That would be for the millowners to consider. If they have an organisation they could study the particular problems of their own industry.

Q. That would be a question of going into the details of the particular industry ?

A. Yes.

Q. Of course you would probably do the same kind of thing for other industries ?

A. Yes.

Q. That would be going into details ?

A. For instance the spinners in Lancashire have been considering the causes of the depression of the last several years and their deliberations are found printed in five or six fat volumes. We have not got anything like that here.

Q. You mean like this Industrial Council, to go on for several years doing the same thing ?

A. I mean that it shows they are alive to the necessity of work.

Q. What I mean is that you want either to deal with the general questions concerning the industry.....

A. Detailed questions. Why is this not done ? What about the foreign markets ? What are the needs of particular foreign countries ? I think even now they can do it. Each mill can give a contribution to a common fund and they are can send out men to these markets to study the demand there.

Q. The general council that you are proposing, the Indian Industrial Council.....

A. If such a body is created then there would be a continuous interest in the welfare of Indian industries.

Q. They would look into the general question ?

A. Yes, the general questions affecting the welfare of industries.

Mr. Subba Rao.—In regard to this Wages Board you are not, I suppose, committed to the details given in this Annexure. You want to make wages move in relation to the earning capacity of the mill. The workmen might complain that they are not responsible for the incapacity of the millowners, if they think that in spite of their hard work there were no profits on account of bad management.....

A. With reference to the cost of living also.

Q. Yes, but the other index might be for example the margin between the cost of the raw material and selling price ?

A. I am not committed to any particular basis. I am in favour of a sliding scale.

Q. Yes, and some machinery to make it operate smoothly, but you are not committed to the special scheme ?

A. No, this is only a draft of a scheme.

Q. Quite so.

ANNEXURE A

I.—PROTECTIVE RAILWAY FREIGHTS

I give the following extracts in support of my statement that the practice in Continental countries as regards railway rates is different from the practice in England and that preferential rates are granted to as, ist home industries.

(a) Freight-rate protection

"The extent of the market for any product, and the competitive relations dependent thereon, are not determined by geographical distances, but by the means of transportation and the cost of freight.....

"Protective duties have repeatedly been made necessary by the very fact that with the development of new means of transportation, or through reduction in the previously obtaining rates, a need arose for equalising the increased competitive power of foreign producers. As duties were thus used to offset freights, freights soon came to be used as a weapon against duties.....

The cause of the phenomenon that railway tariffs were brought into use as an auxiliary to customs duties in the furtherance of protective policy is mainly to be sought in the fact that in the last quarter of the 19th century the need for protection increased so rapidly that import duties were unable to keep pace with the growing requirements. A change in duties could be effected only by means of a law, and the parliamentary procedure connected with legislation is uniformly time-consuming and by no means free from political danger. Railway tariffs could be changed at will and in any particular, and were the more readily susceptible to employment as a correction of the duties, since the purpose of economic protection can easily be concealed in a procedure connected with private enterprise such as is afforded in the adjustment of a freight schedule."

("Economic Protectionism", by J. Gruzal, pp. 163—179)

(b) Railway rates, Germany

"The German railway policy does not resemble the French, and even less that of England or the United States.....

The transporting State operates by means of its rates. These are inspired neither by the rule of supply and demand nor by the necessities of competition, but by the need to support certain products against some foreign competition, to aid the development of national seaports, to permit the introduction at a low price of merchandise considered useful or necessary.

Special transport rates, for which it is always difficult to obtain public consent in France, are almost the rule in Germany. They are generally combined in such a way as either to defend an industry menaced by foreign competition or to favour exportation."

("Germany's Commercial Grip on the World", by Henri Hanser, 1917)

(c) "Both industry and trade receive encouragement and practical help from the Government of the various States, and within its more limited power from the Imperial Government. The idea that a German Ambassador is a sort of superior commercial agent is, of course, absurd, yet the fiction had its origin in a fact, which is that German diplomatic representatives are very properly alive to the close connection of national trade and national prosperity, and are not slow to do industry a service when opportunity occurs. Protective legislation apart, the fact that the railways are State undertakings enables the Government to render a great service both to industry and agriculture by regulating transport charges according to special circumstances, geographical and other wise, while the export trade is systematically assisted by means of low preferential tariffs specially designed to enable the home manufacturers to enter foreign markets on favourable conditions."

("Evolution of Modern Germany", Chapter V. By Dawson)

(d) Appendix IV in "History and Economics of Transport", by Kirkaldy and Evans, gives extracts from the Foreign Office Reports which show that preferential freight rates were granted in Austria-Hungary, Belgium, Denmark, France and Germany. For

instance: "Preferential rates on Austrian railways are granted principally for the following reasons:—(1) To enable a line of railway with a circuitous route to compete with a more direct line which would otherwise monopolize the carriage of goods from one given point to another. (2) To enable an Austrian industry to compete with a similar industry abroad which is more advantageously situated. Thus preferential rates are granted for this reason on Bohemian glass, beet root and its products and on sugar for export.

II.—SUBSIDIES TO JAPANESE SHIPPING

(The following extracts should be sufficient to prove that the Japanese Government grants enormous building and service subsidies to its mercantile marine)

Subsidies to Shipping Companies in Japan

(a) Generous subsidies bestowed by the Government upon enterprising native firms have revolutionised Japan's merchant marine.

At the end of 1912 the registered gross tonnage of steamers was 1,430,329 tons..... Eighteen companies with a paid-up capital of Yen 60,651,016 and a reserve fund of Yen 37,777,365 owned 419 steam-vessels, earned Yen 51,900,302 and benefited from bounties and subsidies amounting to Yen 11,851,603. The largest steamship company enjoying Government protection was the Nippon Yusen Kaisha which was subsidized by the Government to the amount of Yen 5,081,789."

("Japan's Modernization", by St. Nihal Singh, 1914)

(b) "Japan passed a bounty law on March 23, 1896, for construction and service bounties. A later law of March 24, 1909, made certain changes."

"Of countries outside of Europe, Japan and the United States of America have paid very large amounts to various companies."

("Economic Protectionism", by Grunzel, 1916)

(c) "For the purpose of aiding the development of the sea-carrying trade the Government is granting a bounty of a total of Yen 2,905,370 on the San Francisco and the West and East coasts of South America lines as ocean line subsidies and total Yen 1,400,000 on the four routes of the Yokohama-London Kobe-Seattle, Kobe-Hongkong and Yokohama-Melbourne mail lines as a subsidy. There are besides 18 lines, including the Java line, on which subsidies totalling Yen 2,591,000 are granted as Government-directed routes from the service outside the budget. The prefectural Governments are also granting subsidies on the specific routes."

(The Osaka Asahi English Supplement, Industrial and Commercial, 1926—page 88)

N.B.—Further information can be had from the Board of Trade "Report on Bounties and Subsidies in respect of Shipbuilding, Shipping and Navigation in Foreign Countries", Cd. 8699, 1913.

III.—WORLD-WIDE DEPRESSION IN THE COTTON INDUSTRY

(The following extracts from the "International Cotton Bulletin, July 1926", indicate that there is world-wide depression in the cotton textile industry)

Extracts from the Minutes of the Meeting of the Committee of the International Cotton Federation, on the 26th June 1926

(a) "Reports on the state of trade in the various countries were presented to the following effect:—

Austria and Czecho-Slovakia.—Business could not be much worse than it is at present. All the mills are working 30 and 40 per cent. less time than last year.

England.—Trade is in a very depressed condition..... Much of the business which is being done is on a most unremunerative basis and there is not much likelihood of any improvement so long as there are so many manufacturers who have stopped machinery and are anxious to secure sufficient business to keep their machinery working in an endeavour to cover the cost of overhead charges.

Germany.—Business is bad in this country..... Prices are very poor.

Italy.—Business is not as good as in 1925. Exports are about 10 per cent. smaller.

It is proposed to reduce the output by closing down one day per week during the next four weeks.....

Japan.—In general, the conditions for domestic business are in a depressed state. Added to this is the fact of the appreciation of the Japanese currency, which is making the export trade more difficult. Working hours, however, have not been reduced. There are two shifts of ten hours each, making 20 hours per day. The number of spindles is increasing slightly. At present they have 4,900,000 spindles, as compared with 4,500,000 in January and 3,800,000 in December 1925. There is only a small profit and some concerns are losing money.

Switzerland.—The spinning trade in Switzerland is very bad, and spinners are selling their production very much below cost price.

State of Trade Reports

(b) *Japan*—The spinners have considerable stocks on hand, and they found it rather difficult to dispose of their stocks during the first part of April, according to the local press. However, during the latter part of the month a decided improvement set in, with more demand from abroad for yarn and fabrics. It is reported that some spinning companies suffered losses because of the fall in the price of cotton and the rise of the yen exchange, and it is reported that a number of cancellations of raw cotton contracts occurred,

(Tokyo, May 11.)

Witness No. 63

Mr. CHUNLAL B. MEHTA, BOMBAY*Written Statement dated the 26th August 1926.*

SECTION VI.

Costs of Production—(b) Raw Material.

61. During the past three years the price of raw cotton has been continuously falling owing to increased production and depression in trade, and at present, cotton prices are about Rs. 350 per candy or 50 per-cent. cheaper than three years ago, and it is but natural that the stockists should be adversely affected to the extent of their holdings.

The Bombay millowners are of the opinion that the present system of hedging has affected them adversely by the presence of the speculative element in the cotton trade. They advocate what is known as the "Single Hedge Contract", instead of the present five contracts and are under the impression that the proposal, if given effect to, would widen the contracts and afford real hedging facilities, free from the hands of the manipulators. I doubt it. It is plain that it is the actual cotton that is spun and not the cotton "futures". The millowner is essentially a buyer of cotton and it is impossible for me to reconcile myself to the idea that he should be a seller, except as a speculator, pure and simple. The cotton market is not the appropriate market for him to hedge his purchases of raw cotton or manufactured goods. There is, perhaps, no other commodity in this world than cotton, which is subject to such wide and delicate fluctuations. It is an international commodity whose prices are governed by the supply and demand, not only in India but all over the world, with New York giving a lead to the trade. Any favourable or adverse news beyond the seas affects the local market at once and all calculations and forecasts become futile at times. Stability in cotton prices is only an idle dream. Therefore, if the millowner hedges his actual stock in the local cotton "futures" market there is no guarantee that in the end he recovers his loss, if any, in actual stock by a corresponding profit in "futures". Very often the millowner is disappointed owing to circumstances beyond the control of any one. As a buyer he can take delivery of cotton on the due date but as a seller he could not give delivery of cotton on the due date, and he is compelled to close sales of "futures" by purchases of "futures" to an equal extent. Therefore, the chances of the millowner being caught in an unfavourable market are very great. He attributes this state of affairs to the manipulations, corners, and squeezes that invariably take place and he is under the impression that the substitution of "single hedge contract", in the place of the present five, would protect him fully in the cotton market. I should like to point out that this proposal will not serve the purpose irrespective of other considerations. It may be noted that in spite of the fact that a single hedge contract system prevails in New York, the market there is not free from squeezes and manipulations. Speculation in cotton will continue as long as the world lasts.

There is only one remedy for the millowner to be free from the speculation in the cotton market and it is the providing of a Yarn Exchange in Bombay. The right and the proper course for the millowner to hedge against the actual stock is not in the raw cotton market which is subject to manipulations, and renders it impossible for him to deliver actual cotton, but in the Yarn Exchange. As soon as a millowner buys cotton, either ready or forward, he must sell the necessary quantity in the Yarn Exchange and be in a position to deliver actual goods, without the fear of being caught by an unfavourable turn of the market. As a manufacturer, the millowner with cotton on one hand and a ready yarn market on the other is thus assured of profit, or at any rate he is not exposed to serious losses and he has only to go on manufacturing goods. There is a Yarn Exchange in Osaka, Japan, and there is no doubt that it affords safer hedging facilities to the manufacturers in that country. I am sure, that if the energies of the Bombay millowners are directed to the formation of a Yarn Exchange in Bombay, the Bombay millowners will not be subject to the risks of manipulations in the cotton market. Moreover, in times of large stocks it would be easy and convenient to finance such stocks with a minimum cost.

62. The price of raw cotton is of supreme importance in determining the price of yarn, especially of lower counts. The Tariff Board desires to know whether the exporters get cotton cheaper than the millowners. I think it quite probable that the exporters get cotton cheaper than the millowners, though either upcountry or in Bombay, sellers always quote the same price to the buyer, whoever he may be. As a matter of fact most of the local mills have no buying agencies in the upcountry district and they are buying their requirements in Bombay. There is no denying the fact that many times the exporters do get their cotton cheaper by about 5 per cent. than those obtained by

the mills and the phenomenon appears to be paradoxical to many. There is only one explanation for this that I can think of. The exporters have vast financial resources. They are in touch with all the foreign markets. Daily in the morning they receive cables from New York, Liverpool, China, and Japan. On this they base their buying in upcountry markets. These exporters have their branches, agencies, and correspondents almost in all the cotton centres of India. After purchasing upcountry, they hedge the same in the market which is highest in parity, and thus they can bring down the buying rate of their cotton to a level lower than others.

It is not possible for individual millowners to have these facilities unless they co-operate together for buying cotton. A big cotton trust with a large capital should be created and every mill must be a shareholder in it and profits must be divided by all in proportion. The trust should work on the lines of the Japanese and European exporters.

Witness No. 63

Mr. CHUNILAL B. MEHTA

Oral Evidence recorded at Bombay on the 1st September 1926

President.—Mr. Mehta, you are, I think, a well-known figure in the Bombay cotton world. Will you tell us exactly what your connection with cotton is, for our record ?

A. For the last 18 years, I have been working as a cotton broker and this year I have been elected as a Director of the East India Cotton Association.

Q. You bring out a paper "Cotton and Finance" every month ?

A. Yes, for the last 1½ years.

Q. Are you also a bullion broker ?

A. Yes.

Q. We are not technical people unfortunately and our knowledge of the working of cotton purchases is very limited. If you would kindly explain to us at somewhat greater length your view that the millowners' idea of one hedge contract would not help them, we should be glad. Do you think it would help them at all if they had one hedge contract ?

A. I do not think it would help them at all. There is one hedge contract in Liverpool and yet there are manipulations, corners and squeezes.

Q. Would you say that there is less cornering and squeezing in New York and Liverpool than here ?

A. There is a vast difference between New York and Bombay.

Q. Will you enlarge on that ?

A. The cotton crop of America has a uniform season. It begins about August and ends about March. In India the cotton season varies from district to district according to the geographical position. At one place the crop is finished about the same time as it begins in another.

Q. I think it is more or less correct to say that there are very few months in the year in which there is no cotton coming in from any part of India ?

A. Yes.

Q. Which months are they ?

A. From the end of August or rather September to November. In November it begins to move and this goes on to May and June of the following year. For a hedge contract the millowners buy the cotton of their own selection, because they know their wants. Now suppose they sell it in the cotton market for the sake of hedge. It is gathered that they cannot tender their cotton ; whatever they are getting for their own use in their mill, in case the market goes against them they cannot tender it. They might have already used it.

Q. I do not quite follow that. Will you just explain it in detail ? If you assume we are entirely ignorant of the whole transaction, then we shall follow you more clearly.

A. Supposing the millowners have bought 100 bales of Broach for their own use. While buying they see the staple and the fineness of the cotton and they buy according to their own selection. Then for the sake of hedging they sell 100 bales in the forward market.

Q. What do they sell the 100 bales of ?

A. Of Broach ; that is the contract already. Suppose they buy the Broach cotton in June they sell in April or May in the forward market. Now when April or May or the due date comes, the millowner who has hedged in the forward market might have already used that cotton in the mill. It is not probable that they might have locked it up in the godown. Now at the due date in case the market goes up or there is a squeeze or manipulation, then the millowner has no way but to cover his sale in the forward market. He cannot deliver the cotton. That is what I mean.

Q. But I suppose his point is that if you had only one hedge contract he would be able to deliver some other cotton than Broach. He would be able to protect himself that way.

A. No ; that is one of the greatest obstacles. By having one hedge contract the cotton prices would be depressed. Everybody would come and sell cotton whatever quality he has got. Nobody would be willing to buy and the forward market would be depressed too much to the detriment of the whole trade, farmers, merchants and others.

Q. But we are looking at the matter here from the point of view of the millowner. Would he be any the safer if in April or May he could tender under his hedge contract some cotton other than Broach ?

A. It means that he buys again from the bazaar and sells, not the cotton that he has paid. Then he has only the idea that if the market goes down, he takes the profit and then he will have to buy at a higher rate.

Q. But he would have a wider field. He would be less likely to be cornered or squeezed.

A. The squeeze and manipulations always depend upon the basis. In the Broach contract there is the basis of Broach. Suppose there had been one contract, there must be one basis. If the basis goes strong the forward market goes strong. The differences are fixed between different groups of cotton, Broach, Oomra, and so on. If the basis is strong, the market would go up.

Q. But his view is that he would lose less than he would if he were confined to Broach. What is your opinion on that?

A. Perhaps less at the sacrifice of heavy losses to others.

Q. Your point of view is that though it might be safer from the point of view of the millowner, yet on the whole it would not be so good for the trade?

A. Yes.

Q. And in your view the balance of the loss to the trade would outweigh the balance of the advantage to the millowners? Is that your view?

A. Yes.

Mr. Subba Rao.—I have not quite understood your point. You say there is a loss to the trade when the contract is wider. Where is the gain if you have got five contracts and where is the loss if you have one contract? I want to know that.

A. The contract value itself would be depressed.

Q. You mean by there being a larger scope for tender, prices would come down?
A. Yes. They would remain much too low. Because the buyer of forward cotton does not know what cotton will be tendered to him.

Q. But won't that be only for a short time? That kind of depression will be only till the new conditions are settled. When people know that you can tender any of these grades, one against the other, then you get a new parity or a new level of prices. Would you say that on the New York market the prices have come down or the prices there are affected in the direction of becoming lower because they have one contract? Prices have been going up even there. Don't you think you will get the same tendency here also? It may be that for a time when you first make the change you will have a depression of prices. But when the dealers know once for all what the conditions are, then you get the prices fixed according to the market conditions. They will go up or down afterwards according to supply and demand of cotton in India. Why should there be a perpetual depression? It need not go on for ever. You get the prices fixed for the purpose of cotton hedge according to the total amount of cotton in the country and the total demand for it.

A. The principal buyers in India are the Japanese and the European firms. In America the actual farmers have a large holding capacity and they go on holding the cotton till they get reasonable prices. Here the buyers are the exporters, generally the Japanese and the Europeans. The farmers have no holding capacity and the actual buyers always know that somebody will come and sell cotton and the market remains always depressed. The conditions are different in the two countries.

Q. I am afraid I cannot quite follow that.

Mr. Majmudar.—At present there are two sorts of contracts, one hedge and one delivery?

A. There are three hedge contracts at present working and two do not work. The total is five.

Q. And there is also a separate transaction for delivery contract? So there are two separate transactions, one for hedge and the other for delivery?

A. Yes.

Q. In the hedge there are five contracts out of which three operate at a time?

A. Yes.

Q. That is due to the fact that the cotton crop of different varieties comes in at different times of the year?

A. Yes. The due date is arranged according to that.

Q. At present dealings are done in a particular type, for example Broach; but if one hedge contract were decided on, then the dealing would have to be done on the basis of any Indian cotton that might be fixed as standard; the differences in the prices of the various qualities will also have to be fixed so that any cotton can be tendered at that difference?

A. Yes.

Q. So what you are afraid of is that under such conditions the firms which are at present hedging would not do so because they would not be sure of the quality of the cotton that might be tendered and also because the mills and merchants might sell heavily on the cotton exchange ?

A. Yes.

Q. Now against that, will not the mills purchase also to a very great extent and thereby will not the prices go higher ?

A. Mills will not purchase the hedge.

Q. Why not ? Suppose the mills think that the prices of cotton are likely to go up. They might purchase a hedge contract and when they want to go in for a particular cotton, they can cover the hedge. So just as you are afraid of a depression in the market due to heavy sales by mills and merchants, you must also take into consideration the fact that the mills might come forward as buyers and the market would go up ?

A. But all the mills will not take delivery of that purchase of hedge because they do not want that cotton. On the whole they would cover their hedge purchases. That means they would sell the contracts.

Q. But the operations of exchange will increase and therefore the prices might be maintained at the proper level ?

A. Unless there is some party or parties who are prepared to take the tenders against hedge contract, the market is not likely to be sustained. It will be unduly depressed. All those that now want to take delivery would come to sell their hedge purchases.

Q. But Japan which has been making purchases before would certainly make some purchases. There are also the Continental firms ?

A. They all make purchases in the ready markets. Even at present to a very small extent the tenders are taken up.

Q. You mean to say that the purchases are not done at present on hedge account but they are done in ready stocks ?

A. No ; purchases are done in the forward market for the sake of hedge. But against those purchases they do not take delivery of actual cotton because they do not know what quality of cotton will come to them.

Q. And the same thing will happen if there is a single hedge contract. If they hedge they will not take delivery against hedge contracts. They will clear up hedge contracts and purchase the type of cotton they require. So that should not affect the cotton market.

A. It will affect it. At present there is already a big contract for about 8 to 10 lakhs.

Q. You are looking at it from the tenderable quantity of cotton ?

A. Yes.

Q. In America there is such a huge crop that is tenderable and still they have not gone in for four or five contracts.

A. The quality is uniform there.

Mr. Subba Rao.—How many varieties have you here of Indian cotton which can be tendered ?

A. I do not remember.

Q. About 20 varieties ?

A. It might be.

Q. You have practically as many in America.

A. Yes. The basis is " middling."

Q. We have one basis here also.

A. There is the difficulty of fixing the basis. There is a great difficulty. Suppose we fix Broach as the basis, if the Broach market is small the forward market will go up.

Q. The Broach cotton is small compared to the other crops ?

A. Yes, but the basis will always be the ruling factor in the market.

Q. Is it not possible to have as the basis a crop which is fairly large in supply and make the other smaller ones move round that ?

A. Yes ; it is possible.

Q. Just as " middling " is the American basis and it is the largest basis, so also in India Broach might be made the basis and then allowances could be given for tenders.

A. In America there is no question of staple. In the Indian cotton in our tenders in some classes the staples are stipulated. A certain staple is required for certain places.

In Gujarat $\frac{7}{8}$ or $\frac{3}{4}$ inch is required. To fix the basis according to the staple of cotton is a huge task.

Mr. Majmudar.—If the staple is a little shorter than the standard, could it not fall in the next grade, say Oomra for example, and be tendered as such?

A. That is not the case at present. We cannot tender Oomra against Broach.

Q. It cannot go as Oomra although the staple be better than Oomra?

A. Yes.

Q. That is a matter of adjustment. The Committee could adjust that?

A. But the staple and class both cannot come under one contract.

Q. In America or Liverpool they charge something extra for the staple or colour. Similarly it could be fixed up here too?

A. In New York there is nothing for the staple. It is only in Liverpool.

Mr. Subba Rao.—It is stated in this work on "Organised Produce Markets" that "upland cotton must be given the foremost place and made the basis for all the trading rules, always with special provision for the more valuable long stapled varieties." You get the upland staple as the basis and make allowance for other varieties. Colour, cleanliness and staple all the three are considered in framing the classification in the market.

A. That is a suggestion. I have not got the New York cotton rules book. There is already at present an agitation in New York that a premium for staple should be allowed. It is a suggestion that it should be done like that. But at present there is an agitation there.

Mr. Majmudar.—You know that the Bombay mills have purchased a lot of American cotton this year and that the prices have been higher or lower according to staple and colour?

A. That is in the ready market, not in forward market.

Q. Is there a practice in America for the mills to make hedge contracts and later on to call in for a particular type of cotton at a certain difference in price above the current price of "Middling"?

A. There is a system of call cotton there. By buying it the buyer himself does not buy in the forward market but the seller buys it in the forward market. The buyer takes so many points on certain delivery rates and when the due date comes or even before that according to his own desire he can "call" for fixing the prices. That is the system prevalent there.

Q. So according to the staple, certain points are added or deducted?

A. In call cotton, not in forward.

Q. If the same is done here, would not all the difficulties disappear in due time?

A. I do not think so. Here there is another risk of rejection. At present as it is I take delivery of 100 bales of Broach in April. I take delivery and put my cotton in godown and after 15 days I reissue it and the surveyor comes and rejects it.

Q. You mean the same cotton?

A. Yes.

Q. These cases will be few, however.

A. There are many such cases. There is a risk of losing.

Q. That risk is very small?

A. It keeps back the buyers and those who take delivery.

Q. If the cotton has been once passed, of course the same cotton would not be considered to be below parity.

A. At present it is so. There is not guarantee that the cotton once passed will remain at the same award throughout the same season.

Q. And you consider that a handicap?

A. Yes.

Q. Don't you think the difficulty would be less by having one hedge contract?

A. If there were only one hedge contract the market would remain depressed. There the question of differences will come in. The settling of differences is a point of much agitation in the trade, the fewer the number of grades tenderable, the better.

Q. But against that there is this difficulty at present. Supposing Oomra is scarce; then the difference between Oomra and Broach is narrowed down, although Oomra is usually a certain number of rupees below Broach.

A. That is practically a squeeze or corner. All these things happen off and on and thereby upset the cotton markets and also the manufacturer.

Q. If at that time the mills want to purchase cotton, they are not able to get it at the right price because of the squeeze.

A. Even then it would happen for ready market. The prices are ruled by supply and demand.

Q. We are talking of the effect of hedge contracts.

A. Then the millowner has not a chance of buying Oomra only. He might get Khandesh for example. If he goes to buy Oomra he may get it at a greater price. The price will be regulated by the total quantity of cotton but not by the particular cotton only. It always remains depressed.

Q. All qualities of cotton would remain on a parity. At present the difference is occasionally unnecessarily narrowed down. That would disappear.

A. It is narrowed down owing to supply and demand.

Q. Although the other quality may be available, still the particular qualities for which there is a little shortage are boomed up.

A. Would that not happen even if there is one contract ?

Q. If there is one hedge contract, as the total quantity tenderable will be big, there would be no difficulty owing to either squeezes or corners.

A. The difference will be fixed according to that. That particular cotton which is short will be at a premium. It is for the manufacturer afterwards to decide on.

Mr. Majmudar.—But so far as the hedge contract is concerned there will be no difficulty due to squeeze or anything of that sort. The price in the ready market might go higher or lower according to the quality or quantity. So far as the hedge market is concerned, the price will rule according to the total quantity of cotton, and not in accordance with the quantity of particular varieties of cotton ?

A. It would depend upon the supply of the basis.

Q. But supposing the hedge contract is for simply " Indian cotton " ?

A. Without any basis.

Q. Any basis might be fixed, say Broach ; other cottons to be so much above or below Broach.

A. Suppose Broach is fixed as the basis and all cotton is tenderable in the whole of India. Broach is quoted at Rs. 350 ; Oomras should be Rs. 330—Rs. 20 less ; Bengal Rs. 250—Rs. 100 less. All cotton is tenderable. Now suppose the Broach crop is short, what would happen ? The differences which are fixed at the due date time would be increased. What would happen if the Broach were short is that Broach rates would remain at Rs. 350 and Oomras would be quoted minus Rs. 50 perhaps.

Q. In the ready market ?

A. Differences are fixed for the delivery against forward contracts.

Q. At what time of the year ?

A. At due date.

Mr. Subba Rao.—Is not that better than being squeezed or cornered even supposing I have to pay a premium which certainly means a higher price ?

A. It is one and the same thing. That is squeezing. If the differences are widened it is a natural squeeze.

Q. But is there no difference between being cornered and having to pay higher prices ? I think the two are different. In the case of the corner you have to meet more than you can deliver. In this case you can deliver only at a higher price because prices have risen. The price here need not be so high as in the case of having sold short more than you can deliver. Suppose the food supply is 10 per cent. shorter than your consumption. Then you can be squeezed by almost any amount. But now the prices cannot go beyond a certain extent.

A. The same thing.

Mr. Majmudar.—Supposing instead of taking the basis of Broach the basis is " Indian Middling " and hedge contracts are made on that basis, then how would that affect the situation ?

A. I think that would be quite a new departure and I cannot give any opinion.

Q. Would not your difficulty owing to particular cotton crops being high or low be thereby avoided ?

A. Do you take it that there are no manipulation or squeezing in New York ?

Q. But not to the same extent as in India.

A. Much more.

Mr. Subba Rao.—The field is larger there. It requires far more finance to corner on the produce exchanges in America than in India. The scale is much larger.

A. Even then there are so many squeezes and manipulations. I can send you an article written from there. They are complaining against so much manipulation.

Q. Not that there are not squeezes. What I mean to say is that in view of the larger room for tender the risk is much less than in India where you have got a narrow contract and anybody can corner the supplies. The chance of cornering a supply in the New York market is certainly less than here in India, because the supplies here are much smaller. You cannot attempt squeezing in New York with the same ease.

A. May I point out that the New York stock is never more than 2 lakhs of bales. It depends on the quantity of tenderable cotton. You mean to say the larger the tenderable cotton, the less the manipulation. You say in New York there are less chances of manipulation and squeezing owing to the field being larger. I would say that with the crop of 16 million bales of America the stocks in New York are never more than 2 lakhs bales, while in Bombay I do not think it is ever less than 5 lakhs of bales.

President.—Actually in Bombay ?

A. Yes, 4 lakhs is the minimum.

Mr. Subba Rao.—5 lakhs is the total. We are now speaking of different kinds. A. Sometimes it comes to even 10 lakhs. 5 lakhs is the minimum.

Q. That does not affect your capacity to corner in any one contract ?

A. May I tell you that this 4 or 5 lakhs is the minimum during the season ? Suppose in April-May the stocks are 8 to 10 lakhs bales of all the cotton ; therefore the tenderable cotton is also not less than 2 to 3 lakhs bales. 92,000 bales were issued in Bombay in the January contract of 1925.

Mr. Majmudar.—Do these 5 lakhs include the stocks at the mills ?

A. Yes.

Q. As regards your statement that in New York there will be only 2 lakhs of bales of cotton which could be tendered if there is a squeeze, may I inquire if more could be brought in at a short notice if there is any likelihood of a squeeze ? It is not the actual quantity of stocks in New York that regulates the price or makes the squeeze or corner possible but it is the availability of the stocks in America.

A. You admit that there have been squeezes. In spite of that the stocks have not increased.

Q. Only when the old stocks are low. These squeezes happen there only at the beginning of the season, I suppose for a month. Here there may be a squeeze in Oomra at one time. When delivery time for Broach comes, there may be a squeeze in Broach, and so on. That is what is going on here ?

A. It depends upon the supply.

Q. What makes you believe that the Japanese and European firms will not make purchases ?

A. They will make purchases but they will not take delivery tendered against that.

Q. That would not matter much.

A. It would matter much because they would resell in the hedge market. Generally what happens is that at the beginning of the season as soon as new crop contracts are out the exporters buy in the Bombay market. Then as soon as the crop begins to move upcountry they begin buying ready cotton there and resell hedge here.

Q. They will continue to sell futures but they will purchase ready cotton whether here or in the mofussil. They will continue to do what they are doing now.

A. They will sell more.

Q. But they are selling even now.

A. To a limited extent.

Q. Whenever they think it necessary to hedge, they are selling even now ?

A. Yes.

Q. So the same process will continue and there is no reason to believe that the Japanese and European firms will not take advantage of this single hedge contract.

A. They will take advantage of this by selling cotton in the Bombay market and issuing delivery orders.

Q. And thereby you think the cotton market would be depressed ?

A. Yes.

Q. But they themselves are all exporters of cotton ?

A. Yes.

Q. Therefore if some issue delivery orders there will be some others to take delivery and export.

A. Exporters themselves being the buyers, I think that when they issue delivery orders there would be very few buyers. They will take advantage of the weakness of the forward market.

Q. Your view is that they will depress the market by continually selling ?

A. Yes.

Q. Will that not depend upon the tendency of the market ?

A. It always depends upon the tendency.

President.—You said in reply to Mr. Majmudar that it would be a new idea to have an "Indian Middling Cotton" as a standard. I take it that one of the troubles in India is that Broach has always been the standard, but that it is now a much less important crop in relation to the rest of India than it used to be. Is not that so ?

A. It is important.

Q. It is important, but it has declined as compared with the rest of India ?

A. I do not think so. There are Broach, Surat, Navsari.

Q. I know, but they are not so important as they used to be owing to the increased extent of Cambodia, Punjab-American and Tinnevely cottons. They were not grown to a very large extent 20 or 30 years ago. The Broach crop in the old days was the most important of the longer staple cotton. That is not so now ?

A. It stands on the same footing as before I think. Other long staple cotton stands side by side with Broach, but that does not lessen the importance of Broach.

Q. But if Broach in the old days was $\frac{3}{5}$ ths of the whole long staple cotton of India and is now $\frac{1}{5}$ th (the figures are purely illustrative) can you say that it is as important as it used to be ?

A. By increase in staple cotton the importance of Broach cannot diminish. Those who buy Broach buy Broach always.

Q. If it is now only $\frac{1}{5}$ th of the long stapled cotton ?

A. From the point of view of quantity it is.

Q. Is it the fact that ever since the Cotton Exchange started, Broach has been the standard by which all other crops have been valued ?

A. As far as I remember before Broach was the popular contract there was Bhavnagar. The contract of Bhavnagar was widely used in Bombay.

Q. When was that ?

A. Thirty years ago.

Q. For the last 30 years Broach has been the standard ?

A. Yes.

Q. And owing to that fact it would be extremely difficult to make a change ?

A. Very difficult.

Q. Just one point about the hedge contract. You say there are only three working now. Which are they ?

A. Bengal, Broach and Oomra fine.

Q. Good Southerns is not ?

A. No.

Q. The Committee of the Millowners' Association last year said that the proposals which were accepted by the Board of Directors of the East India Cotton Association and which were to have four contracts were a step in the right direction. But if it was a step in the right direction to have four contracts, as you say there are only three, the millowners' requirements have been met to a certain extent. My point is that last year Messrs. Forbes, Forbes, Campbell & Co. put forward a suggestion that there should be four contracts instead of five—F. G. Bengal, F. G. Broach, Fine Oomras and Good Southerns. The Board of Directors of the East India Cotton Association accepted this in a somewhat modified form. They agreed that there should be four contracts but they made a few modifications in regard to the option of tendering. However those proposals were turned down at the general meeting of the East India Cotton Association held on the 22nd June 1926. You have been a Director.

A. At that time I was not a Director.

Q. But you know what happened since then ?

A. The proposal was turned down.

Q. You say as a matter of fact that in practice there are only three contracts now ?

A. Yes, three.

Q. If the Committee of the Millowners' Association said that four contracts were a beginning in the right direction and might be accepted and there are actually in practice three contracts only, then the Millowners' views have been met to a large extent.

A. The trade did not like those proposals.

Q. But you say there are in practice only three now.

A. Yes.

Q. Then the millowners' views have been met to a certain extent.

A. There are 6 panels in the trade and these did not agree.

Q. But you say that there are only three now?

A. The trade did not pass the resolution.

Q. But in practice there are three. So the millowners' view has been met to a certain extent. Your view is that the Millowners' difficulties would be met to a large extent if a yarn exchange was established. It is an interesting suggestion which has not been put before us before. There is such a yarn exchange in Japan I believe, but is there any yarn exchange anywhere else, in Liverpool or in America?

A. None there.

Q. Can you give us any reason why there is none in Manchester?

A. I believe that there is a system of buying call cotton there. That is the reason I think.

Q. In what way, because they have only one hedge contract?

A. They buy a certain quality from the seller. They say we want "Middling Fair". The actual rate is not fixed. The broker might tell them that he has got 100 bales for them—50 points on October delivery.

Q. At what date are you assuming that this cotton is bought?

A. At the beginning of the season.

Q. Give us a month—any month.

A. Suppose in December, the millowner wants to buy 100 bales of "Middling Fair" for his spinning purposes. The broker might buy 100 bales at 50 points on March delivery rates. From December to March the millowner has the option to fix the rate of that cotton—March delivery at his own choice.

Q. You mean at his option. What can he do?

A. He might call the broker again. Suppose after buying that at 50 points on the market goes down. Then the millowner says the market has gone down and that he is going to fix his rates for March delivery. Then whatever is the ruling rate for March on that date would be fixed. Suppose it is 9·50 plus 50 which he has paid for quality.

Mr. Subba Rao.—You are not thinking of an ordinary future, but of an option?

A. Option but not as it is in Bombay. That is for quality. It is "call" cotton.

President.—How does this system make him safer than the Bombay millowner?

A. He can fix the price whenever he thinks that the market is low and can also be sure of a sound quality.

Q. But the Bombay millowner can always buy cotton when cotton is low?

A. Yes, but he has to fix the price immediately. He must buy in the beginning of the season.

Q. What you mean is that a Lancashire millowner can wait to fix the price at the time he considers it is most favourable to him?

A. Yes.

Q. Whereas the Bombay millowner cannot?

A. He has to fix the price at the time and cannot buy the desired quality by paying any premium.

Q. You have no personal experience of the working of the yarn exchange in Osaka?

A. No personal experience. I may point out that a small yarn exchange is already going in a small State called Bhavnagar at present. The rates are quoted in rupees per bale. The differences are paid every week. It is a regular yarn market.

Q. Are you sure there is no yarn exchange in Manchester?

A. I do not think there is any.

Raja Hari Kishan Kaul.—Do you mind explaining a little further how the yarn exchange will suit the conditions here?

A. In the yarn exchange millowners who have bought cotton of the variety that they want can go and sell their product in the yarn market with reference to the price at which they have purchased the cotton.

Q. The conditions in Japan are different. It is comparatively a small country. The purchase is made through one or two firms ?

A. The purchase of cotton you mean ?

Q. Yes; the imports are made by certain importing firms and every millowner has to buy from them.

A. Only from three.

Q. I do not know how many there are but we have been told that there are only about two firms exporting from India.

A. Three leading firms.

Q. That may be so. But in India the conditions are different. You have got the mills scattered over a vast area. Do you think the conditions would be the same in India, and that all the mills could take advantage of this yarn exchange, or would there be any difficulty ?

A. I anticipate no difficulty. It will help the millowners. At present they have to go to hedge in the cotton market where they cannot deliver cotton because they have not got cotton. They only sell for the sake of hedge, while in the yarn market if they hedge they can deliver yarn.

Q. Do you think that as a matter of fact the distant mills go in a great deal for these hedge contracts ?

A. If the yarn is not saleable then and there they may take advantage.

Q. Do you know for instance whether the Cawnpore mills go in for these hedge contracts ?

A. At present there is no yarn market. Do you mean in cotton ?

Q. Yes.

A. I do not know.

Q. Would there be a similar difficulty in respect of the yarn exchange so far as the outside mills are concerned ?

A. It depends upon the time, I think. They might some times like to take advantage. At other times they might not take advantage. If there is an organisation anybody might take advantage at any time.

Q. What is the reason for the number of hedge contracts having gone down from four to three ?

A. The fourth contract is the Southern, and jobbers and merchants, I think, were at the mercy of some of the exporters because they were the real buyers in the Southern market. The whole market was in their hands and therefore whatever they did the market always ruled in their favour and it is an open thing that when the jobbers do not make any money, and are not well protected, they would not like to trade. If the exporters sold the market declined; if they bought it advanced. It was in their hands. There was no outside trading in this market.

Q. And so the trading ceased ? So the public did not take any interest in that contract ?

A. The trade ceased slowly after one or two years. The public did not take any interest in that contract.

Q. The extent of this contract was comparatively small ?

A. The dealers were small.

Q. The quantity of cotton covered by that hedge contract was not small ?

A. No.

Q. Was that cotton covered by any other contract ?

A. I do not remember.

Q. Are there any chances of the three becoming two or one in the future ?

A. They may or may not. We cannot say anything.

Q. Have the prices been depressed by that ?

A. Yes. If these three contracts are amalgamated, the trade would come to minimum.

Q. Has the market got depressed by the Southern hedge contract coming to an end ?

A. I do not know that.

Q. Similarly by the other hedge contracts being closed, the markets may not be depressed ?

A. The markets may be depressed.

Q. Do you mean to say that the hedge contract may not be availed of at all ?

A. Yes.

Q. I am looking at the prospects of a yarn exchange with a single hedge contract.

A. Yes. From the point of view of the millowners, the yarn exchange is more appropriate.

Q. Do I understand you to mean that from the point of view of the millowner the single cotton hedge contract would be advantageous, while from the point of view of the trade it would be disadvantageous ?

A. Yes.

Q. That we take for granted. Then as regards the yarn exchange, we do not know what the millowners think. Would that be more advantageous to the millowner than the single cotton hedge contract or would it be less advantageous ?

A. The yarn exchange will be more advantageous.

Q. *President*.—Is there not this difficulty about a yarn exchange ? In the United Kingdom, as we understand, there is a yarn exchange at Manchester and in Japan there is one at Osaka. In India there are very few mills which are not both spinning and weaving mills but in Japan and Lancashire, I think, it is the case that most of the spinning mills have no weaving mills attached to them and *vice versa*. My point is that if you had a yarn exchange in Bombay many of the millowners would not be in a position to deliver yarn because they would want it for their mills, whereas in Japan and in Manchester they would always be in a position to deliver yarn, because they do not want the yarn for their looms, as they have none.

A. But what I would like to point out is that even if millowners cannot tender yarn yet it is better to hedge in yarn than in cotton—as cotton also, they can't tender.

Q. Because they do not grow cotton ?

A. Not that ; but they are the consumers of cotton, and whatever cotton they have, is for their own use and not for tendering. The yarn of millowners is for their own use and so they can't tender and so where is the advantage ?

Raja Hari Kishan Kaul.—Your suggestion would come to this : that there should be a yarn and cloth exchange ?

A. A cloth exchange is rather difficult ; but I think there is a cloth exchange in Shanghai. But it depends upon the uniformity of cloth.

Q. But that would be a much more complicated and difficult matter ?

A. Yes.

Q. So the yarn exchange would take us only half way. You would have to tender yarn instead of cloth ?

A. Yes.

Q. *Mr. Majmudar*.—You say that the mills cannot deliver cotton as they want it. But then the mills do not want the single hedge contract with the idea of delivering cotton, but only for the sake of protection. When they have cotton in stock they want to protect themselves and with a single hedge contract they can protect themselves.

A. Yes. That may be somewhat advantageous to the millowners with one hedge contract ; but it is not to the interest of the general public.

President.—As regards your last point, Mr. Mehta, that exporters do get cotton cheaper than the mills, your view is, I understand, that it is merely a question of financial resources and the ability to set off one cotton against another and to buy in the most favourable markets ?

A. Yes.

Q. You mean that the Japanese can take advantage of the American market if the Indian market is unfavourable and *vice versa* ?

A. Yes.

Q. It comes to this ; that the bigger the scale on which buying takes place, the more advantageous terms you are likely to get ?

A. Yes.

Q. *Raja Hari Kishan Kaul*.—You suggest that there should be a combine for purchasing cotton, so that the resources of the millowners in purchasing cotton should be enlarged. You think that there will be no practical difficulties in a combine. We were told the other day that a trust or combine would not be desirable. Do you think there will be practical difficulties in a combine for even purchasing cotton ?

A. I do not see any practical difficulties. At present about 35 lakhs of bales are exported every year. Out of these 35 lakhs, 75 per cent. is exported by only 6 or 7 houses. For the remaining 25 per cent. there are 150 other sundry exporters.

The whole cotton is commanded by these exporters. To have selected cotton and to have good stocks with a good trust of millowners, it would be advantageous to them to have cotton cheaper and of the desired quality.

Q. There is a certain amount of difference. For instance, with regard to Japan the exporters send the cotton all the year round. They have a record of what cotton is available and the millowners purchase whatever cotton they want. Here in India every millowner can, if he pleases, send an agent to the cotton growing districts and purchase cotton of the exact variety that he wants.

A. He cannot afford to send a man to every centre, because one mill consumes such a small quantity of cotton.

Q. We have been told that certain mills are sending agents to certain cotton growing centres and they are purchasing the exact varieties they want. In the case of a combine, they would be purchasing on a large scale and catering for a very large number of mills in the country. Would not difficulties arise in the matter of the exact variety that is wanted by each mill if purchases were made on such a large scale?

A. This trust has not to act only as the supplier of cotton to the mills. It would supply to the trade also. Even the present exporters, the Japanese and the Europeans, sell it to the trade.

Q. Then your suggestion is that a trust should be formed for purchasing cotton and selling it to the mills as well to other customers and that the millowners may also become members of it?

A. Yes.

Q. Don't you think that it will be detrimental to the interests of the grower? Such combine would force down the prices?

A. No. There will be competition between the different exporters.

Q. You suggest a combine, because you want to reduce competition.

A. Not to reduce competition, but to have the desired quality of cotton and to have somewhat cheaper cotton.

Q. That is reducing prices. You reduce the prices by reducing the competition. At present two buyers go there, one bids Rs. 5 and the other Rs. 6 and the cotton grower gets the higher price. But if there is only one representative to buy the cotton, he bids only Rs. 5 and there is nobody else to compete.

A. I do not mean that this trust should be combined along with the present Japanese and European exporters.

Q. At present there are four or five purchasers, say. You want a sixth purchaser, the combine, instead of half a dozen or a dozen people sending their agents separately. That you say raises their prices and that is why they get cotton at higher prices than the exporters.

A. At present there are only very few mills that send their agents to purchase cotton and therefore this trust will not oust ten or twelve purchasers.

Q. The other mills get their cotton through Bombay where the cotton has come after being purchased by the local merchants and again sold to the Bombay market. That is the cotton has reached here at a higher price than that at which the exporters have bought it. You want to have a combine which will buy in the local markets. Such a formidable combine which will buy all the cotton available in the local markets and have the Bombay market in its hands would be dangerous for the grower.

A. There will be competition between the Japanese, the European exporters and this trust.

Q. The profit expected to be made by the grower would go to the middlemen; that is, to the combine?

A. The grower will get his price and there will be competition between these exporter themselves.

Q. There is that competition now.

A. It increases. There will be one more to compete with these exporters.

Q. And that, you think, raises the prices?

A. It won't depress the prices, at least.

Q. How do you arrive at this 5 per cent. estimate of the difference between the prices at which the exporters and the local mills buy?

A. There is no basis really speaking.

Q. Only a guess?

A. Yes.

Q. It may be 1 per cent. or 2 per cent. or 3 per cent. or 4 per cent. or any thing ?

A. Yes. That is a guess only. Because twice or thrice a year the straddling between New York and Bombay markets takes place. Sometimes one is cheaper and the other is dearer and so on.

Q. This difference of 5 per cent. includes the advantage which they make by hedging in other countries or purchasing and selling in other countries ?

A. Yes.

Q. On the basis of the Indian purchases alone the difference will not be so much ?

A. No

Q. What will be the percentage on Indian purchases alone ?

A. It is very difficult to arrive at.

Q. Any way it would be much less than this ?

A. Yes.

Mr. Subba Rao.—Would you tell us if the Japanese are buying their cotton supplies through any one agent or through a number of agents ? You say three or four firms manipulate the export of cotton.

A. They buy through many agents. They have their branches in smaller centres.

President.—The point that Mr. Subba Rao wants to get at is whether the Japan Cotton Spinners' Association has one buying agency for India as a whole or whether individual mills in Japan purchase their requirements in India separately. What is the agency by which the Indian cotton reaches the Japanese mill ?

A. There are three big export houses. They are doing all the buying. They are all over India. There are also smaller ones. They are the chief exporters to Japan and they also export to the Continent.

Q. But mostly to Japan ?

A. Japan and to Europe also.

President.—Do they compete against each other ? Or have you no information on that point ?

A. Upcountry they compete. Among themselves they do not compete.

Q. So it is practically one firm ? From what you say they seem to work as one ?

A. They work with unity. They won't compete with one another.

Q. As the Bombay millowners do ?

A. I do not know that ; whether they work with unity.

Q. If the Japanese have three firms in this country who are working together—you say that they do not work in competition with each other—is not that the same thing as having a combined organisation for buying ?

A. I do not know exactly. But as far as I know, they do not compete.

Mr. Subba Rao.—You say you are sure about the 5 per cent. difference in price ? It may be less ?

A. Yes.

Q. You also say later on that they have their own branches, agencies and correspondents almost in all the cotton centres of India. I suppose all that mean some expenditure.

A. Yes.

Q. Therefore, the advantage they get by this kind of buying is reduced to very small dimensions. They have got to pay commission to people, and so on. Therefore where is the special advantage ?

A. These three firms are doing all other business also. They import cloth. They export other things also. They are really export houses.

Mr. Majmudar.—You say that after purchasing upcountry, "they hedge the same in the market which is highest in parity, and thus they can bring down the buying rate of their cotton to a level lower than others." How much do they make by that ?

A. That is a guess. It depends upon so many things.

Q. Is that difference included in this 5 per cent. ?

A. Yes.

Q. The profit that they make in hedging here is also included in this 5 per cent. ?

A. Yes.

Q. And that may be perhaps a major portion of the 5 per cent.

A. I cannot say whether it is major or minor.

President.—Have you any views on the question of an export duty on cotton ?

A. There should not be any export duty on cotton.

Q. Why ?

A. The same thing again ; the depression of prices.

Q. You are thinking of its effects on the cotton grower. But the argument put forward in favour of the export duty is that it would not really depress prices because the Indian cotton which goes to Japan is of special growth which cannot be got anywhere else and therefore the Japanese are bound to pay the price for it.

A. America was growing last year more cotton of lower staple and Japan gets more cotton from America than from India.

Q. Your view is that American cotton can be substituted for Indian cotton ; that is, the lower grade American cotton ?

A. To some extent, yes.

Q. And therefore, that unless you can pass on the full duty to the buyer, it would be mistake to impose it ?

A. Yes.

Mr. A. H. MANEK, BOMBAY

Written Statement dated Bombay, the 11th August 1926

SECTION I—GENERAL

1. Depression is felt mostly in Bombay, and in stations up-country it would be proportionately less according to distance, as the cost of conveyance by rail increases. It affects them all but cannot do so alike, as like most other industries. Some Mills may be more efficiently conducted than others. Some may be specialising in certain cloths, and may be able to sell their manufactures at a slightly lower rate than others. It is also possible to have a slightly higher cost of production in certain Mills, which employ all Europeans on higher salaries as Superior Officers. In my dealings with Manchester, I have also found that certain firms and Mills specialising in certain lines of cloth are able to sell at a slightly lower rate than others.

2. I do not think world factors could have much or anything at all to do with the depression, as at present the Indian Mills are doing a much larger local trade than a foreign one. Besides, the world factors cannot affect Indian Mills alone.

3. The causes of the present depression are temporary, being due in my opinion greatly to Japanese competition, and also to Government's Currency and Exchange policy as I will demonstrate as I go along and answer more questions. If there were serious permanent defects, they would adversely affect sales at all times or more often than has been the case for the last three years. In my opinion, Currency and Exchange policy of the Indian Government has reduced very considerably the purchasing power of Indian agriculturists, and the Japanese competition has intensified the depression. I think that these two causes if removed as far as practicable, may enable the Mill industry to pay its way even in times of unfavourable or less favourable monsoons, as was the case in previous years. World factors would not affect the Cotton Mill Industry alone or to a greater extent than other Indian industries.

4. If Japanese competition were removed, it is probable the Mills might be able to increase their sales more than at present, but there would be no normal activity as India always noticed in the cloth trade after a good Monsoon, unless the causes that now operate in reducing the purchasing power of the masses are also removed. This is not the case with the Indian Mill cloth only but also with Manchester goods.

5. (a) Most Mills are selling at no profit, and many at a loss.

6. A further fall in the raw price of cotton may enable our Mills to reduce the selling price as lower cotton would reduce half the production costs, but the same would be the case with Japanese Mills using Indian cotton entirely in the stuffs they export to India; cheaper cotton may also bring the cloth price nearer the purchasing ability of the Indian buyer, but dear cotton is not the only cause of the present depression. There are other adverse factors operating at the same time, and until they are also removed, I do not think we shall see prosperity in the industry.

7. All practical men handling cloth know that want of confidence in the price of raw cotton alone has not in the past caused such an acute depression, though fluctuating prices of raw cotton have the effect of stopping forward sales to some extent, and dealers buy in smaller lots for present requirements only, but there is even then no acute depression. But fluctuating raw cotton prices alone do not and cannot by themselves produce such difference between our Mills-cloth and that imported from Japan. We have had in the cloth trade daily fluctuations on a rising market, and also falls in prices on a weak market, but these variations are not uncommon in the trade and merchants know that they are ordinary natural trade risks which do not cause acute depressions as is the case at present. But the want of confidence now prevailing is of a different kind and something unusual as the very low prices of Japanese cloths in competing lines put the Indian goods out of sale, and dealers cannot stock same for fear of not being able to convert them into cash readily even with a small loss.

8. Fall in the price of raw cotton has a retarding effect on future sales and the manufacture of goods, and it reduces the market sale-price but it has not been known even in Manchester goods to cause a cessation or great reduction of sales as has been the case with the cloth business for the last two years. I do not agree with the view that all commodities rise or fall to the same ratio or in unison, as the ratio of falls for different goods may depend on the demand, cost of labour, or of materials and stocks and other considerations which vary with different articles,

9. The Mills' purchasers are mostly if not entirely agriculturists, who cannot afford to buy even locally made finer or more expensive cloths. I consider that the purchasing power being about $7\frac{1}{2}$ annas to the rupee as compared with the pre-war 16-anna parity, the present depression in the Mills-cloth and Manchester cloth is more than 75 per cent. due to the ryot's reduced purchasing power.

10. There are in my opinion four classes of consumers, viz.,

- (a) Poor ryots or agriculturists about 300 millions of them whose incomes on an average are about Rs. 100 per annum ;
- (b) Small traders, such as grain-dealers in villages, dealers in small wares, cheap hardware, and other cheap necessities of the poorer masses, including small craftsmen, such as tailors, shoe-makers, carpenters, etc., whose capital runs between Rs. 2,000 to Rs. 5,000 ;
- (c) Superior shop-keepers, and small merchants handling trade with a capital of Rs. 10,000 to a lakh, who have to keep their money continually turning ;
- (d) Big merchants, big European shop-keepers, Importers and Exporters doing business in a large way. Civil and Military Officers earning large salaries, Bankers and Financiers earning steady and large incomes, Zamindars, landlords and the like.

Consumers of the class (a) manage to eke out, it is said, a hand to mouth existence ; have no means or perhaps an entirely negligible amount to invest even in silver trinkets, and they do not and cannot hoard. Consumers of the (b) class are almost unable to hoard either in silver or gold, and they are the Indian Mills' customers. Consumers of the (c) class have been so hit by adverse trade conditions and losses sustained by losing the business of their customers of the (a) and (b) classes, and like Manchester manufacturers they have been vainly hoping against hope for the past four years in spite of five favourable Monsoons. They have come to regard gold and silver bullion or bars as a better article of merchandise to handle with a smaller but safer margin of profit than cloths, Indian or Manchester-made, wherein, with all their experience of a life-time they more often lose than gain, and wherein sometimes they find themselves loaded with goods which they cannot move at all at times, whereas in pre-war times a dealer in cloth could always convert his stock of cloth at from two to five per cent. according to quality, etc. It is they that have been doing a clever thing to invest in gold and silver bars and do a little dabbling in them. I think they do this trade more for the sake of its being a safe trade than on account of gold and silver being now cheaper than before.

Even these well-to-do consumers buy less now than before, but consumers of classes (b) and (c) only buy what they actually cannot avoid buying. I used to buy three suits every year, and for the last two years I have not bought any except a few new shirts, socks, etc., and try to avoid purchasing as much as possible having to economise as much as possible. The fact remains that the 300 million agriculturists who are the wealth producers of the country and who constitute the people of India for all practical economic considerations are unable to buy sufficient cloth for their bare requirements and according to Sir Victor Sassoon buy only $7\frac{1}{2}$ yards of Mill and Manchester cloth. My opinion is that their reduced purchases not only in cloth but in all other necessities of life are the cause of the abnormal and general slackness of trade. Indeed they must be only buying cloth to avoid nakedness of their family and even for this cloth-purchase of necessity they must be drawing on their meagre store of money necessary for the feeding of their family for a whole year. I attribute it more to the Government's Exchange policy than to other causes, but I will revert to this matter when I am dealing with Indian Exchange and Currency.

11. Lack of organisation generally among millowners so far as a joint policy for sale or labour, etc., is concerned may lead to not as good a progress as could be expected from the industry, but it has not led to any very acute depression such as the present, during the last 50 years of the industry, and it is not fair to them to attribute the present depression to this cause since there are other more apparent and convincing causes that point to being the most probable cause. As an Investor, I grumble with good cause that in the specified direction of an active export-sales campaign they are not as pushing as I expect them on account of my experience in the textile trade, yet this defect is not the cause of the present depression.

12. Depression has affected all (a), (b), and (c), but the fact remains that even if there were no mills closed down or in liquidation, there is none the less necessity to safeguard all our industries if they are threatened with unfair foreign competition, or for the removal of those causes that operate against their undoing.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. Since 1917, the yarn exports to China from India have been steadily falling from 143½ million lbs. to 14½ million lbs. in 1924-25, that is, to about a tenth part. The fact is very forcibly brought to our notice that Exchange plays a most important part in the export trade. In 1917 our exports of yarn to China were only about 22 million lbs. less than those from Japan; but in 1924 we were 43 million lbs. less. In 1920 China on account of its favourable exchange bought from us 36½ million lbs. more of yarn than from Japan, but since 1921 since the unfavourable Chinese exchange and on account of the very low Japanese exchange Japan has outstripped us in our yarn trade with China, so that in 1924 our export was only ⅓rd that of Japan, viz., 20½ millions against Japan's 63½ million lbs. Japan's exchange with India was entirely in favour of Japan in 1924, being 116 in October, 112 in November, 110 in December and lowest in January 1925 at 107, and 109 in February, and continuing very low throughout 1925, being on an average of 113½, and it injured not only our trade in China but also in India. I think exchange had a great deal more to do with it than anything else, and I do not think the expansion of the weaving industry in India led to decreased export of our yarn to China since 1917 but rather the reverse.

14. Italy and Holland have been supplying India with a kind of fancy trouserings, checks, shawls, and cotton blankets, etc., and also coloured yarn (Turkey red), etc., for some years even before the War, but they have not been serious competitors of our Mills, and their price has never been so unfair or competitive as to oblige us to take any notice of them and they never depressed and cut out Indian Mills' trade. Except for the competition from Japan, other countries' cloths have not had an effect on the prices of mill-cloth. The Government's exchange and currency has the effect of reducing the amount of sales but the depression caused in prices is entirely due in my opinion to Japanese competition.

15. The competition is in yarns 11s/30s mostly and also in 30s/40s and in cloth in all grades upto 40s. This should be an exclusive field in India for the Indian Mills.

16. Mill-owners ought to be able to give the figures for comparison.

17. In 1924 and 1925 mill-owners complained of being unable to sell below or at production costs.

18. In 1924-25 it was stated that the Japanese low exchange enabled goods to be placed in India at about 30 per cent. advantage. If this estimate be correct, it may be possible to compete with Indian Mills in foreign markets, even below Bombay's production costs. The Japanese got their Yens 100, scoring against Bombay Rs. 38 when their Exchange was Rs. 112 at end of 1924 plus their 10 per cent. Consumption tax refund apart from any advantage of double shifts, etc. No industry can be safe against the depreciated exchange of its competitor.

19. A Dealer in Calcutta told me in 1924 that Calcutta was importing more and more Japanese yarn 40s. and that Madras yarn which was selling well there had been almost replaced by Japanese. I am afraid the percentage will increase in 40s. and higher counts till such time as they can compete with India and Manchester and then they may attack 21 to 30s also.

20. I agree that Manchester does not compete extensively with Indian Mills goods in coarser cloth and though I do not speak for or on behalf of Manchester or the importers of Manchester piecegoods, my experience leads me to the belief that there is ample field for both in India, and Manchester has a wide field in its lines of finer goods and that it will always have a field to itself for its finish, and comparatively defectless cloths.

21. I accept the figure but it would not have been the case but for the low Japanese exchange and other unfair advantages against which our Mill Industry rightly complain.

22. I accept the figure, but price for price, I think the imported goods give better value and finish, mostly in checks, trouserings, blankets and shawls.

23. If the sterling exchange remains at 1s. 6d. I am of opinion that at present on account of general trade slump, and so long as it lasts, Manchester will do a smaller business, and the 1s. 6d. exchange will not improve trade but will decrease it, as the proposed 1s. 6d. has the effect of reducing the purchasing power of the Indian. As regards Japan, so long Japan has no safeguarding duty imposed against her and so long as she enjoys the unfair advantages complained of, she will keep increasing her imports to the disadvantage of our Mills.

As regards Italy, she has so far competed with Manchester, and though she had a fairly good trade even before the War, her low Lira Exchange has accentuated her competition temporarily and I am not aware of her serious competition with our Cotton Mills. She has however been doing a better business in artificial silks and in woollen-mixed goods.

24. The Japanese Cotton Shippers' letter dated Bombay, 20th February 1926, states that Japanese expanse in cloth and yarn in India is at the expense of Manchester more than of Bombay Mills (see page 51 of Millowner Statement). Japan will capture still more of Manchester's trade in India but it remains to be seen whether it can ever beat Manchester in the very superior grades of piecegoods which will, in my opinion, always be Manchester's strong point. Japan will be everybody's competitor not only in India but in all markets where very high quality and finish are not necessary.

25. See my reply to question 18. The Japanese is a much keener business-man than some of our mill-owners, and although they may be very clever in mixing cotton, and it is said that in the piecegoods sent out to us, a part is of a cheaper grade cotton and that therefore they have about 75 per cent. of the benefit of Exchange, that is, in 1925 they had 75 per cent. of benefit of Rs. 38 in exchange of the total c.i.f. cost on Yen 100, or Re. 27 on every 100 Yen of price, the mill-owners appear to have taken only 50 per cent. instead of 75 per cent. gain in exchange on the cloth they ship to us for the Indian cotton used on the supposition that the cloth coming to us from Japan is made wholly of Indian cotton. I think Japanese exchange is $\frac{3}{4}$ ds responsible and the other advantages together constitute about $\frac{1}{4}$ d of the Japanese competition. At present rates of exchange their estimate as per paragraph 57 of their representation appears to be about right. They do not appear to have provided for the difference of efficiency (during double shift-work) between Japanese and Indian labour.

26. Exchange is a most important factor to be reckoned with in mercantile and industrial dealings, and in future we may have trouble with Italy on account of her low exchange if she takes to competing with Bombay Mills in staple greys, but so long as she confines herself mostly to striped and coloured goods, their competition is not so harmful as that of Japan.

27. All far-sighted business-men realise that a rate of 1s. 6d. Exchange is a Bounty of 12½ per cent. to all foreign manufacturers in our Home (Indian) market and a like bounty against our Mills' manufactures in the markets outside India. The relation of India and United Kingdom in the matter of Sterling Exchange is on a different and more serious plane, as England or London is our Clearing House or Financial Banking medium, and almost the whole of our exports are financed *through* London. The loss of 12½ per cent. on the entire gold we receive in payment for our produce in its transit from London to India is crushingly ruinous and it cripples the entire surplus purchasing capacity of our agriculturists, because it is just this 10 or 12 per cent. of his annual income that is lost in this exchange operation, and this crushing blow to him is passed on to all of us who are interested in selling our merchandise to him, whether such merchandise is imported Manchester goods or other British manufactures or whether they consist of locally manufactured goods. The effect of this blow will be realised by us next year when we study our trade returns. I therefore trust that this 1s. 6d. rate may not be stabilised. It will undoubtedly seriously affect the Mill industry as its customers are preponderantly the 300 million agriculturists. I would sooner that our agriculturists lost only Re. 1-8 at Exchange 1s. 4d. in their annual total purchase than lose Rs. 12-8 which they do by this insidious and invisible tax, *viz.*, the 1s. 6d. rate. I cannot too strongly condemn it.

28. Under the present circumstances, the mill-owners' estimate is about right, although I think a further 3 per cent. should have been allowed on account of the lower efficiency of our mill-operative.

29. The benefit in freight charges and the lower rate of interest, etc., ought to have been ascertained by the Government of India or the British Diplomatic body in Japan. They can do it better than business-people.

30. If we have a strong financial position or credit, we always buy from Manchester on four months' D/A terms, and we used to do the same for our Continental purchases, and again, Continental manufacturers used to send to India large stocks of commodities for consignment sale, but I believe our mill-owners also in some cases of reliable parties give 30 days' credit, but I do not know whether it would be desirable at the present very bad times to emulate Manchester's example.

31. We can get Manchester to comply with and also Continental Makers to carry out all our wishes as to quality, finish and packing and it goes without saying that our Mills *must do the same*, in their export trade.

32. I have not noticed any particularly.

33. The following decreases in our Mills' shipments are markedly noticeable:—

	Exports in	
	1913-14	1925-26
	Yards.	Yards.
Aden and Dependencies	5,162,600	1,656,630
Straits Settlements (including Labuan)	871,321	462,199
Mauritius and Dependencies	1,111,906	421,108
Egypt	1,975,350	372,650
French Somaliland	1,835,480	62,732

34. There is a decidedly growing tendency towards finer goods on the part of those purchasers in Class (b) and (c) referred to by me in my answer No. 10, but this does not apply to the 300 million agriculturists, with whom we are principally concerned as customers.

Section IV—Mill Management

40. No two business-men can agree as to what is really "reasonable efficiency and economy". The Japanese claimed or somebody claimed on their behalf that their Mill-owners were more efficient than the Bombay Mill-owners, and I say that the Cotton industry of Manchester and their methods of sale and sale-policy is a model that can be emulated with advantage, and I am of opinion that as regards co-operative organization the Germans cannot be beaten. The "measure of efficiency and economy" will therefore always be an abstract thing. Unless there are negligent and dishonest persons in charge of an industry or business, I think with some rare exceptions, which happen in all trades and in all Countries, our Mill Industry can be taken as satisfying the criterion of "The British Safe-guarding of Industries Act", and perhaps we cannot improve on the personnel, but the industry can be safeguarded as to proper management and control by modifying and making more stringent penalty-clauses in the Indian Companies' Act. We hear complaints about the Jute Mills also as to the speculative purchase of raw materials, etc., anonymously and we shall always have such complaints, but I am satisfied with the dividends paid. My contention is that human organisations cannot be quite perfect, and we must do the best we can with the material, skill, etc., available in this country.

41. There is considerable senseless agitation here and more at Calcutta about the "Managing Agency" system. I would not have invested a penny in any other system, viz., that of a competent manager being given the power that the Firm of managing agents have. A respectable and honest firm of Managing Agents is a better security for honest and efficient management than the "Manager" system advocated. The share-holders or Investors have and can have a better power of control or revision of the managing agents work or review the same in greater detail annually by amending the "Indian Companies' Act", but I think nothing can beat in this Country the system of managing agents with a powerful and technically suitable Board of Directors. The Jute, Cotton and other large industries have to arrange finance for working expenses, raw material, etc., which runs into large figures. In times of money stringency as at present when Banks do not give loans as freely as in good-sale-times, it was this system that has stood the strain. There is always greater security in Firms than in individuals and I do not think any case is made out for a change. There may be bad managing agents and the only remedy is to have some power through the Act for Investors to change them in cases of proved neglect, speculation, or incompetence.

42. There are, I believe, only two Mills in Bombay that are paid commission on production, and the rest all get commission on net profits. Everybody here prefers the latter system of remuneration from an Investor's point of view.

43. Some Agents, I believe, get an allowance for Office expenses, whilst others charge what they expend. (a) I do not know of any Agents being allowed commission on purchases of cotton, and I should strongly oppose it in the case of my investments.

(b) *On purchases of machinery.*—I would not oppose it if it were to apply to those Managing Agents who are special agents in India for such machinery as we should have to pay them commission on purchase of Mill Machinery in any case; and to save huge commissions and frauds which sometimes happen, I would prefer to buy my entire Mill

Machinery by paying a reasonable commission to my own managing agents specialising in the line. There are instances in other industries where bad or inefficient or inadaptably machineries are sometimes purchased, and such initial blunders are a drag on the success of the venture.

(c) *On sales of yarn and cloth.*—The system of selling agents in my opinion is faulty, and though it is generally stated that it is suitable for India, I am whole-heartedly in favour of the Manchester system which has stood the test for many years, modifying it slightly to suit Indian conditions. Rather than have the existing "Selling Agency-Monopoly system, I think it is preferable to have the Managing Agents also as "Selling Agents", provided they have a separate "selling department" whose business it would be only to sell their Mills' product, but it must be under the control of the Managing Agents' office as regards fixing of selling price, contracts, etc., and must be subordinate to it. There is some advantage in it in as much as it prevents inter-competition between the selling-agents if they are different for different mills of the group for which a Firm acts as Managing Agents.

(e) *On insurance, why not, if the Managing Agents are special Agents for a Fire or Marine Office, as they have nothing extra to pay for premium in addition to what they would have to pay if they effected their insurance through outsiders. It had the advantage of avoidance of mistakes in declarations, and the benefit of prompt and adequate settlements of claims. It is one of the duties of the Agents to insure properly, but that is no reason why they should forego their commission or emoluments of the insurance branch activity of their business, and I also see no reason for them to give up their insurance commission to the Mills. Such emoluments have the effect with honest managing agents of the desire to manage the Mill business better lest they should lose all the emoluments.*

(f) *On Mill stores, coal, etc.*—I would prefer to buy my mill-store and coal from the separate Departments of my own Managing Agents, as in buying from outsiders, petty dealers, contractors and the like, there is always the danger of getting not the identical quality of goods and of nearly same goods instead, less weight and of frauds and secret commission of engineers, etc. *No secret commissions or reserved commissions* on the part of managing agents should however be tolerated, and with good Auditors, share-holders' interests could be protected.

44. In India most industries have Managing agents, *viz.*, coal, tea, jute, oil and flour mills, etc., and I do not consider the *system* detrimental, dishonesty apart.

Section V—Mill Finance

47. I do not think that a Month's Bonus given as a Bonus and not as a part of wages or in cases where extra prosperity warrants it, even two months' wages to operatives and jobbers, etc., is unduly liberal. Bonuses, judiciously distributed, *when merited*, and certainly not as a matter of course, or as a demand, are an incentive to better work, and lead to greater efficiency.

50. Investments in allied concerns without the special sanction of the share-holders of the lending Mills are undesirable. The Companies' Act should be amended if there be no provision to prevent it.

51. The Mills find it more difficult to obtain finance now than in pre-war times, on account of Bankers' reluctance to lend on cloth which does not get converted into cash as readily as before the War. Difficulty in getting finance and heavy interest have increased proportionately the cost of productions, and this is one of the reasons why some Mills pay a greater dividend than others.

Section VI—General

53. I would not make any investments in a Mill with less than 1,000/1,200 looms, and 45,000,50,000 spindles to ensure efficient and economical working.

54. Yes, mostly in Bombay.

57. In my opinion, even compared with Japan, and to a greater extent compared with Manchester, and to a still greater extent, compared with the United States, our Labour is inefficient, and also unreliable as regards dependability of working without constant supervision.

58. Bombay Mills are at a slight advantage only as regards export business, but they are at a greater disadvantage on account of having to pay Railway freight on Raw Cotton and on manufactured goods, which is larger than the freight upon country Mills may

have to pay on stores consumed. Upcountry Mills have a greater advantage in proximity to both the Raw Material and markets for consumption near at hand.

Labour

59. As one of the Public, I have naturally great sympathy for our Labour, and I concede that being free men they have the right to sell their labour at the highest price they can get, compatible with the reasonable standard of the earnings of a hand-loom weaver, and a little more for city life. There was therefore ample justification for them to claim dear-food allowance or Bhatta, and for the Mill-owners to grant the same, over and above the pre-war basis of standard wages of 1913-14. This is admitted to be 100 per cent. on 1913-14 standard. Mill labour wages should not be reduced whether there is profit or loss, as Labour is concerned with the manufacturing part of the industry only, and the rise and fall of the market or any other items that tend to create a loss in the Mill industry is the concern of its owners the share-holders. A bonus is therefore a voluntary gift on the part of share-holders, and the dispute has been settled for all times. I also concede that on account of our labour being illiterate, Labour leaders of the right sort ought to be welcomed as necessary middle-men provided they do not serve any political or other purpose, but genuinely look after the labourers' interests for labour's own betterment and of the industry as a whole, and provided that they do not serve any selfish interest of their own, and provided also that they can guide and control the operatives. If they are unable to control them, or are afraid to give them sound advice for fear of losing their leadership, they are in that case, mere meddlers, and in the interests of the labour they profess to guide and in the interests of the Industry as a whole, they ought not to be tolerated, and Government in framing Trade-Union Acts or other industrial legislation must bear this fact in mind. Testing them on their work during the last strike I blame the Labour Leaders, for not only neglecting their legitimate duty of giving correct advice not to strike, but that they by their act of omission, actually encouraged them to strike by insisting on their wages (rather the Bhatta allowance) not being reduced, although the Mills were working at a loss, and had the urgent necessity to reduce cost of production to hold their own against Japanese competition which was most severe in August-September 1925. The wages then in force were 100 units for standard wage and a 100 units Bhatta allowance or a consolidated or combined payment of 200 units. Then the index of cost of living was 52, so that the Mill-owners were justified or would have been justified if they had reduced the Bhatta allowance to the level of the fall of cost of living to the index level, viz., by 48 units from Bhatta or by 24 units from the combined wages of 200 units, but they actually offered to reduce it by only half of what they were entitled to under the necessitous circumstances, viz., by only 11½ per cent. instead of 24 per cent. If the reduction was not justifiable at that time, it is difficult to imagine other or greater necessity for such reduction. The Labour Leaders however failed in their duty with the result that the Mills had to be closed, and the Labourers lost very heavily in wages for want of courage on the part of their Leaders to do the right thing by them. For the success of the Industry in future I trust the leaders will avoid such communist tactics of strikes and yet more strikes. The Mill-owners' remark in paragraph 64 is therefore quite justified. The 1913-14 unit was 100 or 111·5 as compared with 1910, and the present wage unit is about 200 of 1913-14 level or an average of 228·5 on the 1910 basis or standard. The manufacturing charge is double of 1913-14 level roughly, and it is roughly about 33 per cent. of manufacturing cost of a plain grey cloth according to the table on page 27 of the Mill-owners' statement.

65. Bonuses granted have not led to the present depression.

70. It affects the export trade as it means a comparatively lower price.

Overhead charges

85. From the point of view of an Investor, I would blame the Mill-owners if they as our executive agents, were not covering insurance for the cost of block, stock of cotton and cloth and yarn at sale-prices to include profits on contracted goods manufactured and held for delivery or for unsold goods at current market-price. I understand the same is done with jute mills.

86. Depreciation should be a charge on profits and well conducted Mills provide accordingly.

Sales

89. The majority of Mills in Bombay have given a monopoly of sale for the whole of India to "Selling Agents" on commission and these men guarantee the Buyers taking delivery. I am an admirer of the Manchester system, which gives monopolies of sale

to nobody, and it has served the Mills' interests very well to sell through Shipping Houses who have their own profit as an interest to increase sales. The Bombay Mill-owners favour this system, but some Ahmedabad Mill-owners send goods to Calcutta Agents on consignment, and have no sole Agents for all India. Some Mill-owners have their own selling-shops and attend to their selling portion of their business themselves departmentally, which approaches the Manchester system, and I prefer it, as there is every probability of Selling-Agents being not able to reach all consuming centres, and I am of opinion that there should be independent Special Selling Agents for important distributing and consuming centres like Amritsar, Delhi, Cawnpore, Madras. Calcutta being a very important and big market, the Mill should have its own Offices under a capable and responsible officer with power to act promptly and give him discretion to effect sales in urgent cases. As regards exports, they are not a patch on Manchester, and perhaps on the score of economising in running expenses, Mill Agents have not maintained Agents or Special Representatives (not local merchant) in important Export Markets. They have been handicapped by labour inefficiency to a certain extent as regards a fixed standard of quality, and opinions will differ on the ground that Manchester's system of sale is not possible for them. I think, that it would pay our Mills in the long run to create, develop and maintain certain outside Markets, notwithstanding the handicaps they have as compared with German, Italian, Japanese and American Governments who go a great way to help their industries. This is a failing of the British Government and the Indian Government is no less to blame for not only not encouraging, but also for not helping, Indian industries at all.

It has also been stated that the Mill-owners and their Selling Agents are easy-going in matters of export, and that they throw their customers in foreign markets overboard when the home demand is brisk and easy to fill. Manchester, on the contrary, will do its best to accommodate foreign buyers to retain their trade. The foreign traders appreciate this reliability on the part of Manchester so much that they often maintain their own established qualities in their respective markets on a rising market at little or no profit, and I have also done the same. It is safer for the Mill-owners not to depend so much on the Indian Market, and to tenaciously cater for and hold outside markets even at a small loss even though the local markets be ever so strong, but they rightly complain that the Indian Government gives them neither help nor encouragement, which is so unlike the policies of all other Governments that it is difficult for all moderates like me to refute the oft-repeated remarks of Swarajists that the Indian Government is solicitous of all other interests but those of Indians, and indeed the Currency Commission's Report is a case in point. The industries will also suffer but Manchester will suffer no less. They have no chance now of increasing their sales in this Country, which are already at a low level. The Government of India is no doubt very much to blame for their neglect in the past, and I hope they will in future make up for lost time. Indeed this neglect was brought home to me very forcibly when the Bureau of Foreign and Domestic Trade in New York, placed in my hands a Handbook, compiled by one of those textile experts whom they send out to foreign countries to study the openings for American trade, which treated in an exhaustive and comprehensive manner of the Piecegoods trade of India, with special reference to Manchester Piecegoods. Not only that, but they also had on record and for inspection of American Textile Manufacturers, a complete range of samples of cloths referred to in the Handbook, and copies of Standard and other Indent or Contract Forms of Karachi, Bombay Native Piecegoods Association's, Calcutta's and other forms for Piecegoods and Sundry goods. When will our Government wake up to their duty in this matter? Our Agriculturist economic condition is said to be very bad and as it is every Government's primary function to see that its subjects are provided with employment or to give them doles, every well-conducted industry employing large number of men is a help to Government to take some load off its shoulders to find employment. Help from Government to industries to develop home and Foreign trade is a gain to the population and thus relieves Government of part of its burden.

90. So far as I know there is no long credit system prevalent. The 3 months godown due system adopted in Calcutta in respect of Manchester and Continental Piecegoods, etc., is not desirable and is complicated, and I think the present 30 days' credit is enough.

Section VII—Suggested Remedies

91. There was no duty on Machinery in 1895 when duty was imposed, and I think it is very desirable that duty on Machinery and Mill stores should be abolished.

97. Company Super-tax being a tax on enterprise should be abolished especially as it is a sort of double tax on the industry as share-holders already pay income-tax on their profits.

98. No industry should be taxed for local bodies, except for water and halalkore, and town-duty and all other municipal, etc., taxes should be done away with.

99. Railway freights on all piecegoods, being a necessity of life, much more than iron and steel, should at least have a what is called in Railway Tariff "special class" rate. Port to Port rates should also be specially low rates. In fact we had such rates 25 years ago.

102. I have travelled to Japan and the United States and I think there is a great necessity for such Trade Commissioners, and it cannot be too strongly recommended. We should have such Commissioners in the British Colonies also to promote inter-imperial trade.

103. It is only fair that all our Industries should be enabled to compete with other countries in foreign markets on at least equal terms, and certainly not on disadvantageous terms as is the case now if the exchange is $12\frac{1}{2}$ per cent. against us and shipping disabilities for freight, etc., and I advocate strongly the Mill-owners' proposal that our Mail subsidised steamers should give facilities for equally competitive freights for our export markets.

104. Yes, I am in favour of 13 per cent. against Japan on account of the unfair advantages that country has over us at present, but not always. This should not be on all imports except in the case of those countries which also have unfair advantages of depreciated exchange or any other unusual and unfair advantages which would make their competition in the Indian Market unfair to local industries supplying similar goods. (c) It should be on all yarns and cloths upto counts 40s and below.

105. Yes, such a duty should be levied temporarily and till such time as those disadvantages against our local industries continue.

106. In my opinion, it will affect only those cloths and counts of yarn against which such special duties are imposed and not on all cloths and counts of yarn. Though lower competitive prices have the tendency to lower the prices of other cloths in sympathy, on account of loss of confidence for the risks of forward business incidental to this trade, the raising of prices of a few items of cloths, etc., has not correspondingly the effect of raising the prices of all kinds of cloth or yarn, at least not to any extent worth consideration, and it is infinitesimal. I have not noticed it in my dealings.

Effect on cost of living by the proposed safeguarding duty.—It is indeed surprising how even clever people do not realise the difference between a "Safeguarding" or "Countervailing" duty and (what is understood usually in the popular sense or as it is understood in Japan, Germany, Italy and the United States) "Protection" or a protective duty. A safeguarding duty removes an unfair burden from a home industry without in the least increasing the cost of living, whereas a "Protection" in its commercial, political and ordinary sense means a duty imposed for the deliberate purpose of shutting out from equal competition with a local industry all foreign manufactures. The Mill-owners have distinctly said that they do not want "Protection" which Japan itself practises and shuts out all foreign goods that compete with its home trades but they only want just that amount of "safeguarding" duty that would offset, counteract or nullify as far as practicable the present unfair advantage which Japan in particular has in our home market against our home industry, and *they have every right to claim to be so "safeguarded"*. I go further and say it should be the Government's duty to safeguard them unasked and not only that but that it must be Government's duty to have a "Safeguarding of Industries Act" on our statute book for immediate use and not after considerable damage is done. Now as to the fallacy. The "Countervailing Duty" that the Mill-owners claim is not a "protection" in any sense whatsoever and therefore it cannot and does not increase the selling price to the consumer higher than the normal price he would have to pay had Japan none of the unfair advantages she now has. The countervailing duty will put Japan on the same level as our mills are in regard to producing the cloths and yarns in normal times at normal costs, and to selling them at normal prices. This countervailing duty does not put our mills to any advantage as against Japan, but would place them both on an equality of competition, and the consumer will have to pay no higher price than normal. Besides, the consumer does not want to fill his requirements at a price, which is less than the mills' production costs, nor at a price which would give the mills no profit. Neither is it the duty of Government to see that the consumers get their cloths at such abnormally low or at losing prices. It is an adventitious circumstance that puts Japan at such unfair advantage against our mills, and that can hardly be any reason for anybody, much less for Government, to let matters slide till our mills' losses due to such unfair competition ruin the industry. Besides, circumstances have shown that the imports that so disastrously compete with the manufactures of our mills are only about 10 or 11 per cent. though they are sufficient in quantity to bring about a deterioration in Bazar prices and to cause disorganisation in the cloth market (both Indian and Manchester),

and the same are only a tenth part of the consumption, and as such they cannot increase the cost of living. If there be any very infinitesimal increase, it is one that can be safely ignored when the life of our mill-industry is at stake and when by its closure about 6 million of the population would directly or indirectly suffer. Another consideration for us to regard is that healthy competition on fair and equal terms is healthy for any trade, and nobody expects Government to do more than bring about that consummation. Again, it is not a good policy to let a well-established industry be prejudiced or ruined for any temporary advantage which our consumers may get only on 10 per cent. of their requirements in cloths and yarns as against the remaining 90 per cent. from regular sources of supply. If no action is taken, it would be from point of view of economics a very bad policy. The United States had to enact anti-trust laws to prevent manufacturers and others adopting the tactics of selling certain goods at or below production costs by powerful trusts till all competition is killed and then prices are raised at the uncontrolled will of the Trusts, since all competition has been previously got out of the way.

107. Even with the increased Countervailing duty, there would be no displacement of Japan or others from our Market; and there would be no violent effect on the market at all but things would go on as normal, and the sales may or may not increase to any noticeable extent because, in my opinion, Japanese unfair exchange is one of the causes of depression.

108. Internal competition is desirable to keep prices to an economic level both locally and in the whole of India. If prices in Sholapur were too high, there would be rush of stocks from Bombay and *vice versa*.

109. In the present circumstances, a safeguarding duty should be levied, if the prices, ruling at present, increase to come up to the normal or economical level. The present low prices are abnormal. As a general rule, the question has to be considered on merits and circumstances ruling at the time.

110. I do not agree with the view of the Millowners. The prices must rise, I mean, the internal price, and yet consumption may not be checked. There are so many circumstances operating, that a strong demand and a low stock to meet it often takes goods into consumption.

111. The increase of duty in the present particular circumstances will rectify a wrong and will remove an abnormality, and the question of increase of prices does not arise, and the coming to normality will certainly be in the best interests of the Mills and in the long run of the consumers also, as the interests of the consumer lie in healthy competition being maintained. In paragraph 121 of Millowners' representation, the conclusion drawn is on a different point and I agree with that conclusion, which brings out a fact, which is unfortunately overlooked, that when economics or the laws of supply and demand are allowed to take their natural course, there is a tendency to increase trade in cloth in an agricultural country. The population of India keeps increasing, and therefore there should also be a corresponding increase in consumption. There is too much loose talk of "world conditions" which cannot affect the consumption capacity of Indian people for cloth, and there were five good monsoons successively, which have invariably led to increased cloth consumption, and the Millowners' figures show that (a) there has been no over-production by our Mills and (b) that there has been no increased consumption as could ordinarily and naturally be expected, and as "world conditions" have not markedly decreased our exports, which bring wealth to us in gold, detrimental causes have been operating from 1919 to 1925 so that the consumption of cloth has actually decreased instead of increasing. High taxation and consequential high cost of living without a corresponding increase in the income of 300 million of our agriculturists are the causes.

112. It is quite possible that if the duty yarn and cloth that enter India from Japan due to unfair advantages were increased their goods might be placed at competitive rates against India to the same or to a smaller extent in foreign markets, but that is no reason for not preventing Japan from doing mischief in India. The 1s. 6d. exchange already gives all other manufacturers a Bounty of 12½ per cent. and the handicap may be increased and the Millowners will have to do the best they can even with the handicaps.

113. I do not think the hand-loom industry competes with our Mills to any appreciable extent. It has a sphere of its own, inasmuch as it turns out either superior cloth or far too low a quality with Indian yarn, and they will get coarser yarn than hitherto, and as I do not propose to levy additional duty on Japanese yarn above 40s there would be no trouble. Till our Mills are capable of supplying 40s of even quality of yarn or higher counts and place same at competitive prices with imported yarn, and as I think there is an apparent tendency for Mills to use themselves their higher count yarn of 40s and over,

I think the safeguarding duty should apply to yarn of counts 40s and under and to cloths made of only 40s and under, unless Millowners can show that cloths of higher counts also seriously enter into competition with their manufactures.

114. *Scientific Tariff.*—The Millowners should have explained what they mean, but my idea is that this countervailing or safeguarding duty should be kept separate from the Import Customs Duty, and must be separately shown on Bills of Entry. To prevent trouble, I think to collect it effectively and without much trouble to Customs and importer the Millowners ought to submit a monthly statement to the Collector of Customs through the Millowners' Association, showing the average production costs of cloths similar to those imported on which the extra duty is to be levied. This average shall be the Tariff valuation on which the extra duty may be reckoned at the rate to be fixed. Or another simpler method would be to charge a rate per lb. of the various cloths, the duty varying per lb. on different cloths.

115. I think that in addition to the proposed 13 per cent. an addition of 12 per cent. both for depreciation and for the difference in efficiency of operatives or labour during the double shift would answer the purpose. It is essential that the extra duty to be levied should not be on a mere hypothetical and mathematical calculation, as the principle to be always borne in mind is to have an effective neutralisation of the unfair advantages enjoyed by the Japanese mills. The millowners' table at page 17, paragraph 57, may be mathematically accurate, but I think it gives only a fair idea of the advantage, but as to whether it is the correct method of judging what actual advantage the double shift, etc., and any private preferences or subsidies they may be getting are or not I cannot say. The fact remains that the effective rate of duty should be about 25 per cent. *ad valorem* or at a rate per lb. or a rate of 25 per cent. on a Tariff valuation for the different articles. Constant meetings of the Tariff Board will cause delay and expense and inconvenience.

(b) *Other suggestions*

116. The agriculturist's interest is paramount, and any measure that is likely to affect his income from the sale of his produce to his detriment and reduce his purchasing power is undesirable. If the duty falls on the Foreign buyer only, it would perhaps be desirable to levy a very small duty say from 2½ to 5 per cent. It would then be necessary to enact at the same time if feasible that all export contracts should be made at a price exclusive of duty, otherwise our Millowners may have to pay a price at which export is made. However I am not in favour of it, except as a last resort.

117. Cotton Export Merchants should be in a position to guide us in this matter of amount of duty.

118. I believe, American Banks give loans up to 80 to 90 per cent. on goods manufactured against firm orders at current rates of interests, and for goods manufactured on own account by mills, a 75 per cent. margin would be a fair security in addition to the personal guarantee of the Managing Agents. The rate we merchants pay on Manchester goods is the London discount rate, and I think it should be the Imperial Bank's current rate which should not exceed 5 per cent. It can be managed as an incentive to sound industries.

119. For those that are not acquainted with the internal working of mills, it is difficult to make suggestions, but we find in business with Manchester that different mills specialise on certain cheap qualities of greys and dhooties, which they are always able to place at competitive prices, and in addition perhaps specialisation may be the means of defectless cloths. We find in finishes also certain firms do better than others. Whether there is room for standardisation or specialisation here is the theme of experts.

120. Some mills are already doing 60s warps and 80s wefts, and there is already a good market for well-finished fine dhooties, etc., in Calcutta and in this one line alone there is a very great field in Calcutta.

122. Bombay mills do study Calcutta market, but I think they would enjoy greater benefit if they had an expert textile and businessman of the mill's own office permanently settled there.

123. Greater attention should be paid to the suggestions in this question.

125. I consider that our mills should improve on the present selling system. Too much attention seems to be paid to having a selling agent who is financially sound for guaranteeing purposes, but a regular selling force would be better and guarantee separate. It is said that too much work is thrown on one or two executives where a group of mills are concerned, and economy is the cause of efficient export canvassing not being done like it is in Japan and Manchester. Otherwise our mills are the pride of Bombay and I agree with the Millowners that the industry has been treated as a cinderella.

Government of India has a responsibility for seeing this industry through all political troubles, and along with other businessmen in India, I think considerations of the breaking of the Japanese Convention of 1905 should not weigh too much with them, as the Convention cannot tolerate unfair competition, and it is not good policy to tolerate injustice being done to the industry on account of a possible retaliation by Japan in her purchases of Indian commodities, which she will only buy from India whilst it suits her, and Government must realise that where her own industries are concerned she would not tolerate for a day the same treatment from us, nor will she allow any of her protected industries to be placed under similar unfair competition from our side. A Convention to be fair must be honourable on both sides and Indian businessmen rightly resent any Convention being entered into which would place India under disadvantages with any other country, and no political reasons could justify the continuance of such one-sided treaties or interpretation thereof. The 1905 Convention with Japan must naturally presume that no unfair competition of the kind we meet with from her was ever dreamt of.

126. A safeguarding of Industries Act should be on our statute-book so that Government may have the machinery ready for action in cases of emergency or urgency.

A spirit of co-operation and ready help quickly given by Government are very desirable.

Annexure A

I have received a Schedule referring to Question 114-A as a scheme proposed to you for levying import Customs duty under Article No. 103 "Cotton Piecegoods". The idea of a tariff valuation is a good one so far as it relates to grey goods of low counts, 44s and under, forming a very large part of the grey goods imported into India, based on a price per lb. Importers will, as hitherto, declaring the width and length and net weight per piece, be able to correctly declare their goods under the proper heading of tariff classification, for the purpose of checking by appraisers and for levying correct duty. For a tariff valuation, to be workable, must approach as near current wholesale market value as possible otherwise it may be arbitrary and either entail a loss to importers if based on too high a figure, or cause great loss to government in duty if based on too low a figure. Then again, for a tariff valuation to be fair both to Government and importers, it must have different classes of goods of different values shown separately in the schedule and must not be grouped together as in the proposed schedule, viz. :-

"White plain shirtings, mulls, jaconets, madapollams, from the United Kingdom valued at a general valuation of 5 annas per square yard."

The values of all these articles per square yard are bound to be different, and in "mulls" alone there are variations from Rs. 7 to Rs. 40 per piece of 20 yards according to quality, finish, make-up, etc., and in my opinion a good idea is spoilt and made unworkable by the indiscriminate grouping together of goods with widely differing prices. Even for Indian mill-goods there were 48 different classifications found necessary for purposes of the excise duty. For grey goods and ordinary bleached goods (as distinguished from highly-finished mulls, shirtings, muslins, spots, etc.), a detailed and separate tariff valuation as necessitated by different grades or qualities of cloths (grey) of counts 44s and under is essential to be easily workable by appraisers without frequent wrangling with importers. For highly-finished mulls, shirtings, drills, jeans and twills, in my opinion, an "ad valorem" valuation or the "real or market value" as defined by the Sea Customs Act; Section 30, seems to be working very satisfactorily at present, and I do not think importers of Manchester goods, our Chambers of Commerce, and even the Customs Department will favour a change. For fine goods, Egyptian cotton is used, and there are cheap and very high-priced grades for prints, and I think it will be most difficult to compile a correct list of imported cloths even if it runs into 200 items, to bring the same into an absolutely fair tariff valuation for purposes of levying duty, and even after putting importers, Customs and others to great trouble, Government cannot be sure that the correct amount of duty is charged.

A tariff valuation can only be worked without hardship to importers and without unnecessary and avoidable trouble to appraisers, and without loss of revenue to Government on coarse counts of 44s greys unbleached or on ordinary bleached goods, ascertained by weight.

For all other fine goods made of American cotton or of Egyptian cotton of double value, by far the easiest, and simplest method seems to me to continue with the present "market value" appraisalment. It has a very wholesome check on importers against under-valuations as the Customs have the right to take up the goods, at the declared value as stated on the Bill of Entry by importers, for the use of Government should the appraisers think that it is very considerably under-valued. It is also a safeguard to the importers inasmuch as he can compel the Government to accept his market-value figure or take over the goods, in the event of his feeling aggrieved at the arbitrariness of a too-officious appraiser, which is not uncommon in certain cases.

It has been in existence for 30 years and although it is a constant source of trouble between the Customs and importers over "market value" ideas, and though even the Calcutta Chamber of Commerce thinks that a "tariff valuation" is the only reasonable solution, I think it is not possible to frame a tariff valuation for the constantly changing varieties of Manchester and Continental cotton goods, to be acceptable to importers and at the same time to guard the interests of Government revenue, and to be workable with as little trouble and friction as the present "real or market value" system in operation does.

In order to serve all interests fairly and without imposing too much work on the Customs, I propose (A) a tariff valuation in detail of each class of grey goods by weight at an increased rate say of 11 per cent. plus any safeguarding duty Government may decide to impose against countries competing against our industry

with unfair advantages of exchange or subsidies, etc., (B) a separate tariff valuation for grey goods of count above 44s to 60s or 70s or 80s, which it may be necessary to protect, and (C) an *ad valorem* duty on all other cotton manufactures as hitherto.

Consignment goods.—One way of avoiding duty and heavy taxes adopted in other countries which have a very heavy protective import duty is to send goods from the manufacturing country for "consignment sale" declaring same "at cost" or a low figure and to charge the manufacturers with a low duty, and the importer is instructed to sell at a figure which is very keenly competitive and may offset all our efforts to safeguard our industry. It is not always possible for appraisers to detect such tactics or manoeuvres in new styles or in highly-finished goods.

Annexure B

As representative of an important firm of Calcutta in New York, I made use of the public warehouses there for about 2½ years, and I think they are a public convenience. They are licensed by Government under certain regulations which govern the receipt, storage, care and delivery of merchandise, which are held by the warehouse companies as bailees. They are owned mostly by private companies duly incorporated and obtain licenses from Government under certain safeguards. All imported goods from India by the regular liners are discharged at Brooklyn, where the docks are known as "Bush's Terminal," which is connected with interior railways. Bush's have public warehouses there specially set apart for tea, and others for general merchandise. Goods on which no duty has been paid or those on which duty has been paid can be warehoused in these public warehouses which are all a kind of licensed or bonded warehouses. Even locally manufactured or any class of non-hazardous goods can be warehoused or stored in them.

Warrants or Receipts.—There are two kinds of warrants or receipts in prescribed forms, which contain full description in the usual form, viz., shipping marks or numbers, quantity and description of contents to correspond in case of imported goods as described in Customs bills of entry, which as a rule conform to the consular invoice and particulars for weight, value, etc. There is a column specially set apart on the warrant for any special remarks the warehousing companies think necessary to make therein to protect themselves if the goods are in broken, damaged or repaired condition, in the same way as bills of lading do. The goods remain after deposit in the exclusive charge and control of the warehouse company deliverable to the order of the owners, whose names are registered in a special book enjoined by law to be kept by the companies, and every change of ownership by transfer of warrants or by delivery orders has to be registered by the transferees.

There are two kinds of warrants, viz., "Personal" and "Impersonal" or "Bearer" warrants. Owners of both warrants know that immediately on acquiring property, notice of ownership has to be given to the warehousing companies on presentation of warrants so that proper entries may be made in the ownership register.

Convenience.—The convenience to the importers of this system of warehousing is very great, as our clearing agents can immediately on landing by the steamers have the goods stored on a warehousing pass, without going to the trouble or formalities of appraising or of bonding as is done in India. Clearance from Customs and payment of duty can be done later at importer's convenience, the American authorities keeping control over the goods through the warehouse-keepers till duty is paid or till the goods are released by a "Release-Pass" by the authorities. Thus warehousing is allowed before clearance I used to have my chests of tea warehoused immediately on landing into Bush's Warehouse, and the warehouse company drew samples from bulk and sent it to the authority deputed to examine whether the tea or other edible stuff pass the test of being fit for human consumption being unadulterated or not chemically coloured, and also in respect of other goods such as spices, etc., being under 3 per cent. refraction as required by American law. After the goods are released by a release permit under the Food and Drugs Act or under the Customs Act on payment of import duty, the warehouse company informs the owner that they hold the goods at his order for delivery. The banks feel safe for advances on goods against either class of warrants by transfer, but for bank transfers "bearer" warrants are preferred, as easy to manipulate.

Fees.—Warehousing charges are very reasonable and in some cases compare favourably with those at Bombay Port Trust warehouses, and with those of the Calcutta "Bengal Bonded Warehouse."

Insurance.—Bush's, and other warehouses in the city, close to the tea and coffee exchanges are up-to-date, and fitted with sprinklers and other fire-appliances, have a lower rate for insurance.

Sampling.—This is done by the warehouse company and the banks make advances on having these samples sent direct to them valued by their own valuers, and the goods are absolutely under the control and disposal of the banks or owners as the case may be, and whole or part delivery of a package from a big shipment is also allowed.

Delivery.—No delivery is made except upon a proper printed delivery order signed by duly constituted officer of the bank or the firm owning the goods.

Witness No. 64

Mr. A. H. MANEK

Oral Evidence recorded at Bombay on the 27th September 1926

President.—We should first like to know what special experience you have of the cotton textile industry Mr. Manek ?

A. Sir, I am not coming here to give evidence as an expert in cottons but only from the point of view of an investor and I might make some remarks as regards the experience that I may have in the Manchester piecegoods business.

Q. We should like to know the extent of your experience in regard to Manchester goods.

A. I have twenty years experience, but I do not come here on behalf of Manchester people.

Q. I am quite aware of that, but we would like to know exactly how you have been connected with the trade in Manchester goods. In what capacity has your experience been gained ? To put it another way, what are you by trade or profession ?

A. A textile man, a piecegoods sale master or Manager of Manchester Piece-goods Department mostly handling Manchester goods.

Q. If that is your qualification, it is a very valuable qualification as far as we are concerned.

A. I do not speak as such.

Q. You must speak as such. The experience that you have gained in that capacity must cover your other experience, as an investor.

A. But I wish you to know, Sir, that I am speaking only as an investor, from the point of view of an investor. If in the course of my evidence you ask me as to how I have based my answers I will tell you what experience has dictated to me.

Q. Is your connection with the Manchester piecegoods trade with a firm here ?

A. I have had experience in Karachi, but mostly in Calcutta. For fifteen years I was in Calcutta.

Q. Exactly in what capacity ? Were you running a firm there ?

A. I was in charge of the Manchester department of a big continental firm. I would rather not mention the name. That does not affect

Q. It must affect your evidence.

A. Would you not let me speak as an investor ?

Q. I do not consider that your evidence as an investor is of any special value. It is of no more value than that of any other member of the general public. There are a large number of them who can give evidence in that capacity. What I want to know is whether you are or have been in a position, whether your connection with the trade has been such that you are in a position to give us valuable evidence from your own personal experience ?

A. I would say in reply to this that it would not be fair for me to give evidence on behalf of Manchester because there are so many better qualified men.

Q. That is not the point. You are not giving evidence on behalf of Manchester. You are giving evidence as one connected with the trade and therefore qualified to speak about it. You are not giving evidence on behalf of anybody.

A. Then I do not mind giving the views that are dictated by such experience.

Q. Quite so. If you do not wish to mention the names of the firm you can give it to me, not for publication. It is not idle curiosity, but if I knew the name of the firm I should be in a better position to gauge its importance. (The witness handed over the name to the President.)

A. Before we commence let me make a short statement to correct a misapprehension that seems to me to prevail with regard to this question of the cotton industry. I have read it in a very old financial paper in Calcutta, and they seem to think that the cotton industry as it is carried on in Bombay is owned by a few wealthy people. That in my opinion is likely to prejudice investors like me. I would therefore say that the cotton mills as they are in Bombay are really not owned by a few wealthy industrialists but mostly by people who have purchased shares, small shares, and I read in a paper a few months ago that the percentage of small investors was something like 70.

Q. You mean the percentage as regards numbers or as regards holdings ?

A. Numbers as well as regards holdings.

Q. It cannot be the same. Is it 70 per cent. of the number of shareholders ?

A. 70 per cent. of the shareholders, but I cannot vouch for it, but I believe it is very near that.

Mr. Subba Rao.—Where was this statement given ?

A. This statement about 70 per cent. was made in the *Indian Daily Mail*.

Q. If you will trace the reference we shall be glad to have it.

President.—You have stated your views in such great detail that there are not so many questions that need elucidation, but I take it when you are speaking about the Government of India's currency and exchange policy, there again you are speaking as an investor, as a member of the general public and that you do not consider that you are a special authority on currency and exchange.

A. I gained my practical experience also as an investor.

Q. You have no special connection with currency and exchange beyond that of an individual member of the general public ?

A. I have as a business man.

Q. I should have said the general run of business men ?

A. Yes.

Q. In reply to Question 2, you do not think that world factors could have much or anything at all to do with the depression, as at present the Indian mills are doing a much larger local trade than a foreign one and that besides world factors cannot affect Indian mills alone. Are world factors bringing about a depression in the Lancashire industry ? Is there not depression there too ?

A. There is. I said "Indian mills alone" as compared with other industries in India.

Q. There are only two other industries in India which can compare with the textile industry in point of size. One of them is the coal industry. It has also been undergoing a period of depression, and the other is the jute industry.

A. I beg to differ from you so far as the coal industry is concerned, but you are perfectly right as regards jute.

Q. I can only speak from my own experience as you can. But, I happen to have been President of a Committee which was appointed to enquire into the depression in the coal industry. Don't you agree that there is a depression in the coal industry ?

A. But can I not differ from you in this point, that the difference between the coal industry and the cotton industry is that in the coal industry there is not much manufacturing ? It has to be won from the ground and in that point there is a material difference. Besides, the coal industry cannot be compared in my opinion with the cotton industry inasmuch as there is not such competition in India in regard to that. There may be competition in kind, between African coal or other coal but so far as internal consumption is concerned coal is practically a monopoly in India.

Q. My point was there is a depression in the coal industry ?

A. There may be. But I mean to say that the depression in the jute industry or the depression in the tea industry cannot be compared to the depression in the cotton industry. They are more or less monopolies and they are not affected to this extent as the cotton industry.

Q. I did not say that they were in the same position. I agree with you that they are not. My point was that there is only one other industry in India in which conditions can be said to be in any way similar to those of the cotton industry, and that is the coal industry ; and there is depression there also ?

A. I would compare the jute industry more with cotton than coal. I mean to say, there are difficult points as regards manufacture and as regards sales. So far as coal is concerned, if you let me differ from your view there is not so much difficulty in winning it from the ground and therefore to that extent the industry is not so complex as cotton.

Q. I entirely agree with that view. That was not quite my point. However, we will pass on to Question 9.

A. I should like to say more about Question 2. It seems to me that there is a considerable amount of loose talk about world factors. I do not know what people mean when they use these words in connection with a manufacturing industry like the cotton mill industry. We will take the case of Europe. How can conditions in Europe affect the sale of cotton manufactures in India ? The only way to which world factors can affect Indian commerce, is in the matter of exports from India, because India is connected with the world so far as its production is being sold outside India. To that extent I consider that the world factors would affect it, but as regards the internal life of the people, the prices of domestic and other necessities as exist in India could not be really

affected, or if affected at all, not to such an considerable extent as it is generally made out. Therefore I think that world factors do affect Indian conditions only as regards the sale of exports and that also to this limited extent that the world people will be only paying the price that they consider our produce is worth. They won't pay a penny more or a penny less. Therefore world factors do not affect our produce except in the point of sale price in foreign markets.

Q. In reply to Question 9 you say that you consider the ryot's purchasing power is $7\frac{1}{2}$ annas as compared with 16 annas during the prewar period. How do you work that out?

A. That unfortunately seems to me to be the experience borne out by facts. Before the war we had the rupee and the gold exchange. When silver coinage was stopped, the value of the rupee was made to depend upon its relation to gold and therefore the rupee had in my opinion 16 annas parity for internal purchase. If you take gold out of circulation as happened when the war broke out what was the natural result that one experienced? A man like me who goes out to places like Amritsar, Delhi and other consuming centres, comes into contact with people one cannot fail to realise that the rupee does not buy the same quantity of commodities in internal price as it used to do before the war. The people, the small traders of India like the corn dealers and others value the rupee for its intrinsic worth and the silver contents of the rupee are only 10 annas so that it makes a difference of about 35 per cent.

Q. But you make the difference about 55 per cent. ?

A. I am coming to that, 35 per cent. is in currency alone and then with this 1s. 6d. exchange there is a difference of $12\frac{1}{2}$ per cent. I will take the agriculturist as he is as much my customer as that of mills, though not to such a large extent. He gets $12\frac{1}{2}$ per cent. less in the price he gets from Europe. For instance they supply Rs. 15 worth of produce but get only Rs. 13-5-0 or Rs. 13-6-0. There is a loss of $12\frac{1}{2}$ per cent. there. That makes $47\frac{1}{2}$ per cent. Then there is another difference. The internal prices have risen by the difference in the increase of import duties. That comes to an average of about $8\frac{1}{2}$ to 9 per cent. There is therefore 56 per cent. loss in the purchasing power of the ryot. That appears to be so from a business point of view. At least it is the effect that our customers feel and that in my opinion has been the reason for the loss of sales even of Manchester goods. I consider that the consumption of Manchester goods has been reduced by about 50 per cent. and that loss of purchasing power to my mind accounts for the reduced sales.

Q. I would prefer that Mr. Subba Rao discussed that with you, but the only remark I would make at this moment is that, as far as I understand you, I think you have counted the operation of one factor at least three times.

A. The purchasing power of the customer? In any case my personal opinion is that his purchasing power is reduced to about 50 per cent.

Mr. Subba Rao.—I shall just touch on a few points. I don't think anybody doubts that the ryot's purchasing power has gone down, but not for the reasons that you have given us or to the extent you have mentioned. In the first place you state that the value of the rupee is $7\frac{1}{2}$ annas at 16 annas parity and you speak of the silver in the rupee being worth annas 10 and say it was not so before the war.

A. I am talking of before the war.

Q. Yes. But the rupee had the same silver content before the war.

A. Before the war gold coins were current.

Q. However that may be, the rupee was given a fictitious value in relation to gold?

A. It had a token value even then.

Q. Even now.

A. That is my complaint, because it is a token value and it has not the purchasing capacity which it had before the war when gold was in currency.

Q. Is not the rupee now attached to gold by the same means as before the war?

A. It is not at present.

Q. It has now been given a higher gold value.

A. You are referring to the 1s. 6d. exchange?

Q. Yes. Therefore the rupee is given not a lower but a higher gold value. Therefore, its silver contents do not affect the matter in the least.

A. If the exchange which is prevailing at present, that is, at 1s. 6d. were kept up, the relation it has to the purchasing power of the silver is internal so far as it relates to the goods which India consumes.

Q. In that case you must take the rupee as such.

A. The rupee as such has the same value to the bania and others in that it gives you commodities of the value of 10 annas and not a pie more.

Q. But was not that true before August 1914 ?

A. No; it was not true, because gold was then in circulation.

Q. Am I to understand that before 1914 you had gold in circulation to any large extent ?

A. The mercantile community had the feeling that gold was there. They knew that the value of the rupee was not nominal, was not the silver content, because it was readily exchanged and convertible into gold at the rate of Rs. 15.

Q. It is a question of fact, whether you could before the war take Rs. 15 to anybody and demand a gold sovereign.

A. I may tell you that up to 1912 it was so. You could go to the Post Office and tender. The only difference was that in Calcutta and Bombay shops you had to pay 3 or 4 annas more.

Q. Now can't you get gold at much less than Rs. 15-4; that is, for Rs. 13-8 ?

A. The value is Rs. 13-8, but can you get me a thousand sovereigns ?

Q. I got a number of sovereigns in Mysore about three months back for about Rs. 13-8.

A. I should like to go and live in Mysore. I may say this, that in places like Bombay, and Calcutta you cannot get 500 or 1,000 sovereigns for less than Rs. 13-8, i.e., at current rate of exchange Rs. 13-5-4 at 1s. 6d.

Q. If anything, gold is available now at a much lower rupee price than before.

President.—The real point is at what price do you buy gold now in the bazaar here

A. At the present gold price.

Q. What is the present price ?

A. It is something like Rs. 21-6-0.

Mr. Subba Rao.—It used to be Rs. 28 or so in 1914. Therefore gold is now worth less in rupees and not more.

A. We will come to that question later on. But what I mean to say is this; What is the purchasing value of a rupee internally in relation to commodities ? You will find that it is not more than As. 10. That is, the commodities that you get (in retail) for a rupee are not the same that you were getting in 1913-14, but about half in quantity.

Q. But the index number is now 158 or 160. It gives you As. 10 and not 7½.

Q. I may say the rupee is worth now about two-thirds of the purchasing power of the pre-war times, As. 10-8.

A. I consider that it is much less than that.

Q. Why; how do you get the figure ?

A. I have taken 35 per cent. reduction in the purchasing power.

Q. That was stated once before. My contention is that when you want to compare the purchasing power of the rupee you should take the general rise of commodities. You take a certain period and then, later on in the next period, compare one with the other. If you have done that you find that for goods you could buy for 100 previously, you have now to pay 158. Therefore the difference means a reduction in the purchasing power.

A. Not for all commodities.

Q. I quite agree. But when you speak of the index number, it indicates a general movement only. Generally speaking, it is now about two-thirds higher than the level of prices before. It was 100 and it is now 160. All the world over the prices have gone up and also in India. Therefore, the rupee certainly has gone down in its purchasing power but not to the extent that you have given or for the reasons you want to advance. Now the rupee has gone down in purchasing power from As. 16 level to As. 10 level.

A. My point is this; I judge of what happens in the market internally to-day. If I go into the bazaar, I find that the agriculturist's income is reduced. I try to understand how is it that the man buys less cloth than he used to do before.

Q. First of all, his income is reduced, you say ? Please explain that.

A. Since the stoppage of gold.

Q. Never mind the reasons. Give us the facts. You say the ryot is getting in money less than before for his produce ?

A. He gets Rs. 13-6 instead of Rs. 15. He gets a sterling price. As a matter of fact all our produce outside India is sold in sterling. The buyer pays a sterling price.

Q. Are you thinking of the ryot as selling all his output on the foreign market or in the Indian market ?

A. Let us take the foreign market. Instead of getting Rs. 15 for his twenty shillings he gets only Rs. 13-8.

Q. First of all, what does he get in pounds or dollars for his produce ?

A. He can only get the money here in rupees. It is not possible to get in any other denomination in India.

Q. But for what prices in sterling or dollars are the Indian exports sold abroad ?

A. All our produce is sold, so far as I know, in pounds sterling.

Q. And do you contend the prices at which Indian stuff are sold abroad have fallen since 1914 or risen or remained the same ?

A. That depends upon the relative food value or the whole value of the produce. Take the case of food products. I am not prepared to argue as regards the point whether he gets a lower price or a higher price. But the fact remains that he is paid a price in sterling. It may be that the price may be higher or lower according to foreign market price current. There may be other factors operating today. But he gets just that price which the market in Paris or Berlin or London can pay him, on the merits of his produce.

Q. Are those prices now higher or lower than in August 1914 ?

A. It is immaterial to my argument.

Q. It is material to the contention that the ryot gets less for his produce.

A. No, because whatever the price is, he takes the risk of the market, higher price or lower price. That being so, no other consideration should affect my argument so far as it relates to the payment of the prices that is due to him in India. If the price that he gets in sterling were to come here in sterling or its equivalent he will be all right.

Q. Therefore suppose he were getting formerly £100, equal to Rs. 1,500 and if he gets the same £100 now and it is reduced to Rs. 1,333 he will be loser. But supposing it were shown to you that the sterling price has risen almost in proportion to the reduction in rupees.....

A. I beg to disagree; that cannot happen.

Q. I want you to compare the prices on the English market in 1914 for certain staple articles and also the prices in the English market in 1926. I have got here prices of a number of commodities in 1914 and now. You will find every one of them has gone up anywhere between 30 and 50 per cent. since the war and therefore for the same thing, whether rice or hemp or linseed or jute, the ryot gets now in sterling £130 or £140 or £150 and so on and therefore whatever he gets now in rupees through the higher sterling rate is compensated for by his getting more sterling. If formerly he got £100 at Rs. 15 a pound he now gets £133 at Rs. 13-8 and it comes to the same thing.

A. Then your argument amounts to this; that whatever losses he suffers in exchange is made up for him by the higher prices and that the higher prices are due to lower exchange or unfavourable exchange. I beg to disagree with you on this point.

Q. The exchange rates cannot be very different from what they ought to be in relation to the price levels of the two countries and therefore where exchange has gone up to 1/8 it is due to the fact that English prices are high in relation to Indian prices. Unless it can be so sustained the rate cannot remain at 1s. 6d. If it is not so, it is bound to come down and at least for the last two years sterling prices have been distinctly higher than what they were before 1914.

A. How are the prices affected? You say it is since 1914 and exactly in the same proportion as the exchange has fallen and you attribute the rise in prices to the exchange question?

Q. I attribute the rise in exchange to the rise in prices.

A. Was it through the natural operation of the law of economics, supply and demand?

Q. That we need not argue. The point is there cannot be any variation in exchange unless there is a corresponding variation in the level of prices in the countries concerned.

A. Exchange can be manipulated. Therefore, I beg to disagree with your argument in this matter. That is, whatever the price is can you controvert the fact that if I sell an article and I am paid £100, I get the natural equivalent of £100 without any deductions.

Q. That is the point; what is the natural equivalent?

A. I am comparing the period of 1913-14 with the present one.

Q. Why do you call 1913-14 a natural period?

A. It was the pre-war period, and because gold was in circulation.

Q. Gold was not in circulation at any time except for a very short time in 1900 and except during the war when they could not get silver in some places.

A. Anyway the feeling was that at that time the rupee was considerably more than it is today.

Q. All of us know that by bitter experience.

A. Now I come to this point. My contention is that a man was getting Rs. 15 to the pound before the war. You concede that point?

Q. Certainly.

A. And at present he gets Rs. 13-8. Apart from whether he gets higher prices or not, the ryot today loses to the extent of 12½ per cent. That is he gets instead of Rs. 100 Rs. 87½. Reckoning the income of an agriculturist at Rs. 100 now he gets Rs. 87½ or 12½ per cent. less and that also in debased rupees. I would like you to correct me.

Q. But my point is since he is getting a higher sterling price, exchange by itself does not diminish the number of rupees.

A. If he gets a higher price that may be due to considerations of relative prices. Where does he get a special benefit for the rise in exchange?

Q. I do not say that. The loss by exchange he incurs are compensated for by the higher prices for his food stuffs abroad. Therefore from that point of view he is not in any way handicapped.

A. I would admit your point and the force of your argument if the ryot was getting a higher price in proportion to the fall in exchange and other countries were not getting the same high prices.

Q. How does it concern us?

A. It concerns us in this way. Our customer is getting poorer. For if the price of the Indian produce is not comparatively higher than the same produce from America or Argentine then our consumer, the ryot, gets less by 12½ per cent. If you can satisfy me on that point, then your argument of his getting higher prices on account of the fall in exchange, I submit, would be correct.

Q. I have just stated that the rise in exchange is due to the rise in prices.

A. But why not in the whole world and only in India?

President.—Do you argue that the seller of produce from South America is getting exactly the same for his goods in England as he was before the war?

A. I do not say that. But what I want to get at is this, that he is also getting higher sterling prices, like other produce shippers of the world. If he is getting a higher price, he gets less in rupees. Our producer gets a higher sterling price, because produce generally the world over has appreciated about 40 per cent. in value since the war.

Q. How can he?

A. He may be getting more sterling. That does not prove that he gets a larger number of rupees. I would not concede the point that because of the exchange he gets more. Unless you can prove me otherwise, the effect remains that Rs. 87-8-0 is all that he gets now instead of 100.

Q. In reply to Question 13 you mention the unfavourable Chinese exchange. Can you give us the exact figures of the Chinese exchange for 1921? You say "unfavourable Chinese exchange".

A. I say that the Chinese exchange was favourable to China. In 1920 the Chinese exchange was 226 and that is the reason why China brought 36 million pounds of yarn more from us than from Japan.

Q. What was the Japanese exchange in relation to China? You can then give the exact effect of the Japanese exchange with China.

A. But these exchanges move practically on the same sterling basis.

Q. If they move together, then India had no special advantage over Japan in regard to the China trade.

A. My point is that perhaps it paid China better to buy from us than to buy from Japan.

Q. Possibly, but my point is that you have to show that by giving us the figures of the exchange between China and Japan.

Mr. Subba Rao.—And also don't you remember that about 1920 there was a depression in Japan and her exports naturally fell? That might explain it partly.

A. The point that I want to make out is this: that our exports to China in yarn have been steadily falling and when they are on the downward line there is no reason why they should rise to the extent of 36 millions more than from Japan, unless there were some extenuating circumstances. The favourable circumstance seems to me to be that China bought them because the Chinese exchange was 226 or something to that effect. Otherwise I cannot account for the extra buying of China.

President.—The factor may have been exchange. But in order to prove that, we want to know the exchange between Japan and China. You cannot provide us with those figures?

A. I am afraid I cannot. But unless something else is shown, is it not the only and apparent conclusion that the exchange has favoured the exports?

Q. You cannot draw any conclusion from any figures unless you know all the facts.

Mr. Subba Rao.—And Japan was passing through a trade depression in 1920. The cotton industry specially underwent a serious depression. That might explain it. But you cannot deduce the conclusion from one single factor of exchange.

A. In 1919 Japan had 28 millions more. How is it that in one year we sent so much less and in another so much more? The difference is so vast.

Q. What I am saying is, taking the preceding year, 1918, the Japanese export to China were 177 millions and odd and in the next two years they fell. The depression is not over in one single year.

A. My point is this. They should fall similarly if the circumstances were the same. But the fact of their not being in proportion but rose at once to 126 from 43 and the Chinese exchange being in favour of India—from all these one is naturally led to the conclusion that the favourable exchange between India and China was the cause of higher exports to China.

Q. I won't deny that as a possibility. But you cannot deduce that from the figures here.

A. In all commercial transactions, more especially, in exports, exchange plays a most formidable part and practical merchants cannot get over that fact.

President.—If that is the case, Mr. Maneck, how is it you consider in your reply to Question 23 that the rise in exchange helps Japan and does not help Manchester?

A. I say if the sterling exchange is 1s. 6d. I am of opinion that on account of general trade slump and so long as it lasts, Manchester will do a smaller business and the 1s. 6d. exchange will not improve trade but will decrease it. I am very firmly of opinion, from my own personal experience as well as from the facts that have been bringing themselves forcibly to the notice of all importers, that Manchester imports have fallen to the extent of about 40 to 50 per cent.—we will take it at 40 per cent.—and I am sure the piece-goods merchants will hear me out that after a favourable monsoon we notice a prompt improvement in the movement of piece-goods going into consumption. Year after year we have always been watching the effect of the monsoons. After five favourable monsoons why are we not having the same spurt in our piece-goods trade instead of losing it? There must be some very striking reason to make the consumption of piece-goods less. The agriculturist, as you are all aware, after providing food for his family, rushes at once to the cloth market and that is the reason why the effect of a favourable monsoon has always been, in my humble experience, that piece-goods get a spurt. There has not been that spurt now. We have been waiting, hoping against hope and we do not see any signs of improvement. There must be some other factor. Now I will try to explain why this 1s. 6d. cannot do it. I am a believer that there is a relativity of prices, internal prices in India, and if the ryot gets 12½ per cent. less as his earnings—the 12½ per cent. which he utilised before the war for the purchase of the necessities of life—if this 12½ per cent. is gone, our most prolific customer or the best customer is not able to spend what he used to do before and if he buys at all, he buys from the sheer necessity of avoiding nakedness of his family and that is the reason that I could see from a commonsense point of view, that he is forced to purchase less and less and that also because of the necessity. I see no other reason for it.

President.—That is not my point. My point at the moment is why you consider that the 1s. 6d. exchange does not hit Japan in exactly the same ratio as it does any other country. If the ryot cannot buy Manchester goods owing to high exchange how is it that he can buy Japanese goods?

A. My remarks apply to all the goods. The ryot does not buy in the same proportion as he used to do.

Q. You say Japan is in a more favourable position than Manchester?

A. Because the Japanese exchange is in her favour.

Q. The Japanese exchange is in exactly the same position as the sterling exchange?

A. Japan is in a position on account of her favourable exchange to land goods cheaper here.

Q. Her exchange is not favourable more than the United Kingdom exchange?

A. I tried to explain, Sir, the comparative position. When the exchange was 1s. 4d. the ryot's purchasing power was more and that was reflected in the higher quantities of Manchester goods imported.

Q. The point on which I want your views is whether you consider that the exchange between India and United Kingdom is higher or lower than the Japanese exchange ?

A. I grant your point that the Japanese exchange and the Manchester exchange is the same and that substantiates my conclusion. My conclusion is that with the exchange at 1s. 4d Manchester was in a better position to have its goods going into the same consumption than it does with a higher exchange for the simple reason that the same high exchange reduces the purchasing power of the ryot.

Q. But does not that apply to the ryot's purchasing power of all foreign goods ?

A. Japanese goods are also bought. Manchester goods are also bought. I do not mean to say that the effect is not the same on the purchasing capacity. The purchasing capacity of the agriculturist is reduced all the same. He may be buying Japanese goods because they are cheaper. But that does not prove your conclusion that Japan.....

Q. I have drawn no conclusion.

A. I say so far as the Indian consumer is concerned the effect on Japan and China is practically the same. If the exchange was 1s. 4d. the ryot would have bought more Japanese goods as he buys more Manchester goods. But there is no advantage either in favour of Japan or in favour of Manchester.

Q. I wanted to make sure what your position was in regard to that.

A. The conclusion that I have given in reply to Question 23 I keep to, but my opinion is this, that Manchester is not going to be benefited with the higher exchange at 1s. 6d.

Mr. Subba Rao.—People say that the consumption of cloth has fallen very considerably in the past two years. Is not that so ?

A. Yes.

Q. Is that fully borne out ? If you take, say, pre-war figures, remembering that 1912-13 and 1913-14 were years of abnormal imports, you will find the average consumption, say for about seven years before the war, is not very much more than the total consumption in 1924-25. I will give the figures but it will take some time to add them all.

A. Are they shown in the Millowners' statement ?

Q. They are given in an abstract. Even allowing for the abnormal imports of 1912-13 and 1913-14 you will find that the total consumption of 1924-25 is not very much less than the average of these six or seven years. May I just give the figures ? For the years 1907-08 the total consumption in India, apart from the handloom consumption, was 3,200 million yards, next year 2,689 millions, next year 3,010 millions. Now if you average these years, leaving out the pre-war years, when we got very high imports you get about 3,080 million yards. The consumption last year was 3,500 million yards; even if you included the consumption of the years of abnormal imports, the pre-war average would not rise very much above 3,500 million yards, the present level of consumption of mill made cloth. I am rather anxious to know to what extent it can be said there has been a serious reduction in consumption in the last year or two. That was true certainly during the war years.

A. Consumption ?

Q. Yes, consumption of cloth. I am speaking of the ryot's purchasing capacity. You say he was not buying. Is it not possible that he is substituting homemade for foreign goods because the total consumption of cloth now is not different from the average of 1907-08 to 1913-14, including the two years of abnormal imports ?

A. There has been for instance a reduction since 1913-14.

Q. I request you to compare the years before 1913-14 including that year even though in that year there were very high imports. Take that year also and average. You do not get beyond 3,500 million yards and you get for 1924-25 the same 3,535 million yards.

A. I am suggesting now the consumption is catching up the pre-war level. It does not look as though the ryot really is buying very much less. I am not saying he is buying quite the same. We can explain the principle in another way.

Q. I want your explanation.

A. What occurs to me, speaking personally is this, that a man has to buy a certain amount of cloth for his bare necessities. Well, they say that the consumption per head was 12 yards. It is now about six.

Q. How do you get that figure ?

A. That I cannot say. The millowners say that. If you admit the fact that the people have got to clothe themselves, there is a very narrow margin to reach all. Diverse circumstances will compel a man to adjust himself, namely instead of six yards he may be going in for four yards but he has got to buy four yards any way. It may be through minimising his expenses for food.

Q. I am merely asking you about figures.

A. It cannot fall very much. There is a limit to the fall of consumption, depending on the bare necessities. It cannot go below that.

Q. We shall leave it at that. I suggest the consumption in recent years is almost catching up the pre-war consumption. You say it has been very much less?

A. Manchester imports were.

Q. But supposing they have been replaced by local mill production, is that a matter for regret?

A. Very great regret. The regret lies in this that when the population of the country increases when there are five favourable monsoons and so on, people expect to do much better trade than they usually do and the consumption should be much greater.

Q. From their point of view?

A. We expect considerably more trade with five good monsoons.

Mr. Majumdar.—In reply to Question 14 you mention that fancy trouserings, checks, shawls and cotton blankets, etc., have been imported from Italy. You also mention that they have not been serious competitors of our mill products. What are the qualities in trouserings and checks that you refer to?

A. These checks, trouserings, etc., have been coming from Belgium, Holland and Italy. Even before the war there has been a fairly good trade. But to my mind they have not competed keenly with Indian mill goods. They may have to a certain extent competed with Manchester.

Q. Have you studied the question?

A. Yes, I have studied the question.

Q. What is the quality of the Italian goods?

A. It is very much higher than Indian.

Q. Italian?

A. Italian of the pre-war times.

Q. I am referring to the present times.

A. I referred this question to a friend of mine in the business and he confirms my view that the qualities they get in the Italian trouserings are not the same as those of Indian mills. They do not go into competition with them. They get higher prices.

Q. Is it not true that Italy manufactures out of waste also?

A. Those are different things. Yes. They manufacture very coarse cloth from waste more in imitation of Cashmere goods.

Q. Is it true that Italy is at present competing with Japan and the United Kingdom and also with India in the Levant market?

A. I have very little experience of the Levant market.

Q. Is it not possible that if competition gets keen there, Italy and Holland may turn to India also.

A. That is our fear. We are not afraid of Holland, Belgium and Italy competing with Indian mills, unless they start to do coarser goods, but I doubt whether they will ever be able to do it with their labour.

Q. Italy?

A. Yes.

Q. Why?

A. Italian labour is not cheaper than Indian labour.

Q. But they are working double shift.

A. I was not aware of that. So long as they confine themselves to fancy trouserings and coloured goods we have not much to fear from them.

Q. Why, there are Indian mills which manufacture fancy trouserings?

A. If you permit me to say so, the Italian quality is higher.

Q. With reference to Questions 18 and 19, can you give us the prices for 1924 and 1925 of the Japanese goods that you are referring to? Can you give us the comparative prices of Japanese and Indian goods?

A. I said that in 1924 and 1925 it was stated that the Japanese low exchange enabled goods to be placed in India at about 30 per cent. advantage. If this estimate be correct it may be possible to compete with Indian mills in the foreign markets.

Q. What I enquired was whether you are able to get us from the dealer you refer to in reply to Question 19 the prices in 1924 and 1925 for Indian and Japanese yarn as well as piece-goods?

A. I will try.

President.—Thank you. I gather from your replies to Question 40 that you consider on the whole that mill management in Bombay, at any rate, leaves little to be desired. Is that the correct conclusion to be drawn from your reply ?

A. Yes.

Q. I gather from the whole of your replies to that section—Questions 40 to 44—that you consider that on the whole the Managing Agency system gives as satisfactory a result as can reasonably be expected.

A. Yes, I do.

Raja Hari Kishan Kaul.—In answer to Question 41, you say “but I think that nothing can beat in this country the system of Managing Agents with a powerful and technically suitable Board of Directors.” Will you kindly explain what changes you propose in the present system ?

A. I do not propose any change at all. But what I say is, if in the Directorates of mills there are technical men and good business-men that is all we can desire in India.

Q. Further on you say “there may be bad Managing Agents and the only remedy is to have some power through the Act for investors to change them in cases of proved neglect, speculation or incompetence.”

A. Yes.

Q. That is one change you want to introduce ?

A. There has lately been a lot of correspondence in the papers, people making all sorts of accusations against mills and I have been studying this question for the last two or three years and I find that when challenge is given to them they do not come out. I mean to say they do not give any help to enable shareholders to proceed against mill agents. If there be (I do not say that there are any) Managing Agents who are dishonest, we should have power to remove them.

Q. Do you suggest that this change should be introduced ?

A. If that is not in the Companies Act; I am not quite sure whether we can change it or not. But so far as I understand the same question did arise in Calcutta and I was given to understand that it is almost impossible to change them.

Q. I understand that the Managing Agents have a contract with the Board which covers a number of years and during that time they cannot be changed ?

A. I believe on this account they cannot be changed except perhaps for proved dishonesty.

Q. Then you do not propose that any legislation on this account should be undertaken ?

A. If there is any such legislation there would be no harm. It would be very desirable.

Mr. Majmudar.—What do you mean by “technically suitable” ? Do you mean Directors should have technical knowledge ?

A. A technical man on the Board. It is far better to have him.

President.—Where are you going to get them from ?

A. There are 300 mills. We can get 300 technical men. I would not invest any money in a Board where there are no technical men.

Q. But I do not see how you are going to get them.

A. It is possible to have 300 technical men or else, we can afford to pay and get them from England. I consider that for the safety of the industry as a whole at least one technical man should be on the Board of each industrial directorate. It is very necessary.

Mr. Majmudar.—But they have got technical men in their employ ?

A. Technical men on the Board and technical men in the employ are two different things. A technical manager is generally a technical man. I do not impute any dishonesty to him. The mill industry is a very large industry where large expenditure is made. The same complaint is made regarding the jute industry, that there must be a technical man, at least one technical man, on the Board. I believe in the Bombay cotton industry there are such technical men on almost all the Boards of Directors.

President.—Very few. The number of Directors in the Bombay industry who have technical experience cannot be much more than 20.

A. There are 82 mills and I think there may be more than that. Mr. Maloney can perhaps give us the correct information on that point. But I have so far not heard of any complaint being made of cotton mill business being spoilt on account of there being no technical experts on the Board of Directors. What I say is, it is very desirable.

Mr. Majmudar.—On the question of insurance (Question 43) you say “it had the advantage of avoidance of mistakes in declarations, and the benefit of prompt and adequate settlements of claims.” Please explain.

A. Insurance is to an extent a very complex subject. When you go for settlement of claims there are a lot of technicalities raised. I would have all my business done through

insurance people, agents or insurance brokers. There we have the benefit of their experience; then with their help declarations are made correctly. They see to the terms of the policy giving us the complete protection that we need.

Q. The mills look to their own insurance, they do not depend on the advice of the brokers ?

A. It will be better if they do. They would have the competent advice that insurance people in the business would give. A man however clever he may be in his technical line, may not know much about insurance.

Q. You mention "avoidance of mistakes." That, I believe, is only a general statement.

A. Experience guards against all mistakes; but all the same to have the work done through the proper channel would be the best thing.

Q. Have you heard of any such mistakes being committed ?

A. It is likely that mistakes may occur.

Q. Have you heard of any ?

A. No; but in the settlement of claims it is desirable.

Raja Hari Kishan Kaul.—In answer to Question 51, you say the mills find it more difficult to obtain finance now than in pre-war times. Is that one of the reasons why the Managing Agency system is more needed at present.

A. Yes, certainly. Had it not been for the Managing Agency system a good many of the weaker mills would have gone under.

Mr. Subba Rao.—In regard to Question 59, about labour, you speak of the difficulty of reducing wages when a reduction is due. You say it has been difficult to effect a reduction. Now, that is very important. Something should be devised to make such a reduction almost automatic. Can you suggest anything ?

A. If you change human nature, otherwise you cannot. If Mr. Noyce would permit me to ask a question, will the Civil Service, when the cost of living has gone down, accept less ? If they do, I do not call them human.

President.—It is being done. It depends on the system you originally devise.

A. The Lee Commission has come. I have very many friends among Civil Servants and I do not want to put this question in a disparaging way, but it is to explain to Mr. Subba Rao that it is human nature that when we are accustomed to get something more we are always reluctant to have it brought back to normality.

Mr. Subba Rao.—But something must be done.

A. If they got Rs. 40 instead of Rs. 30 which they were getting before, they are not likely to agree to 30 again. The labour leaders may not permit them to do this.

President.—The Civil Service in England, you were talking about the Civil Service—work under this system. During the war they were given an extra bonus to meet the increased cost of living and that bonus was reduced as the cost of living went down.

A. Has it been done ?

Q. Yes.

A. I am afraid it is very difficult to have it brought about in the mill industry.

Mr. Subba Rao.—Can you suggest any method ?

A. If labour leaders were to look after the interests of the labour and of the industry as a whole something may be possible.

President.—In regard to Question 98, you say "No industry should be taxed by local bodies except for water and *halalkhore* and town duty and all other municipal taxes should be done away with." But how is an average municipality to raise any income if it does not impose house-tax, etc. ?

A. I have travelled all over Europe and I have not come across any Municipality that levies taxes on industries so far.

Q. What do you mean by "taxes on industries" ?

A. What I mean to say is that a municipality ought to be allowed to levy taxes for all matters which are in its own province, but as regards taxing an industry in any other way than through purely municipal taxes on water, or looking after conservancy, special taxes such as they levy should not be levied.

Q. What do you mean by "special taxes" ?

A. There are some special taxes they pay on cotton, etc.

Q. Do you mean "town duty" ?

A. Yes, a town duty.

Q. You were referring to the town duty when you referred to taxes by local bodies ?

A. Yes.

Q. As regards the question of a scientific tariff, you think it is the business of the Millowners' Association to work out the average costs of production every month?

A. Yes, I thought over this matter and I do not see how it can otherwise be done. The Customs and Government are very particular about the precise method of collecting. If it is levied on the market value there is always a conflict between the Customs authorities and the merchants. This question has been going on for about 25 years and they have not come to any definite decision as to what really is the market value. Our opinion and the opinion of the Customs officers differ and it would be a very great difficulty to get at the correct value for special duty, and I thought that if there was any such thing as a tariff valuation in the same way as the cotton excise duty was levied—I mean the basis on which the excise duty was levied—a sort of tariff value brought about by the previous month's average price and then the extra duty levied, that would be better. But I think by far the simplest method would be to charge a rate per pound.

Mr. Subba Rao.—Specific duty?

A. Yes.

President.—There are 337 mills in India. Do you refer to the average production costs in Bombay? We have been trying for the last six weeks to get them but we have not got them as yet.

A. People are afraid to give out their secrets.

Q. Exactly. Do you prefer the other method?

A. Yes.

Q. With regard to Question 115, do I understand you to mean that the total duty should be 36 per cent.? You say that in addition to the proposed 13 per cent. an addition of 12 per cent. would answer the purpose. There is already a duty of 11 per cent.

A. That 11 per cent. duty should be regarded as absolutely separate.

Q. You cannot regard it as absolutely separate. I would recommend you to study what the Fiscal Commission has said on the subject. The Fiscal Commission's recommendation was that the necessity for that duty should be examined. Can you regard that 11 per cent. duty as a permanent duty?

A. I do not mean a permanent duty. It is a separate duty of the same nature as the Customs duty levied on other articles and this special duty should be a distinct and separate duty shown separately on the bill of entry so that they may reduce or remove it without any trouble.

Q. There is no special reason for regarding this 11 per cent. duty as fixed for all time?

A. No.

Raja Hari Kishan Kaul.—You propose a Safeguarding of Industries Act? Can you tell us what provisions you would like to have in that Act?

A. My opinion is this. We have invested money in this cotton industry. I have invested money in my humble way in jute, steel, cotton and other industries. I have come to the conclusion that I have made a mistake in investing money in the cotton industry. Jute gives you a good return. But the position is this. On the one hand Sir Basil Blackett says that he would be glad, and we would be glad too, to see people emptying their pockets, taking as much out of their pockets as possible and spending it on industries. I say that it should go as a sort of promise that the industry would be safeguarded when there is any external trouble about it. Look at what is happening. Japan has lowered prices, entered into competition and cut us out within two years. If it continues we will be practically ruined. Now this Board is appointed and it will take probably another two or three months and before the Government comes to any decision it will take six months. Two years and a half is quite sufficient to kill any industry, if you have not got a sort of Safeguarding of Industries Act actually on the Statute Book.

Raja Hari Kishan Kaul.—What do you want to provide in that Act? You are suggesting measures which could have been brought into force by a Safeguarding of Industries Act.

A. Exactly as it exists in England, Austria and Canada. There nobody can go and cut the industry out of that country by competing with it for two years. It may be that Millowners may have to be blamed for not taking action quicker than they have. But the fact remains that if there is anybody who cares to ruin an Indian industry, he can do so without the Safeguarding of Industries Act. All he has got to do is to cut the prices.

Q. You have suggested certain measures which would have been brought into operation if we had this Act. It is more or less the procedure which would have been adopted. Do you want the Act in the place of the proposals that you make or do you want these proposals to be adopted in any case?

A. These proposals ought to be adopted. And in addition, having this experience of the Japanese price cutting, for so long, it is better for the future not only for the cotton

industry but for all industries to have some Safeguarding Act passed by the Government of India for acting promptly. Suppose Italy decides to cut Manchester out by having the goods imported with its low exchange. Do you mean to say that we are going to sit with hands folded till the mischief is done and then move the Government of India for the appointment of a Tariff Board, by which time considerable damage can be done ?

Q. You want a Safeguarding of Industries Act embodying the provisions which you have suggested as remedies ?

A. So that they could be brought into operation at once.

Q. At present you propose certain measures ?

A. Yes ; and the Safeguarding of Industries Act also for the future, to avoid trouble in future in all industries.

Q. That is in case these provisions which you now suggest are adopted and subsequently abolished ?

A. No. They may just as well go together. I mean to say these proposals should be taken up now. But after that, in addition to that, we should have the Act. We do not know what is going to happen to-morrow. To prevent other people with a lower exchange or depreciated exchange doing us harm, we must have the Act. It has taken us two years now, and considerable mischief has already been done. But in future if any other nation were to do that, if we had the Act on our books, the Government of India would be able to act much more promptly than is the case now.

Witness No. 65

Mr. P. A. BAPTISTA, BOMBAY

Written Statement dated the 3rd September 1926

SECTION I

General

1. There is general depression in the cotton mill industry throughout India but Bombay feels it most because it has certain disadvantages. All mills in the same area are not affected to the same extent.

2. This depression is mainly due to the loss of the purchasing power of the ryot and the loss of the purchasing power is due in an indirect degree to the loss the world has sustained owing to the late war.

3. This depression is mainly of a temporary character and once the purchasing power of the ryot is increased there will be a better demand for textiles and the present depression will pass away. There are however certain causes of a permanent character for Bombay mills which will always be a handicap to the Bombay mills.

4. I do not think that many more mills will close down if they practise economy and set their houses in order.

5. Of the 83 Bombay mills, 42 are making a good and decent profit. Such mills as have no reserves or financial assistance or are in the hands of weak holders are just now suffering. Of the 41 mills in Bombay remaining, about 10 mills had their capital watered during the boom and therefore collapsed in this depressing period. Most of the upcountry mills are earning a decent profit.

6. A further fall in cotton would certainly enable mills to place textiles on the market at a much cheaper price and if the prices come within the purchasing powers of the people there would certainly be a demand for cloth and a decent margin of profit to the manufacturers. But this cannot be said for certain as I know that in the year 1899 when cotton was at about Rs. 150 per candy and cloth at 6 as. a lb. mills had to shut down 3 days a week as there was no demand; whilst in 1919-20 with cotton at Rs. 900 per candy and cloth at Rs. 2-12-0 a lb. there was a great demand and handsome profits.

7. I do not think the instability of prices has very much to do with the case. Some merchants refrain from buying in large quantities. But if there was a demand from the public the merchants would rush to the manufacturers in spite of fluctuations.

9. I think the main cause of the depression is the fall in the purchasing power of the ryot. Once this rises the industry will be on its feet again.

10. No. They will first supply necessities before going into luxuries. Some may do so by way of precaution against a rainy day. But the majority will go in for clothing.

11. The present depression is not due to lack of organization in general among the millowners. There may however be some room for improvement if each mill were to appoint a small committee of its own to find out its defects.

12. In my opinion most of the mills which have changed hands and have gone into liquidation have done so from other causes than the depression of trade.

The depression has not much to do with the closing or changing hands of mills but it is due to other causes.

The Planet Mill was built during the boom period. It purchased a burnt down mill. It spent large sums of money when machinery was at its highest. It had no working capital of its own. The agents could not get deposits for working the mills. It frittered away its profits in high dividends.

The Gold Mohur Mills built an extensive weaving shed when the price of looms was at its highest. This absorbed all liquid cash with the result that when stocks began to accumulate the agents could not finance it. Hence it had to change hands.

The Diamond Mill was a mill which was hardly worth 12 lakhs and was bought during the boom period for 55 lakhs. The capital was only 50 lakhs and all this was absorbed in brick, mortar and machinery. They simultaneously mortgaged the mill by issuing debentures which were taken up by the party who sold the mills. It could not pay its way with this heavy load and had therefore to close down.

The Industrial Mill was an old mill which in 1904 was knocked down for 4 lakhs but during the boom period was sold for 24 lakhs. It could not stand this and had to reduce its capital to half. The management was not considered satisfactory and it had to change hands.

The Hongkong Mill worth 10 lakhs was bought at boom prices for 41 lakhs. It was part and parcel of a woollen mill and came to grief.

The Assur Verjee Mill's fate was due to the same causes as that of the Gold Mohur Mill, The China Mill went into liquidation because it was sold in the boom for a very handsome sum; and the shareholders got a good return. The present agents paid nearly 50 lakhs and have called it the New China Mill. It has added new looms which further burdens the mill. These looms have been bought at a very high price. It is not working.

SECTION II

Nature and Extent of competition between imported goods and those of Indian manufacture

14. Inasmuch as the exchange gives a decided advantage to foreign countries to that extent this increasing competition has depressed the local industry.

23. Yes. I consider that there will be an increase as they have owing to exchange a decided advantage over Indian and English mills.

24. The Japanese yarn competes both with Indian and English mills.

25. For the same reason cloth mills will increase.

26. For the same reason importation of cloth will increase.

28. The Japanese have certainly a great advantage owing to the fact that they work double shifts and employ women and children largely in their works.

31. No.

33. Yes. Drills, shirtings, sheetings and hosiery have been imported largely from Japan and are seriously handicapping our industry.

34. I do not think so.

SECTION III

Internal Competition

35. The Bombay mills are suffering because new and model mills have been erected up-country with up-to-date and labour-saving machines. The mills in Bombay are old and much production is lost by their being badly lighted and ill-ventilated.

36. The Bombay mills have a better climate and little more efficient labour. They have facility for export. Their mill stores are cheaper, and also the Tata power which is constant.

37. The up-country mills have cheaper labour, (2) cheaper cotton, and (3) cheaper coal.

38. I do not think that there is much competition. Each manufactures a distinct class of goods. The mills have an advantage in weaving coarse coloured sarees and ousting the hand-made sarees. It is the handloom industry which suffers competition and requires protection.

SECTION IV

Mill management

40. Mills are generally not managed with economy and efficiency. There is ample room for improvement.

41. There are mills which work (1) on the 10—15 per cent. commission on profits, (2) Mills which work on commission of 3 pies per lb. (3) Mills which work on commission on sales.

42. Although mills have commission on profits they have two clauses which nullify the effect of this: (1) They get a fixed allowance of Rs. 1,000 to Rs. 2,000 per month as office allowance for supervision and a minimum of Rs. 25,000 to 50,000 whether profit is made or not. This has a very depressing effect upon the industry.

43. There are certain millowners who are also cotton dealers, mill-store dealers, machinery dealers, coal merchants and insurance agents.

45. Most of the mills which have come to grief have done so for want of capital.

46. To a great extent the present difficulties of the mills are due to heavy expenses made when the price of land, building, and machinery was at its highest value. Most of the mills in Bombay have made extension or replaced machinery during the boom period. Some mills changed hands at very inflated prices and all these have come to grief.

SECTION V

Mill finance

47. Yes. Very handsome dividends were paid and the big depreciation and reserves were immediately invested in fabulous prices for land and machinery thus locking up liquid capital.

51. Mills with weak agents find difficulty. Others do not.

52. In Bombay from 5 to 9 per cent. according to the soundness of the concern.

SECTION VI

Cost of Production

(a) General

53. A fair sized mill is one with 1,000 looms and 45,000 spindles.

54. Mills built before 1890 and which have changed from purely spinning concerns to spinning and weaving concerns are not conducive to economic working. Also such mills as at first purchased a very limited area of land and have subsequently enlarged it work under great disadvantages.

58. Bombay mills are at a disadvantage as regards (1) cotton, (2) wages.

59. Humidifiers are a great advantage and even in the horrid climate of Bombay they are installed in mills.

(b) Raw Materials

60. Cotton for Bombay mills is purchased at the Juthas at Sewree through brokers who are sometimes relatives or friends of the mill agents. The brokerage paid is 2 per cent. on the price of cotton. Therefore the higher the price of cotton the greater the brokerage. The better system would be brokerage per bale so that the broker would try and beat down prices. Of late some mills have been purchasing cotton. There are also some millowners who own gins and presses and they make purchases from these gins. Bombay mills do not sufficiently hedge their purchases. Hence the great loss. It is not necessary that they should hedge in Bombay alone. They can hedge their purchases in Liverpool. Many agents lack this foresight.

61. A great deal of the depression is due to not sufficiently hedging cotton. The element of speculation can to a great extent be reduced by careful hedging.

63. To the extent that they have not hedged them.

(c) Labour

64. The higher wages paid by the Bombay mills can be overcome by making retrenchment and reduction in the number of hands employed. Some mills are top-heavy.

66. If better conditions prevailed.

70. There is some handicap owing to the inefficiency of labour, but the fault is not of the labourers. They are a dumb class who cannot place all their grievances before their masters. Labour is more inefficient in upcountry mills than in Bombay.

71. Absenteeism in Bombay is due to a great extent to sickness, especially malaria. Most of the labour in Bombay is imported and not indigenous. When a bonus was given to hands there was a better attendance.

77. Very little facility is given for technical education. The V. J. Technical Institute has been in existence for more than 35 years and nearly two generations have gone through the course; yet in many mills in some of the most important points technical students are not engaged. The jobbers are very inefficient and there are no facilities for their training. This is the most important class and should be trained. A jobber gets employment merely on the certificate of a mill manager or a master of the department. Mills should employ jobbers from a better educated class of people.

78. No.
 80. Yes, if they are given a training.
 82. Yes, if an eight-hour day was introduced.
 83. Legislation has increased the cost of production.

(d) *Overhead charges*

86. The depreciation funds should not be utilized for working capital and not locked up in block or machinery.
 87. There is much room for improvement in valuing stock. Besides auditors there ought to be employed expert checkers of stock who have knowledge of the internal working of mills.
 88. Most mills have half-yearly audits.

(e) *Sales*

89. The better system of selling cloth is for mills to sell through their own salesmen.

ANNEXURE A

A note on the Agency system

The system of managing agents is prevalent in all mills in Bombay. A dozen mills are paid $\frac{1}{2}$ anna per lb, which sometimes works out to 25—40 per cent. of the profits. There are about a dozen mills working on this system in Bombay. There is only one mill which works on a $3\frac{1}{2}$ per cent. on sale basis. The rest of the mills work on a 10—15 per cent. basis on profits. They are paid besides this an allowance of Rs. 1,000 to Rs. 2,000 per month. Then they stipulate in their agreement Rs. 2,500 to 3,000 as the minimum commission whether the mills make profits or not. They do not limit the maximum commission and there are agencies which pay as much as from Rs. 10,000 to 25,000. Then, most of the millowners are also insurance agents. They are allowed by the underwriters to pay 25 per cent. to the mills whilst mill agents are allowed 42 $\frac{1}{2}$ to 45 per cent. and this difference in some mills amounts to Rs. 2,000 per month extra to mill agents. Several mill agents have opened their own houses in England for purchasing stores and they earn about Rs. 500 to Rs. 1,000 per month on the basis of 2 $\frac{1}{2}$ per cent. commission. They open firms for purposes in which they are principal partners. Some millowners also own gins and presses and cotton is often purchased from these factories. These factories therefore have assured customers and thrive. All Bombay mills have cotton brokers and cotton is bought through them alone. No one can tender directly to the agents. They have to work through brokers. The brokers are allowed 1—2 per cent. brokerage. They are generally relatives or friends of agents to whom this commission or sale brokerage is given. If a mill therefore consumes about 800 candies a month and the price is Rs. 400 per candy, even at 1 per cent. they earn Rs. 3,200 per month, which is not a small amount. My opinion is that the brokers should be paid about 8 annas per bale instead of this vast sum. The fluctuation of prices make the brokers sometimes earn fabulous sums for the same amount of work. Under my system there would be a limit to their earnings. According to the present system they are not interested in beating down the prices as such energy on their part would cut into their own earnings and we have not yet evolved a race with such altruistic motives.

ANNEXURE B

A note on the sales system

I prefer mills to have their own selling arrangements and not commission agents. The commission system is a very expensive system and they bite off a good amount of the profit. For a mill of 1,000 looms and 30,000 spindles the commission would amount to Rs. 54,000 or even Rs. 72,000 per annum, whilst I know of selling organizations for a mill of 1,500 looms not costing more than Rs. 1,500 per month. It is argued that they are responsible for all payments. But the losses for non-payment have never been heavy. As for the fulfilment of contracts, merchants ask for concessions and they are granted. Deliveries are never taken in time and the mills do not enforce them strictly which causes loss of interest to the mills. Moreover the

goods are sometimes debited to the commission agents and mill godowns are used for stocking and no godown rent is charged. If mills were to open shops in many centres the sales would be better and at least one or two middlemen would be saved. At present there is (1) the selling agent, (2) the upcountry merchants who come and buy a few bales of each sort, (3) merchants who make large contracts, (4) the upcountry merchant selling to petty shopkeepers, (5) petty shopkeepers selling to hawkers of different sorts.

If mills had their own shops in different centres the petty shopkeepers would come to these centres and make purchases and sell to hawkers. In this manner, 1, 2, 3 and 4 could be eliminated, or at least 2, 3 and 4. Moreover when speculation is rife the merchants who make big contracts sell their whole contract to three or four merchants in the bazar at a profit and in this way goods pass through one or two hands before they can go into the hands of the upcountry buyer. The selling agent is also allowed 9—30 days' credit and if he recovers the amount as he generally does from the merchant he pays to the mills the amount earlier and gets credit for interest. The sales agents are asked to deposit a lakh or two according to the size of the mills and they are paid interest for this amount. Only capitalists can become selling agents and these capitalists have not much knowledge of markets and have to depend upon salesmen whom they employ. The organization of the commission agency does not in any way relieve the managing agents of the work of selling as in every case they have to place the offer of the merchants before the managing agents for sanction. If improvement in these directions is made there is sure to be improvement in the profits of the mills.

Witness No. 65

Mr. P. A. BAPTISTA, BOMBAY

Oral Evidence recorded at Bombay on the 6th September 1926

President.—Will you kindly tell us what your connection with the cotton trade has been ?

A. I have passed the Victoria Jubilee Technical Institute examination, and after that I joined a mill.

Q. Which mill ?

A. The Morarji Goculdas mill. I worked up from a small position to the position of a weaving master and was latterly the manager of a mill.

Q. You were manager of the Morarji Goculdas Mill ?

A. Yes.

Q. Why did you leave it ?

A. I wanted to start a mill of my own. I tried my hand at it. I failed and therefore I retired.

Q. You are able to speak then from rather poignant experience ?

A. Yes.

Q. How many years does your connection with the mill industry cover ?

A. Twenty-five years.

Q. I see you consider that the depression is only temporary ?

A. Yes.

Q. What are your grounds for holding that it is temporary ?

A. Things adjust themselves after a certain time.

Q. In your view 42 mills to-day out of 83 are making profits. What are your grounds for that statement ?

A. I have gone through a lot of mills and seen which are making profits and which are not.

Q. What grounds have you got ? Could you give us a little more evidence ?

A. They have got large reserves. They are under better management. Their agents command greater confidence of the people, not only of the people but of the merchants themselves. There are certain mills whose goods are not very much taken up simply because they do not inspire confidence in the merchants and they always pay the lowest prices for the goods of certain mills, while they are prepared to pay a quarter of an anna more for the goods of those mills on which they can rely.

Q. Quite so. You state that 42 mills out of 83 are making profit. I should like to know the evidence on which that is based ?

A. You will have to go into each case and then I can give you the reason for each one. It does not mean that all of them have got the same reason, nor that all of them have got the same reasons for making a loss.

Q. Quite so.

A. I conclude therefore that the trade is doing fairly well.

Q. That is hardly borne out by the balance sheets. You say that 42 mills out of 83 are not making a profit. But you think, inspite of that, that the industry as a whole is making a profit ?

A. Yes.

Q. I should be much obliged if you could give us a list so that we can form some estimate for ourselves.

Raja Hari Kishan Kaul.—You think conditions are such that if the present margin between the price of cotton and cloth continues mills which have not gone into liquidation will not go weaker ?

A. No ; because they have to look into their houses and see whether their houses are in order.

Q. You think there is room for further economy ?

A. Yes, and some are effecting economies as far as my knowledge goes.

Mr. Subba Rao.—You spoke of things adjusting themselves ?

A. What I mean by that is that when you make a change immediately you cannot put up with the change. There is no doubt as I mentioned in my statement that, to a certain extent, the exchange question has a great deal to do with the present depression.

Q. I am not asking about that. Does the adjustment include firms going into liquidation ?

A. No. What I mean is that the purchasers adjust themselves to the state of the market.

Q. It does not include businesses failing and people buying them up ? That will be disastrous ?

A. No, I did not mean that.

President.—Coming to the question of competition between imported goods and those of Indian manufacture, Mr. Baptista, you as a weaving master must have had considerable experience of Indian piece-goods ?

A. Yes.

Q. Do you know much about English and Japanese goods ?

A. Yes. I used to visit in my capacity as manager the shops in the market once a month to see what were competing with our goods. I may say it is not very common in all the mills, but we used to do it.

Q. What I want your considered opinion on is what is the exact range of competition between Indian, Japanese and English piece-goods. You have been following our proceeding with a certain amount of interest, I know. You know exactly what I want to get at.

A. What I feel is that there is general competition in grey goods, in sheetings—not of very high counts. The Indian mills generally make their sheetings and shirtings from 18s to 24s against the English mills making their sheetings from 22s to 32s. In weight the English goods are lighter than ours, because our counts being a heavier one we cannot produce goods of the same weight as the English sheetings and they put in a few more reed and pick into the cloth which gives the cloth a better appearance. In price, they are just a little higher. But still because of the better appearance and the closer texture they are preferred to our Indian sheetings. Still there is a class of people who will always take the Indian cloth because it is a bit cheaper. The Japanese are able to put on the market almost the same cloth as the English cloth in reed and pick and counts and at a cheaper rate and that actually comes into competition with the Indian goods.

Q. You say that Japanese sheetings are distinctly superior to the Indian but not quite so good as the English ?

A. Yes, and that comes nearer to the price at which Indian mills try to put their goods on the market and it is preferred, and therefore we are suffering a severe competition from the Japanese than from the English goods in that respect. And there are other classes of goods like drills and such like things where the Japanese compete with us very much. Pepperell which is an American drill is much higher in price than other drills. But there are classes of people who will always wear it.

Q. Would you say from your experience that the competition between Indian, English and Japanese goods is greater than it is usually thought to be ? The point of view that has been put before us is that there is really very little competition between Indian and English goods.

A. That is true as I pointed it out to you just now. I said that because they were higher in price these three goods did not compete with one another. There is a big margin between the Indian and the English sheetings and the Indian mills can stand that competition. But in the Japanese case, they are better in quality and cheaper than the English and therefore they compete with us more than the English ones.

Q. What I would like to find out if possible is how much of the English stuff that comes in is made from yarn under 40s.

A. All sheetings are made under 40s.

Q. All the English sheetings ?

A. Yes.

Q. And what other class of goods ?

A. There are some dhoties made under 40s.

Q. Any shirtings ?

A. Yes ; not all.

- Q. Not all, or not much ?
 A. Not much.
- Q. Anything else coming from England ?
 A. There are certain varieties of cloth that you cannot classify exactly in that fashion But I think the majority of the grey goods are made from counts below 40s.
- Q. Even the English ?
 A. Yes.
- Q. As regards the Japanese goods, would you say that much of their stuff is below 30s ?
 A. No, except for the towels and such like things. Their drills are below 30s
- Q. The bulk of their competition is in counts between 30s and 40s.
 A. Yes.
- Raja Hari Kishan Kaul.*—When did you sever your connection with the mill ?
 A. About five or six years ago.
- President.*—You have been keeping in touch with the industry since then ?
 A. Yes.
- Raja Hari Kishan Kaul.*—How long did you go on with your mill ?
 A. For a short time.
- Q. About a year ?
 A. Yes, it was merely a dyeing and bleaching one.
- Q. You worked it for about a year ?
 A. Yes.
- Q. And then why did you give it up ?
 A. Because I could not stand the finance.
- Q. Could not pay interest ?
 A. No, I could not.
- Q. Since then your knowledge of the cloth market has been obtained from what you have seen casually ?
 A. Yes, since then.
- Q. There is practically no import of grey chadars from Japan ?
 A. I do not think there is so much as to be any real competition.
- Q. All the grey chadars come from the United Kingdom ? And grey sheetings come mostly from Japan and not from the United Kingdom ?
 A. That depends upon the classification of sheetings and shirtings.
- Q. In the Sea-borne Trade Statistics more than 34 million yards of what is registered as grey sheetings came from Japan last year while only about 112 thousand came from the United Kingdom. So the competition would appear to be entirely with Japan ?
 A. Between Japan and England there is a tremendous competition. Between English and Japanese goods in our market there is competition.
- Q. In grey goods, particularly grey sheetings, there seems to be competition between India and Japan, not between Japan and the United Kingdom. Is it so ?
 A. No, I think there is between both.
- Q. The imports of grey sheetings from the United Kingdom are very small ?
 A. But they have been reduced. If you look at the figures ten years back you will see quite a different story.
- Q. I do not think they are much. There have been attempts to manufacture drills more or less of the same type as those coming from Japan ?
 A. By whom ?
- Q. By the mills here.
 A. Yes.
- Q. Do you think they have been successful ?
 A. There was a time when there was a great demand for this during the war, and immediately after the war, but now the price has been such that the Indian mills have been obliged to stop that particular sample of drills.
- Q. So they are not making them ?
 A. They are making them but not to the extent as they did during the war and immediately after the war

Q. Are you aware that they are now trying to imitate a certain kind of Japanese drill ?

A. Yes, every mill I think is making Japanese drill. I won't call it imitating them. This comes in the course of cloth they have to manufacture. The question of imitation depends upon as to who was the first in the market, and who followed. There are mills which have been producing it from 1880.

Q. My point is, have they succeeded in placing on the market drills which are as good and attractive as those produced by Japan ?

A. Some mills have made very good drills, but still in my opinion they have not come up to equality with the Japanese in get-up and other things.

Q. As regards cost ?

A. Each one knows what it costs him, but I dare say taking into consideration all things, if Indian mills were to attempt to manufacture equally good stuff, they would never be able to put it on the market at the price at which Japanese mills have been doing.

Mr. Majmudar.—Evidently there seems to be some confusion about the word 'sheetings.'

A. We get samples and we get them analysed and so far as shirtings are concerned they seem to be from 40s to 44s and 36s to 40s, while all the sheetings are of coarser counts.

Q. There are shirtings of 24s and 30s also.

A. There is a good deal of confusion in shirtings and sheetings and longcloth.

Q. Sheetings are generally of 14s to 15s and 16s to 17s counts ?

A. Yes.

Q. Those are generally of Japanese make ?

A. Some of English make also. Horrocks sheetings are sold in the market.

Q. They are of the same counts ?

A. I have not examined them so minutely as to find out the counts. The Horrocks sheetings have been coming for the last 15 years and it is even now coming and there is a class of people who will wear it and none other.

President.—As regards internal competition, Mr. Baptista, I see you consider the Bombay Mills are suffering because new mills have been erected upcountry.

A. Yes.

Q. Do you consider that the competition of the upcountry mills with the Bombay mills contributed to the present depression in Bombay ?

A. Yes, absolutely.

Q. Which do you consider the greater factor, the competition of upcountry mills or the competition from Japan ?

A. I think the competition of the upcountry mills.

Q. The Bombay mills are still producing rather less than half of the total production of India.

A. That is true. But the upcountry mills are so situated that they have got certain natural advantages. The Bombay mills had certain advantages in some markets before, now mills have been planted in those very places where we used to supply the goods, or at a little distance from them. So they have got advantages. They have got advantages in the price of cotton which I have worked out would be nothing less than Rs. 30 a candy. The upcountry mills situated in cotton districts have an advantage of Rs. 30 per candy. And that is a very big difference. Because a mill of an average size would consume between 500 to 800 candies a month. Then they have a saving in freight.

Q. That is only $\frac{1}{2}$ anna a pound on cotton ?

A. Yes, that is one advantage. They save in freight. The Bombay mill has to send its goods to the Punjab. But a mill erected at Indore has to pay only half the amount of freight because of the shorter distance. They save in freight there and I think they have slightly cheaper labour and they have not got such heavy incidence of municipal and other taxes which weigh down the Bombay mills considerably. All these would come to more than an anna a pound.

Raja Hari Kishan Kaul.—Have you worked out this advantage of the upcountry mills in figures ? How do you arrive at Rs. 30 a candy ?

A. In point of fact many of them get their cotton without being pressed. There is the pressing charge there. There is one mill at Hubli, and there are other mills which get their cotton in *docras* (i.e., half pressed) instead of full pressed bales.

Q. Perhaps one mill ?
 A. A good many mills. A mill situated in a cotton district has many advantages. It saves freight.

Q. Do you know of any other mill that takes unpressed cotton ?
 A. Many mills.

Q. Have you worked out the difference in freight ?
 A. Yes. About Rs. 12 per bale is the freight from Hubli or Dharwar to Bombay.

President.—Rs. 2½ a candy ?
 A. Then, there is the charge at the jaitha where they send it for sale.

Raja Hari Kishan Kaul.—So that the Hubli mill will save that ?
 A. Yes.

Q. Any other saving ? Have you worked out any figures ?
 A. Not for the purpose of giving you.

Q. Can you work them out and give them to us ?
 A. Yes. I will give them to you in detail.

Q. You say the upcountry mills have got up-to-date labour-saving machines ?
 A. Yes. They are of the latest built types.

Q. In what department ?
 A. Blow room for instance. There is not much hand work there. Everything is done by automatic arrangements. They have been put up in the latest style.

Q. Is there any difference in the cost of machinery ?
 A. Well, if anything, I think the present prices are against machinery.

Q. These upcountry mills were put up during the last few years, and I suppose at a very high price ?
 A. Yes.

Q. Will that be a disadvantage ?
 A. In one way it would be, but that is only once. It is not a recurring cost.

Q. The interest charges ?
 A. The interest charge, I quite admit.

Q. The interest comes every year ?
 A. Yes. I do not think that the difference will be such as to make up for the saving that they had got.

Q. Have you examined that ? Have you taken all these points into consideration in saying that the upcountry mills have a distinct advantage ?

A. I have not. But many people have spoken as to how the mill in Indore which was put in 1921 with about 30,000 spindles and 800 looms had made Rs. 8,30,000 profit.

Mr. Majmudar.—That is under different conditions.
 A. What are the circumstances ?

Q. 14 hours' work.
 A. Only 12 hours' work.

Q. You mean an average of 12 hours ?
 A. Yes, of course.

Q. They have no electric light ?
 A. No.

Raja Hari Kishan Kaul.—You have not looked at all these points ? We should like you to go into all these points, so that we may be able to judge for ourselves how far upcountry mills score over Bombay and how far Bombay has got advantages against upcountry mills.
 A. Yes.

Mr. Subba Rao.—You say "it is the handloom industry which suffers competition and requires protection". Competition from whom ?
 A. From the mills.

Q. I thought you meant English competition. In answer to Question 38 you say "I do not think that there is much competition. Each manufactures a distinct class of goods". Then you speak about the handloom competition. If the mills are not producing similar goods how can they compete with the handloom industry ? I thought you meant foreign competition.

A. What I mean to say is that the mills manufacture a different class of goods from what the handlooms manufacture. But there are certain cases where they do compete.

with the handloom industry and what was in my mind at that time was that at one time the handloom did all the saris which to-day have been taken up largely by some of the mills in India and therefore the handloom industry is suffering competition. Then, the khadi which was mostly hand-made khadi is not manufactured by the mills. That is what I mean.

Q. This is the line of goods in which they compete ?

A. Yes. There is no competition between handloom and power looms as such ; but in certain classes the handloom experiences competition from the Indian mills.

Q. In what sorts ?

A. As I have mentioned, saris and khadis. There are certain classes of goods which no power loom can manufacture and they must necessarily be manufactured by the handloom.

Q. It cannot be standardised ?

A. Yes.

Mr. *Majmudar*.—How many mills are getting an advantage of Rs. 30 a candy over Bombay ? Let us take Ahmedabad. It purchases cotton from which centres ?

A. Kari, Broach and all places above Kathiawar.

Q. Do they purchase from Hubli ?

A. Not to my knowledge.

Q. American ?

A. Yes, they do.

Q. Cambodia ?

A. Yes, for the higher classes.

Q. All this cotton has to be got from a greater distance than Bombay ?

A. Yes.

Q. Whereas for Gujarat cotton the freight to Bombay as well as to Ahmedabad will be the same. If anything, it is nearer for Bombay.

A. Yes.

Q. So in the case of this cotton, the Ahmedabad mills have to pay a higher freight ?

A. But they stick to such cotton as is nearer and which comes cheaper, provided it serves their purpose. They may go in certain cases for other cotton ; but they try to avoid that as much as possible.

Q. Have you any idea as to which cottons Ahmedabad mills require for spinning according to their present requirement ?

A. No, I have no idea at all.

Q. From what little we saw, we found that they were going more and more into finer and medium counts and that they have been using the Cambodia, African, Sind-American and all such qualities of cotton to a great extent. In the case of all these cottons they stand at no advantage over Bombay ; on the contrary they stand at a disadvantage, in having to pay a higher freight. You agree to that ?

A. Yes, if that is so.

Q. Then let us take the question of coal. In the matter of coal, Ahmedabad is at no advantage over Bombay.

A. Yes, I think so.

Q. Then, with regard to stores also, Ahmedabad is at no advantage over Bombay.

A. No ; but at a very little disadvantage.

Q. A mill may pay Rs. 10,000 or Rs. 20,000 a year in railway freight. It depends on what quantity of stores it consumes.

A. Yes.

Q. Then, we next take up the question of labour. Bombay labour is certainly more efficient than Ahmedabad labour.

A. I do not think so.

Q. You think Ahmedabad labour is more efficient ?

A. Yes, because it is a more stationary labour than Bombay labour. Bombay labour is more of a migratory character and they always take a pretty long holiday every year. My experience in the weaving department is that when two men manage a pair of looms every year, one goes for a holiday and there are many such in Bombay.

Q. Have you had any experience of the Ahmedabad mills ?

A. No, I have not.

Q. Then, Ahmedabad mills have to keep a bigger amount of cotton than Bombay.
A. They can hedge.

Q. That is a different thing. I take into consideration the usual conditions.

A. I have known certain Bombay mills keeping as much cotton as any mofussil mill. It depends upon the finance of each one.

Q. That is not for all varieties. Bombay mills have to keep only some warp cotton. Ahmedabad mills have to keep stocks of all varieties. They have to provide a bigger capital and there is further the risk of depreciation also.

A. Therefore they could hedge it.

Q. Very few mofussil mills do that. If you take into account all these considerations, do you think Ahmedabad mills have any advantage over the Bombay mills?

A. Yes. Even if you take all these into consideration, they are certainly at an advantage. It may not be as much as I have mentioned. Some may have more and others less. But they are all at an advantage over the Bombay mills.

Q. Further if you take Nagpur, excepting coal, I do not think they are at any special advantage. For instance, they may be purchasing a major portion of their cotton from the Central Provinces; but they also purchase from the Nizam's dominions. When they have to send goods they have to send by rail to long distances, whereas Bombay can send goods by sea to Calcutta, Madras, etc., at a very nominal freight.

A. But still, Nagpur is centrally situated.

Q. But the railway freight is always dearer than the sea freight.

A. That is of course a fact. What do you want to infer from that?

Q. What I mean to say is that the advantage that you have mentioned as regards railway freight is not common to all centres.

A. But you are forgetting one very important fact that, although they have to pay freight, they sell their goods very much in the local markets which saves them all the freight. But in Bombay you cannot sell directly to the consumer.

Q. In which markets are goods sold by the Nagpur mills?

A. As far as my knowledge goes, they have standardised their rates and in all the markets they sell at the same prices. Whether you have to sell it at Berar or at Tuticorin, the price is the same.

Q. That is a different matter.

A. But it is a matter which is worth going into.

Q. You say that is an advantage in their case; but really speaking they are not taking advantage of the local market, because they are charging the local market a higher price relatively, because they add to the price a certain amount due to the freight on goods consigned to other markets.

A. That is much lower than if the goods were to go from Bombay.

Q. That is only for part of the goods. But they have 50 shops in different centres?

A. One hundred and ten.

Q. And if they were able to sell a large part of their produce in the local market, they would not care to have 110 shops.

A. It is a pretty large mill and they are not making large contracts and giving their goods in the hands of a single merchant to distribute them.

Q. Most of the Ahmedabad mills sell either in Cawnpore or Madras or Calcutta?

A. Yes.

Q. And for these they have to pay a higher freight especially to Calcutta and Madras?

A. Yes, only to Calcutta and Madras.

Q. And most of their goods are at present sold in those markets?

A. I have no knowledge on that question.

Q. Then, you refer to the competition between handlooms and power looms and you instance khadi. You remember khadi was made on handlooms years back before power weaving was extended to a great extent but that for the last fifteen or twenty years they have given it up?

A. Yes, but only to start again.

Q. So, the competition in khadi is not new.

A. Of course not. Therefore I say they always require protection.

Q. And so with reference to chaddars and other varieties.

A. Yes.

Q. Even as regards the manufacture of sarees, the mills have been doing it for 20 or 25 years ?

A. Yes.

Q. So the competition is not new ?

A. No, I do not maintain that at all. That is not my standpoint.

Q. Then, with reference to the new mills having advantage of the latest machinery, how many new mills have been erected ?

A. There is the Model Mill, the Indore Mill, the Sholapur Mill. You must take those mills as modern. Also the Vishnu and the Laxmi Mills.

Q. The Vishnu mill was started in 1906.

A. Unfortunately I have not got the Millowners' Association's Report. But if you look to the figures from 1914 to 1924, you will find a number of spindles and looms have been added in the mofussil.

Q. Because new mills have been put up, it does not necessarily follow that all have adopted these improvements.

A. Certainly, when people put new things they do not want to go into old, antiquated things unless they have no knowledge.

Q. From the Millowner's statement you will see that Bombay also has put in a good number.

A. They are mostly extensions. From 1914, no new mill has been added.

Q. If you see some of the mills, I am sure you will change your opinion

A. Of course in the case of big mills, your opinion is quite correct.

Q. What I mean to say is that the advantage which you consider these new mills have got to the extent of Rs. 30 a candy, would dwindle, I think, to practically nothing or would even be the reverse when you take everything into account—interest or depreciation on capital, etc.

A. I beg to differ from you on that. I would like to sit with you and work out the figures.

President.—Mr. Majmudar will be pleased to do that any time when you are free.

A. I am free at any time.

Q. I shall be glad to go into the matter. Then with reference to the question of storage of unbaled cotton, you know it is more liable to catch fire ?

A. Yes.

Q. You also know that the insurance rates generally, even for the same class of building and especially godowns, are more for the mofussil mills than for Bombay mills.

A. Yes, it is so.

Q. Even there, the mofussil have to suffer.

A. Yes, a little.

Q. The mofussil mills do not get the same banking facilities.

A. But they have local people who largely deposit their money.

Q. Not at all mills ?

A. Such mills in which they have confidence.

Q. Do you think the mofussil mills pay more attention to the requirements of the market than the Bombay mills ?

A. I could not make that odious comparison.

President.—Do not call it an odious comparison. It is a point on which we want information.

A. You cannot make a general assumption of that kind. There are certain mills here which pay very great attention to the market, and some who have the *laissez-faire* policy.

Mr. Majmudar.—We are talking of the majority and not of individual mills. What is your general opinion ?

A. My general idea is that they do not take sufficient pains to look after the requirements of the market.

Q. Bombay mills do not ?

A. Yes. It is only an impression. But if you are to take each individual mill they say they certainly do.

Q. Whereas the mofussil mills do come in greater touch with the merchants ?

A. Yes, they do.

Q. And therefore they are able to manufacture cloth which is easily absorbed ?

A. Yes, that is an advantage to them.

Q. Can that be one of the reasons why they are able to dispose of their goods quickly and perhaps at a profit ?

A. Yes, one of the reasons.

President.—In the next section, you commence by saying that mills are generally not managed with economy and efficiency and there is ample room for improvement. Would you enlarge on that point, Mr. Baptista, stating in what directions you consider there is room for improvement ?

A. I think in the employment of the number of hands in the first place. They are also top heavy.

Q. Taking the points one by one, firstly the employment of the number of hands, in what direction is there room for improvement there ?

A. I think there are more hands employed than are absolutely necessary for the running of the mill in Bombay ; and that is also due to the fact that they get a large number of absentees and to make up for that they have to employ a larger number of hands.

Q. How can they be reduced ?

A. Inasmuch as they think that, if a man is absent it does not matter, there is another man in the service who could come in, it does not matter. With stricter supervision over the workmen they will be able to reduce the absentees and thereby the number of hands employed.

Q. You say stricter supervision ? It is a little difficult to see how that would work. Can you explain it a little further ?

A. What I mean to say is this : that the Bombay mills employ a large number of hands and that is simply due to the laxity of their attendance and also when they are in the mills they waste a lot of time : and with greater supervision in this matter and with more strictness, they would get the same men working better, with the result that they could employ at least 10 per cent. less hands.

Q. I cannot help thinking that if it were possible for them to do so they would have done something more than they have done in that direction.

A. Yes ; but the millowners are not very much in touch with the internal working of the mills.

Q. You think they could do without this allowance of 10 per cent. for absenteeism ?

A. Yes ; and I think that now that they are feeling the pinch, they are doing it and several mills have reduced their hands. If those mills could reduce now, I do not see why they could not have reduced five or six years ago. There is retrenchment policy going on just now. It is always when you are making money that there is no retrenchment policy and surely this policy is adopted not with a view of making it more inefficient but more efficient.

Q. Do you consider there is any prospect of getting the mill operative to look after more looms and spindles ?

A. That is a debatable question. In order to know the capacity of the Indian workmen, it would be better for mills to bring out about half a dozen workmen from England and make them work side by side with the Indian workmen. Then they would know exactly the capacity of Indian workmen. It is all talk just now, but no practical proof on that. There are certain men who have come from England and who say that we do not give our workmen sufficient up-to-date facilities to make them run the loom as efficiently as a weaver in England. They say the tacklers or jobbers are very inefficient ; and they do not tune the looms in such a way as would work well. In England the weavers would absolutely refuse to work a loom which is worked by an Indian workman.

Q. You speak from special experience ?

A. Yes.

Q. You know about this as a weaving master ?

A. Yes. They are inefficient ; there is no doubt.

Q. What was the next point ?

A. The question of the consumption of the stores. They could certainly make a great deal of saving there.

Q. In what direction ?

A. In the usage and in the knowing why and wherefrom it is not giving out efficient working. I do not say all the mills do not do it. I think even in the purchasing of stores they could make a certain amount of saving. Some go in for cheap and nasty goods.

Q. What is the next point ?

A. Then I think there is a lot of wastage of the material ^{used} owing to the iniciency of the workmen. That causes more wastage in an Indian mill than in an English mill and with stricter supervision this might be reduced.

Q. Wastage of what ?

A. All material, cotton, yarn, stores and all such things.

Q. You say, "to a great extent the present difficulties of the mills are due to heavy expenses made when the price of land, building, and machinery was at its highest value." But there has been no new mill put up recently when the price of land and building were at their highest value.

A. In 1914 you will find that the spindleage was about 3,000,000 and in 1924 it is about 3,400,000. There has been an increase of 418,000 spindles, and taking average of 30,000 spindles you have got 13 new mills practically put up and 22,000 looms have been increased in Bombay.

Q. You consider that means a certain amount of building ?

A. Certainly, they cannot be put up on the streets.

Q. No, I did not suppose they could. But what I was about to ask you was whether they could not put them in the existing building ?

A. No, I do not think they could. Buildings are built to requirements. I have known of mills which purchased land at Rs. 30 and Rs. 35 per square yard and paid as high as Rs. 900 a loom and Rs. 28 a spindle.

Raja Hari Kishan Kaul.—You complain generally of the inefficiency of management of mills. Can you give us any comparative figures from your own mill when you managed it and from the mills as they are generally managed ?

A. It is very difficult to get the figures from other places. Every one thinks himself to be efficient and all the others inefficient.

Q. I dare say with your experience you tried to work as efficiently as possible ?

A. As far as the management could permit me to do so.

Q. Could you give us any idea of the difference in the number of men employed by you and by other mills ?

A. No, I do not think I can.

Q. You want stricter supervision and you think that will reduce the number of employees ?

A. And specially so now when they have to work only ten hours a day.

Q. You think by any kind of supervision you can rapidly change the habits of the people ?

A. No. A beginning must be made.

Q. You say a beginning has been made by certain mills ?

A. Yes, some of the mills have made it.

Q. Can you give us any idea of how many have reduced workmen, and what percentage ?

A. I cannot get those figures because they will never be available for us. But making general enquiries, I have heard a large group has considerably reduced the number of hands—a group that manages about 13 or 14 mills.

Q. Making enquiries from whom ? From the management ?

A. Not from the management. They won't give us those figures. I see a number of people asking for jobs and I asked them where they were and why they were out, and they gave me some information.

Q. You collect information from the workers ?

A. Yes.

President.—Mr. Baptista being an ex-manager, must know many men in the mills.

A. I will not be able to produce any statistics, because I am not in touch sufficiently direct.

Raja Hari Kishan Kaul.—That is your general impression ?

A. Yes.

Q. Roughly speaking, what reduction have they made ? Can you give us any idea ? Say, 5 per cent. or 2 per cent. ?

A. I have only heard they are making a reduction now, because they cannot stand the present competition.

Mr. Subba Rao.—In reply to Question 43, you say there are certain millowners who are also cotton dealers, millstore dealers, machinery dealers, etc. You mean agents or mill owners ?

A. Mill agents.

Q. They are also cotton dealers ?

A. Yes.

Q. In a regular way ?

A. No, those who have got gins and presses.

Q. Of their own ?

A. Yes. I have got a special memorandum for that purpose.

Q. Is it your suggestion that the cotton for these mills is bought by the managing agents through their own firms ?

A. Yes.

Q. Would you give us the names confidentially ?

A. Yes. (The names were written down and handed over.)

President.—Is this memorandum confidential ?

A. Yes. But if you want to question me I can answer you.

Mr. Subba Rao.—In answer to Question 47 you say that very handsome dividends were paid and the big depreciation and reserves were immediately invested in fabulous prices for land.....You mean extensions ?

A. Yes.

Q. Were there very many such cases ?

A. There were three or four.

Q. We know that one at least made a bad speculation.

A. Not purchasing mills outright but even in extensions.

Q. They paid heavily for land and it has now gone down in value ?

A. Not only land but machinery too.

Mr. Majmudar.—Is there any stoppage of machinery at present due to bad trade ?

A. Yes.

Q. Is it more in spinning than in weaving, or in both ?

A. In weaving, and naturally the spinning has to be stopped.

Q. There are certain qualities which are not manufactured and consequently looms have to be stopped ?

A. Yes.

Q. As a consequence some of the spinning machinery has to be stopped ?

A. Yes.

Q. Do you consider the retrenchment that is being made at present in certain cases is due to the stoppage of machinery ?

A. No. Apart from that.

Q. It is over and above that ?

A. Yes.

Q. To what extent do you think the mills have been able to retrench ? About 5, 10 or 15 per cent. ? Firstly in the supervising staff.

A. Taking all in all. One mill might remove the top heavy men. Another may not have followed exactly the same method. So you cannot say exactly what reduction was made in each section. But on the whole I think at least 2 to 2½ per cent. reduction has been made.

Q. It is not in the case of those people who are minding the machines ?

A. No, that cannot be.

Q. It is only in the case of the extraneous people ?

A. Yes.

Q. When you say that it is possible to reduce 10 per cent. of the labour force you also refer to the extraneous people ?

A. No.

Q. You refer to the machine people only ?

A. Yes. A man may be given a few more spindles to mind and so on. Make them more efficient, because they have to work shorter hours than before.

- Q. In the case of the spinners. I think they are at present minding one side ?
 A. Yes. They may mind two sides. In fact the Morarji mill has got a good number that manage two sides.
- Q. Does not production suffer in that case ? Does it not lead to more waste ?
 A. If efficiency increases, I do not see why production should suffer.
- Q. Efforts made up till now in that direction have always led to increased waste and lower production ?
 A. Not always. I do not agree.
- Q. To a great extent ? In the majority of cases ?
 A. Yes, because of the supervision.
- Q. What is your experience in the case of people working single looms and people working double looms ?
 A. I do not think any mill in Bombay works single loom. All work double. There was a time when a single loom was merely given to a learner.
- Q. And then a learner was able to give the same production as an efficient man or man with experience ?
 A. I do not think so. If there was a little advantage for a single loom it is not worth considering now.
- Q. To the extent of 10 per cent. ?
 A. I do not think so. You can hardly get half a pound extra on ten pounds production. That is about 5 per cent.
- Q. Do you think the weaver would be able to mind more than two looms ?
 A. Two, three or four.
- Q. He can mind four ?
 A. If you give him the conditions. A weaver in England has very much less work to do compared with the Indian weaver's work.
- Q. That is also partly due to the fact that we are on coarser counts ?
 A. Yes. Let those people be brought out and put on the same conditions and let them show results to us.
- Q. That is a matter of trade conditions. If the market requires coarse qualities, the mills have to manufacture coarse goods.
 A. The market also takes their qualities. We are trying to go on to their qualities. Therefore we must give their conditions.
- Q. You mean when we commence to go on fine or medium goods we might try the experiment of giving more looms to each workman.
 A. Certainly.
- Q. Are there any mills at present working on 50s, 60s and 70s ?
 A. Just a few.
- Q. Have they tried that experiment ?
 A. No. It is too soon. In six months time you do not expect the workmen to be so competent as to take up four looms. They are trying the experiment of giving the assistance of small boys.
- Q. I think that experiment was tried in Ahmedabad also ?
 A. Yes, I think so.
- Q. Do you know that the work people are already complaining about the strictness of the supervisors ?
 A. It is a very common thing.
- Q. If as you say the supervisors and agents are more strict, would that not lead to strikes ?
 A. We should not be frightened by these things. A right thing is a right thing after all.
- Q. For example you say that you should be more strict. But the complaint as I have said is that no latitude is allowed to the workmen.
 A. What I mean to say is that there is no such thing as asking for leave in the Bombay mills. They stop away whenever they want to without giving any intimation, and sometimes we have got no men to take their places and we do not know whether a man is coming back. The result is production suffers. This is a great drawback. If we only make a rule that every man must come and take his leave as they do in England, I do not say there is no difficulty about it, that would be not much of strictness.

Q. What percentage of people would be remaining absent like that ?

A. 10 per cent. Nobody in my time ever sent a letter to say that he was absent. We had to find out after half an hour that the man was not there and then we had to try other men for substitute jobs.

Q. How can they send letters when they are illiterate ?

A. They can send word. They do not live by themselves alone. They club together.

Q. It is just possible that one man may be working in one mill and another in another mill.

A. That is not so. They live very near in the groups of chawls. You will never find a man living on this side of the Currie Road and working on another side. He will always work in a mill round about.

Q. To what do you attribute their negligence ?

A. They have not been made to do it. Where a man informs, he gets no advantage over a man who does not inform.

Q. The man who does not inform stands to be fined ?

A. But they do not observe that strictness. They do not fine them.

Q. Their complaint is that they are dismissed, but not fined.

A. Not for one or two days. If they are constantly absent, of course they will be.

Q. You say you have to keep 10 per cent. more labour due to this. What about the weaving shed ? Most of the weavers are on piece-work ?

A. Yes.

Q. You are not getting any people to work as substitutes for them ?

A. Generally these people on piece-work are less absent. In fact if every spinning machine had a counter and the men were paid on the hanks produced on that particular machine you would find a great difference in your production.

Q. Then you refer to the jobbers. If the jobbers do not attend to the looms properly, there is the supervisor, there is the head jobber and another assistant. When they go round, they would draw the attention of the weaving master to these things.

A. Well, you know very well that sometimes you get a head tackler who cannot tackle a single loom. I have known of head jobbers who could never tackle a loom. And that is not only my experience. It is the experience of many men. They have to tolerate such men simply because of the other advantages they get.

Q. They should not be called head jobbers, if they are not practical men ? Their function is different.

A. Then that means another man. Any way you increase the number of hands and increase the cost of your production.

Q. You require some people to recruit hands, and therefore you should consider these men as doing that work.

A. If you could combine both into one it would certainly be better.

Q. How is it possible ?

A. Why not ?

Q. You do not expect a workman to be every day on duty and to remain in touch with labour and get you labour as wanted ?

A. There are such men too.

Q. Is it your opinion that in spite of the availability of such men, the mills do not employ them and employ the other people who do not know practical work ?

A. What I mean to say is that there is nothing here, no system whereby you can know one efficient tackler from another. They are simply made tacklers from the certificate of a weaving master saying that he has been working as a tackler. If there was some examination to be passed by these people you would certainly get a better class of tacklers.

President.—What is a tackler exactly ?

A. He has charge of 40 to 60 looms. He has to put the looms in such order that the weaver can work it easily. Supposing a mill has got 400 looms there will be 10 such tacklers managing these 400 looms, and each one of them will have 40 looms. And in 40 looms there will be 20 men working. He has to bring the beam, put it on to the loom, adjust all the parts and make it go.

Q. Is he the head of these people who work ?

A. Yes. In the past they were taken in merely because they could bring the men in to work on the looms and not on account of their knowledge of looms,

Mr. Majmudar.—Particularly so when there was a shortage of labour.

A. Yes, these men are not weeded out because they have had their positions for years.

Q. They also earn on the production of looms ?

A. That is true.

Q. If the production suffers, it means a lower wage ?

A. Yes.

Q. It has been the experience at some of the mills that the weavers complained when tacklers did not know their jobs ?

A. Yes ; now they are getting more articulate I dare say, but not to the extent that one would wish. After all they are dependent for their bread on the tackler. One is afraid that he may be discharged should he complain.

Q. Is it your opinion then that these people ought to be better trained ?

A. Yes, that is my definite opinion.

Q. What sort of training and for how many years ?

A. They may have their training in the mills but they should be at least examined by an independent body whether they are competent or not competent and they should be given certificates, and on these certificates they should be engaged, and not merely on the certificate of a friend. And very often they pass certificates from one to another.

Q. You mean they transfer the certificates from one to the other ?

A. Yes.

Q. So you would introduce a system of putting in the photographs ?

A. Exactly, that is in my mind.

Q. What about the supervisors ?

A. They ought to be tested too.

Q. The supervisors are generally recruited from the better class of people ?

A. Yes, from the tacklers.

Q. Not from Matriculates ?

A. I have not heard here of a supervisor being a Matriculate. These technical boys are taken immediately as assistants.

Q. You refer to the boys from the Victoria Technical Institute ?

A. Yes, they go directly as assistants. They will not go as anything lower.

Q. The supervisors also have not got much technical knowledge ?

A. They have not.

Q. They are the people who have generally taken practical training all their life ?

A. They are working but have not had training as such.

Q. Whom would you prefer, a man who has completed the technical course and done practical work, or a man who has done only practical work in the mill ?

A. I would like one who has done both theoretical and practical work.

Q. Those people do not take off their coats ?

A. Yes. That is the complaint, but you will get people who will take off their coats and have also attended colleges, and these are the people who shine.

Q. Do you think it is possible to give a theoretical training to the workmen ?

A. Yes, we did attempt it at the Morarji Mill and they appreciated it. Mr. Mason, the Weaving Master, used to run a class for them and he used to explain to them the different parts. The tacklers did appreciate it. They said they learnt something which they had never known before. But you do not get many weaving masters who take that trouble.

Q. Then with reference to the question of the consumption of stores, generally each mill has its own standard. The mills in the same area know about one another's consumption.

A. I won't say it is known but generally the consumption is about near one another.

Q. So in the matter of consumption of stores, there would not be much margin for reduction ?

A. But every little adds up and in a big concern every little is a great thing.

Q. I do not mean to say that efforts should not be made but what I am trying to find out is, whether there is any big scope for reduction there.

A. If you want a big scope for everything, you cannot get it. But every little thing adds up.

Q. Then with reference to the question of purchase of stores, do the agents generally make purchases in consultation with the heads of departments ?

A. Yes, but not always.

Q. And in case bad or cheap stores are purchased, the weaving master or the spinning master, whoever is responsible, makes a complaint ?

A. Yes.

Q. So I do not think the agent would continue to purchase such articles.

A. It is not always heeded. They always think there is some sinister motive in it.

Q. But does that happen continuously or rarely ? In most of the stores there are standard qualities which are generally used ?

A. I could not say. In fact for one kind of stores there are many qualities.

Q. Is it not the practice with the majority of mills to test the various qualities ?

A. No.

Q. Do they stick to one quality only ?

A. Yes, sometimes there is not much latitude for testing.

Q. Why ?

A. Because they always purchase the same article from the same firm.

Q. Supposing some change was made in the matter of purchasing stores, how much would the reduction in the consumption of stores come to for a mill of 30,000 spindles and 1,000 looms ? How much saving could be effected ?

A. Well, you can easily get a saving of a couple of thousand rupees a month.

Mr. Majmudar.—That may be in the case of some mills.

A. Yes ; not all of course.

Q. That will be the highest ?

A. Yes.

President.—As regards the two notes you have put in, I do not think there is anything in them that we have not got from other sources. I think it would be useful to have them on our record, if you have no objection.

A. I have none.

Q. You say "most of the millowners are also insurance agents. They are allowed by the under-writers to pay 25 per cent. to the mills whilst mill agents are allowed 42½ to 45 per cent." Does that mean that the mill agents get the 17½ per cent. ?

A. Yes.

Q. Then you say "Several mill agents have opened their own houses in England for purchasing stores." Are you sure that there are several ? As far as I know there is only one.

A. More than one.

Q. There is nothing confidential about the fact. Messrs. E.D. Sassoon & Co. have their own house in Manchester for their own business. Are there any others ?

A. The Swan, Finlay, Sholapur and Morarji.

Mr. Majmudar.—But we do not purchase all these articles. It is your view that the brokers who buy cotton get too high a commission ? That of course is the complaint.

A. Yes.

Q. Their commission works out to about 1 to 2 per cent. One per cent. means annas 8 per bale. Is it not so ?

A. Not necessarily when prices are at 900.

President : Rs. 1-12-0 or Rs. 2 at 1 per cent. and Rs. 4 at 2 per cent. with cotton at about Rs. 200 a bale.

A. Yes.

Q. You consider that annas 8 would be enough ?

A. Yes.

Q. I doubt if the brokers will consent to that.

A. It is more a sinecure appointment.

Q. That, I think, is a matter of opinion.

A. Yes. It would be advantageous to the mill if they had such a system. My point is that they should be paid per bale rather than on the price of cotton. They have no inducement to reduce the price of cotton, or bid down the merchant from whom they are buying.

Q. One further question about the purchase of cotton. I gather from your written statement that you are in favour of the millowners' proposal that there should be only one hedge contract.

A. Yes.

Q. Now we come to labour. What do you mean by saying that "some mills are top-heavy"?

A. They have got managers, weaving masters, assistant weaving masters, assistant supervisors—all these over-head men—more than is absolutely necessary and they have been paying them very high salaries. They are not wanted for the present time.

Q. Taking a-mill of 30,000 spindles and 1,000 looms, what superior staff do you consider is required to run on really efficiently?

A. One manager, a carding and spinning master who could be combined in one.

Q. Are they often combined in one?

A. Yes. They are often combined. Then an engineer, and a weaving master. A weaving master and sizing master is very often combined in one. Then if you have bleaching and dyeing, a bleaching and dyeing master. But there are several cases where they have separate men for these.

Q. What should be the number of the superior staff required for a mill of that size?

A. Those that I have mentioned now.

Q. Is that all?

A. That is all.

Q. But have many mills got more than that?

A. That is not the point. The point is that to my mind they are paid a little too much. There may be a considerable reduction in all these which will amount to Rs. 1,000 or 2,000 a month.

Mr. Subba Rao.—It is a question of salary, not the number of people employed?

A. The number of people and the number of assistants they have got.

President.—You consider that there are too many assistants?

A. Yes.

Q. Is that common?

A. I think so. What I mean is that there is room for looking into all these matters and it is not merely that exchange is against us.

Q. You say that "absenteeism in Bombay is due to a great extent to sickness".

A. We are suffering more from malaria than the upcountry people.

Q. So it is not due to the fact that they go upcountry to look after their fields?

A. That they do. There is scarcity at certain periods. But generally absenteeism is due to malaria and other diseases owing to the insanitary conditions in which they live.

Q. In the case of absenteeism due to that cause it is a little difficult for the operative to send word to the mill that he is staying?

A. At least the second day we could get the information; but they never do it.

Q. In what way do you consider that legislation has increased the cost of production?

A. The reduction of hours.

Q. But that was already brought into force before there was any legislation.

A. That is true. The first reduction that was made was from 13 hours to 12 hours and during the boom period, the millowners could not afford to have a strike and therefore they willingly consented to a reduction to 10 hours and it was followed by legislation. If there was no legislation the mills would work for 11 hours for the same wages and whether they will succeed or not, it is a different matter.

Q. I think there is a mistake; in your answer to Question 77 you say "jobbers are very efficient".

A. Inefficient, I mean.

Raja Hari Kishan Kaul.—You are in favour of a single hedge contract?

A. Yes.

Q. In the absence of a single hedge contract, sufficient hedging has not been possible?

A. No.

Q. You ascribe the depression to that? You say "a great deal of the depression is due to notsufficiently hedging cotton".

A. Yes.

- Q. So you ascribe the depression to this want of hedging ?
 A. If there is want of hedging, there is a sort of speculation and that brings about these results. In the other case though the profits may not be large, you are sure of the profits.
- Q. But during the past two or three years, the price of cotton has been falling.
 A. And so they have suffered.
- Q. But at the same time sufficient non-speculative hedging was not possible under these various hedge contracts.
 A. Yes. Certain people hedged when they saw that you could hedge things in America or in England. It is an international business and it is not necessary that you should hedge in the Bombay market.
- Q. You think people should hedge in America or England ?
 A. Yes, because cotton is an international thing, more governed by America than by the mills. It is left to each millowner to consider what is best for him. There was room for them to hedge if they wanted.
- Q. Not in Bombay.
 A. Not in Bombay, because there were three contracts which were complex.
- Q. To hedge outside would be rather going out of the way. You could not expect every millowner to do that. Could you ?
 A. It is a question of study and he who understands can thoroughly do it.
- Q. In practice he does not ?
 A. No ; because he has not been trained to do that.
- Q. Therefore, the conditions have been such that for want of this single hedge contract people have suffered ?
 A. No. Not for want of this. They had not sufficient knowledge to take hold of some other facility ?
- Q. It was not so easy to do that.
 A. No. There are merchants here—houses in Bombay—who take the American or English hedging.
- Q. Merchants ?—Not millowners ?
 A. Not millowners. Somebody else must take it from the millowners.
- Q. But you want the millowners to hedge ?
 A. Yes. There are houses in Bombay—for instance Langley & Co.—that would take American or any other hedge.
- Q. You think it is the fault of the millowners that they do not hedge in American or other markets ?
 A. That is my personal opinion.
- Q. And that has brought about this depression ?
 A. Not depression ; but has made them suffer losses.
- Q. You attach a great deal of importance to technical education.
 A. Yes.
- Q. Which of course would take a certain amount of time to improve the efficiency of labour.
 A. But we are making no beginning yet.
- Q. You want a beginning to be made ?
 A. Yes ; at least a beginning.
- Q. It will take time.
 A. That is to say, stages. But if you never start, you can never have anything. The industry is more than 70 years old in Bombay.
- Q. There are two institutions here. Do you attach any importance to them ?
 A. There is the Victoria Jubilee Technical Institute, which is a very good institution. But the other one is just beginning and I know nothing about it. But I think that it can do very little.
- President.*—Why ?
 A. It is a very small institution and is without any support and it is a kind of social organization which is more a show than an actual thing.
- Raja Hari Kishan Kaul.*—Can you suggest any measures ?
 A. Vernacular evening classes.
- Q. Attached to every mill or in a common centre ?
 A. Either in a common centre or even attached to every mill and part and parcel of the mill which has to bring its labour up.

Q. You think it will be popular with the mill workers ?
 A. But there will be certain people who actually take advantage. That is, they have got sufficient emulation in them. They will certainly try to pick up knowledge. There are some anxious to know and learn.

Q. Only those can take advantage of this ?
 A. Yes ; and that is enough.

Q. You think there will be a fairly large percentage of them ?
 A. If you get 40 or 50 out of 4,000 men, you will be doing some work. After some time you will have 400.

Q. You would be content to begin with 40 ?
 A. Yes.

Q. You think absenteeism in Bombay is due to sickness ?
 A. Yes ; and there are social customs too that keep them away—funerals, weddings, etc.

Q. That, I suppose, cannot be helped.
 A. No ; it cannot be helped. Even for such things they will never come and ask for leave.

Q. That is a different thing. But the seasonal sickness, such as malaria,—is it not common to almost all places even in the mofussil ?

A. I do not think so. I think you get such cases more in Bombay than any where else. It is an opinion of my own.

Q. Seasonal malaria you find in most places ; there is nothing peculiar to Bombay about it.

A. I have not travelled much and so I cannot give much information.

Mr. Subba Rao.—You said a little while ago that the number of labourers is too large in the Bombay mills. Is that in proportion to the work to be done ?

A. There is room for reduction. That is what I say.

Q. Is it special to Bombay mills or mills in India generally ?

A. To mills in India generally. It is not peculiar to Bombay.

Q. Then in answer to Question 71, you say “ when a bonus was given to hands, there was a better attendance.” Have you got any definite information on the point ? Because we have been told the other way about it.

A. What I mean to say is this. Better attendance exists. There was a register kept in the Morarji Mills of each and every man who put in a full month and you find that the man who wanted to earn bonus put in the 12 months and did not take 3 or 4 months' leave because that would disqualify him for bonus. That is what I mean.

Q. When was this ?

A. 1918 and 1919.

Q. Did the system continue ?

A. No. The bonus has been dropped.

Q. If it was effective, why was it dropped ?

A. That is for the millowners to say.

Q. In your opinion it was effective.

A. It was effective to keep them at their work. But they found it too expensive perhaps. When they were making profits they gave the bonus and the bonus was conditional on their being present for the full year.

Raja Hari Kishan Kaul.—Do you know when the bonus was stopped ?

A. I do not remember. I think it was in 1924 or 1925 when the mills were not making profit.

Mr. Subba Rao.—That is a different bonus. I am not speaking of the general bonus, but the bonus for attendance in particular.

A. There was no bonus for attendance in particular.

Q. You are speaking of the general bonus ?

A. Yes. That also was not successful.

Q. Where ?

A. In individual mills.

Q. Can you give us any specific examples ?

A. We allowed them three days absenteeism and we found that very few earned the bonus.

Q. So it was not effective.

A. No; not effective.

Mr. Majmudar.—If my impression is correct, the workmen were allowed about 30 or 40 days' absence to earn bonus.

A. Yes; one month's absenteeism was allowed.

Q. So, the general bonus could not have much effect because if a man can remain absent for one month during the year, that means 26 or 27 days.

A. Not that way. He could go away for one month after he puts in 11 months' attendance. Then he was entitled to the bonus.

Q. That means if he was absent for 30 days during the year, he was entitled to the bonus?

A. No. Supposing in a single month he was absent for 4 or 5 days, it was not counted. He was not allowed to take privilege leave for more than one month.

Q. What we do is, we take the actual number of days of absence and see whether he is qualified or not.

A. You will get very few to qualify.

Q. A very good number earns the bonus; and then there are also those with nine months' attendance, six months' attendance and so on.

A. Yes; three-fourth bonus, half bonus.

Q. So that attendance did not matter very much. They were sure of getting some bonus.

A. Yes.

Q. Then I will come to the question of assistants. You would not allow any assistant to the carding and spinning master who is looking after 30,000 spindles?

A. Only one.

Q. And to the weaving master?

A. One.

Q. Will not that depend on the sorts they manufacture?

A. Yes; that is true. But if they have efficient jobbers they would not require so many more assistants.

Q. You would allow him more jobbers, e.g., a fancy jobber.

A. No; all this has been a later day introduction.

Q. That is necessary, because the mills have gone in for fancy work.

A. My opinion is that they can do this work from the same class of men, provided they are a little more efficient.

Q. Would you allow him a designer?

A. I don't think there is so much of designing as to require a full time man. The weaving master can do that.

Q. If a designer is provided, the mill will be able to produce different qualities and attractive designs.

A. That is a point on which I hold quite a different opinion. We have run our fancy looms with a uniform staff. We did not have different men for the large number of patterns. We do not run our mill's in the fashion in which they do in England. You never hear of a single mill having Yorkshire dressing—dressing before they are sent to the looms. That is the wrong thing which prevents us from getting as many patterns as they get in England. Most of the mills in Bombay were started and looms put in when they had absolutely not a single fancy loom or fancy pattern and the men brought out to look after those looms were men who had knowledge only of plain weaving. When they were asked to do fancy weaving, they simply followed the plain method. It was not the right method and it went on so far that when they brought out to India fancy men they could not make the change towards Yorkshire dressing, with the result that we suffer in giving the various patterns that we receive from England or from Japan.

Q. I am referring to the manufacture of new designs.

A. Yes; all this is due to not giving them those advantages. It will be much better to manufacture more patterns if we had all these facilities. For what is design after all? There are many book designs.

Q. Certainly you do not expect a mill which solely depends on these book designs, to catch the market?

A. I do not see many who bring out their own prints.

Q. If you put in a designer, he will try to introduce new designs.

A. No. They get a pattern that is already in the market.

- Q. Are there many mills here who employ designers ?
 A. A number of them.
- Q. And they have not been successful in bringing out new designs ?
 A. They do bring about new designs ; but what I mean is that it is not new as compared with the Japanese or the English patterns. If you mean by " new ", the design produced by an Indian mill, I will admit it. But it is something which they copy from something else which already exists somewhere else.
- Q. Even all this work would have to be done by the weaving master ?
 A. Yes.
- Q. The next point is about hedging. If my information is correct, certain millowners have burnt their fingers by hedging in America and other markets.
 A. If they do it rightly, I do not see why they should burn their fingers.
- Q. It is a guess after all.
 A. No ; it is an absolute science if you understand how to do it.
- President.*—Is it not a little difficult for the millowner in Bombay to hedge in Liverpool or America ? He is not on the spot.
 A. No. Everyday the cable comes to Bombay.
- Mr. Majmudar.*—Who can say exactly what is going to happen ?
 A. The question is not understood. You must only buy when you sell.
- Q. You mean you must have only the manufacturing profit ?
 A. Yes. You speculate the other way.
- Q. And what do the local people do ? Do they speculate ?
 A. Yes.
- Q. It is not hedging that they do ?
 A. It is not hedging. It is speculation.
- Q. A man enters the market with the idea of hedging, and afterwards he speculates ?
 A. No one can prevent it.
- Q. That is a general tendency ?
 A. It may be, but that is not to say that it should be done.
- Q. You say that the School started by the Social Service League won't progress ?
 A. No, because the men want wages even for their children. They won't send their children to school.
- Q. Is it a school ?
 A. To a certain extent it is a school. I do not think they have more than half a dozen looms.
- Q. It does not take more than two or three months to study the running of looms ?
 A. True, but not to teach tackling and such like things.
- Q. That may come on subsequently ?
 A. It is a beginning, yes.
- Q. If all the mills round about the school helped them, of course they would be doing much better ?
 A. Certainly ; it is to their advantage.
- Q. Then you refer to evening classes. What hours would you run them ? From what hour to what hour ?
 A. From 7 to 9. We tried to open evening classes for elementary education and we used to get an attendance of 30 between those hours ?
- Q. That is only to make them literate.
 A. Yes, that is more important for them.
- Q. The people have to work for 10 hours in the mill, and every man would want at least one hour for his meals, and then you want him to go to school at night ?
 A. That is a matter of experiment. If one is interested in the subject he goes a long way out to get it.
- Q. You think if a man is inclined to it he will do it ?
 A. Yes, and there is a tendency for them to learn, to improve themselves.
- Q. Would it not be better to give them two or three hours' training a week on a holiday ?
 A. Yes, that is a matter of detail—how you should arrange it. The principle is that they ought to be trained. Whether you use holidays or other days does not matter.

President.—There is only one other small point I should like to ask you about, Mr. Baptista. You say that besides auditors, there ought to be employed expert checkers of stock who have knowledge of the internal working of the mill. Do you mean that they should be employed by the auditors?

A. No, by mills. What I mean to say is that side by side with the auditor when the auditor is going round you should point out to him longcloth or anything like that. He has no knowledge of longcloth, sheetings or anything like that. There are certain mills where the auditors check. But it is not common. They depend on the list given by the mill. They have not got the expert knowledge and you find that for instance liquid assets are put at a certain figure. Now when the mills are closed the liquid assets are sold at a very much lower price than had actually been put down.

Q. That is always the case in a forced sale. If the expert checkers were employed by the mills, the auditors would be exactly in the same position as they are now.

A. They would be guided by the checkers.

Q. The auditors are now guided by mill agents and these people employed by the mill agents would do no more.

A. They should be paid in the same way as auditors are paid—for a particular job, for a particular audit—not that they should be absolute employees.

Q. That is what I wanted to get at.

A. There should be some one to give them knowledge on certain points. It is only a suggestion. It is more from the point of view of the people who lend.

Raja Hari Kishan Kaul.—You think no protection is needed?

A. My view on that question is this. Before 1914 we had a 3½ per cent. duty on cloth and to counteract that 3½ we had 3½ per cent. excise duty. So we were quits. Since that time the exchange has been taken from 1s. 4d. to 1s. 6d. Now the importer gets 12½ per cent. advantage over the Indian made cloth. Of course that is also problematical. But I will admit for argument's sake that they have got a 12½ per cent. advantage over an Indian mill, which ought to be compensated in order to put both the Indian goods and imported goods on a par. Against that we have already 11 per cent. duty for purposes of revenue and beyond that I want that the revenue duty should be increased to 15 per cent. It covers the so-called advantage that the importer has got. A small duty which may be called an absolutely revenue duty might be put on. I may get the same object, but in a different way.

Q. You want a 4 per cent. increase in duty?

A. Yes, you may call it a revenue duty.

Q. Both on cloth and yarn?

A. Yes. I have got a further view that in such cloth as drills, sheetings, etc., where we have certainly got an unfair competition from Japan or any other country we should give to such mills as manufacture such cloth in India a bounty which may be equal to 15 per cent.

Q. In addition to the duty?

A. Yes, only for these particular cloths where we feel there is a competition.

Q. How is this bounty to be given?

A. The bounty should be given to the mills producing them.

Q. Government should pay it out of the general revenues?

A. Yes, because if you were to put a special tax on that it would come absolutely from the pockets of the poor because mostly the drills and sheetings are used by the ryots; whilst I want the whole of India to give that amount.

Mr. Subba Rao.—Would not that lead to over-production in those varieties?

A. They would cut the ground from under their own feet. The same argument could be applied if you give them protection for this particular kind of goods. If you were to give a duty of 15 per cent. extra on these particular sorts it also would lead to over-production. The difference is only this, whilst in the one case the duty would be paid by the party who buys that particular kind of cloth in the other the duty would be distributed throughout the whole of India.

Q. There will be a bias given to production.

A. You want to support that particular kind of industry which is being depressed by unfair competition. And I can only suggest this sort of solution. I am answering you.

Raja Hari Kishan Kaul.—You want this extra money to come from the general tax-payer?

A. From the general tax-payer.

Q. That would hit every one equally—something like a salt tax ?

A. Yes, that is my own personal view. I am not an economist. In any case it would be a tax if you give 15 per cent. duty because the ryots would have to pay the increased price.

Q. You want protection for the handloom industry ?

A. That was my idea. When the question was on the anvil in the Legislative Council I was rather thinking that there should be 15 per cent. import duty or 14½ per cent. import duty retaining the excise duty.

Q. Would you mind explaining ?

A. Now there is the 11 per cent. import duty. You should have raised this to 14½ giving an increase of 3½ per cent. duty on the imported goods and keeping the 3½ per cent. countervailing excise duty. Of course the excise duty is condemned on its own ground, that nowhere in the world have you got it.

Q. You do not defend it now ?

A. No, I will leave it to you to consider.

Q. We want to know what is your suggestion.

A. I personally think, yes.

Q. How do you propose to protect the handloom industry ?

A. By putting on the 3½ per cent. duty on local made goods, and that to be protected again by 14½ per cent. duty on imported goods.

Q. The handloom production does not compete with the imports.

A. We ought to give support to it.

Q. For the purpose of supporting the handloom industry you put on a 3½ per cent. excise duty on all mill made cloth.

A. And also by keeping the 3½ per cent. duty on imported cloth.

Q. You raise it then all round by 3½ per cent. in order to give protection to a limited number of sorts which are produced by the handloom industry ?

A. Yes, it is also an occupation for a large number of labourers. If it is in depression they will suffer a great deal.

Mr. Subba Rao.—You spoke of a tax on yarn also.

A. You should discriminate. That will of course be a tax on handloom weaving. I know your point. I can anticipate it. But you should discriminate.

Q. You should exempt the higher counts. Is that your idea ?

A. Yes, exempt the higher counts. I have taken this view simply because it is said if you put an absolute import duty for the sake of preference or the sake of protection you again diminish the purchasing power of the ryot.

Mr. A. B. TATA, BOMBAY

Written Statement dated 2nd September 1926

The Committee of the Mill Owners' Association will put forth their explanations before the Tariff Board from their own point of view, *viz.*, from the commercial and administrative aspect. I beg therefore to submit my statement divulging before the Board the other side of the industry, so that it may be enabled to judge the situation after weighing the pros and cons and to represent the different aspects of the industry to the Government in its report with due recommendations for the betterment of the industry. The Government after grasping the salient points and defects of the industry should lay the responsibility on a certain body for the protection of the industry, so that it may prosper in this country. It is my belief that this trade would have withstood the present difficulties to a greater extent than at present even under the current economic crisis, had there been an executive body to guide the trade along its proper channel.

All agents execute their work according to their own free-will viewing it from their own point of vision and therefore there was no dissatisfaction so long as the industry yielded even a small profit. On the other hand, the shareholders are very backward in taking any interest in the affairs of the mills; there are only a few shareholders who hold a certain number of mill shares as a regular investment and are interested in the earnings and dividends of the mills, whereas the majority hold them from the point of view of speculation only and are many times even unaware as to who are appointed on the board and for these reasons there is no control over the agents and the board. On account of this, the agents conduct their business as it were by proprietary powers. I regret to declare openly that all agents are not of the same calibre as Messrs. Wadia Brothers, Mr. Manmohandas Ramji, Mr. Madhowji Thackersey and Mr. Narottam Morarji. If most of the agents were so enterprising and calculating, the situation would not have been so critical as at present. In this respect, Bombay differs very widely from Ahmedabad; most of the agents at Ahmedabad are very vigilant and take pains to regularly visit the mills and grasp the practical difficulties in the working thereof, whereas the majority of them here conduct the work within the walls of their office and are thus completely in the dark as regards the efficiency of the staff, and the practical working in the mills. Also as I have said before, as the agents enjoy proprietary powers, the directors have not the requisite control over them, moreover, some of the directors have their own self interest in the management of the affairs of the mills.

The Mill Owners' Association has been more active of late than during the previous years, but it is not constituted as a solid unit as regards which I will put forth my views later on. In the meanwhile, I beg leave to put forth the difficulties in the daily working of the mills. The first and the most important matter is cotton; the Government should develop the cotton industry to enable the mills of this country to obtain cotton of good staple and protect it against wide fluctuations by the speculators, because when goods are manufactured from cotton of higher market value, it is extremely difficult to dispose of them, when the market has declined sharply, which if held would mean a great loss of interest. It is essential to prevent mixing of cotton of inferior grade with the superior quality and Government have enacted regulations being fully cognisant of its importance but these regulations must be strictly adhered to. So many grades of cotton are grown in India that merchants resort to various subterfuges to mix them and pass them off as superior stuff of the classified grade. I have personally beheld merchants mixing either cotton of inferior quality or waste and slivers bought from mills with the real stuff in pressing factories. Because of this evil it is not possible to maintain a regular count in the spinning department, although a certain mixing is worked upon, thus necessitating a change in the wheels daily which would be apparent in inspection of the mill books. Also regular hedging has to be done in the reeling department for the same reason. The mills are suffering an invisible loss of thousands of which I am sure few are aware except some expert agents. For example, warp of 20 counts is spun ordinarily for weaving and the calculation of the cost is based on the same count taking weight of the size as extra. Only a few mills must be maintaining counts of 19½ instead of 20, whereas in the case of the majority, yarn of 2 to 2½ counts goes to the heavy side in the cloth department and for this reason, there is an invisible loss of 3 to 6 pies per lb every count. All this is due to adulteration and this is one of the reasons of the higher loss per cent. in cotton, which is an indirect loss to the mill. Also, those agents who have no knowledge of purchasing cotton, buy small lots of diverse grades and store them up in the mills and this practice does not permit smooth working in the mills. The operatives of the cardroom earn their wages in piece work and when breakages occur in their department due to cotton of low

staple, they quietly slip in the superior stuff to facilitate their work and this also affects the interests of the mills adversely.

The cloth imported from Japan is more attractive than that of most of our mills and cheaper owing to favourable exchange and therefore naturally it commands the market over the Indian output. Japan is purchasing only the requisite grades of cotton out of the multitudinous varieties available here whereby it spins nice yarn and exports cloth of an attractive appearance. I beg to draw the attention of our agents here to this maxim of purchasing cotton of the least possible varieties so that there may be less mixing even in their own mills which would mean less loss ultimately.

In the weaving department, the rates of weavers in different mills must be standardised. As hundreds of varieties of cloth are manufactured, the rates of the weavers are fixed at random in different mills. According to my opinion, the Association must take up this question and fix the rates of the weavers once for all by installing prick-counters on every loom, so that the loom share may not be conducted according to the fancies of the weaving masters and the agents might become aware of the situation arising out of dissatisfaction due to the slightest inferior working.

Mill stores of lacs of rupees are imported every year and it behoves the Government to repeal the duty on these for the development of the mill industry so that it may put forth cloth at a cheaper rate. The Mill Owners Association also must devote their attention to them and take steps to promote the manufacture of some of the articles in this country. Limitless kinds of stores are used in mills and there being hundreds of middle profiteers, a great deal of corruption goes on, to prevent which evil, the Association must organise a big concern which can supply stores to all the mills on a small margin of profit, so that the agents can definitely know their situation without being deceived and might not buy stores of inferior quality at higher rates.

Labour.—It is of paramount importance to take steps for the amelioration of the mentality of the working classes of the mills. Unless the gulf between capital and labour narrows there is little possibility of a decided improvement in spite of protection from the Government. The agents have not cared till now to take measures for the efficiency of the operatives so long as they were deriving even a small profit. The operatives do not seem to understand the real definition of duty. The labourers are as ignorant, idle and of inappreciative mentality as they were 15 years ago. In war times, when great profits were derived, the so-called exponents of Ghandhiism succeeded in instigating the millhands to such a pitch that their mentality is still undermined and therefore they have become very careless. It is necessary for the Government to help and also coerce the Association for remedying this state and to thwart the influence of the so-called leaders of the operatives. The Association must organise different unions in the different mill districts and make the labourers cognisant of the powers of the Unions over them as in England, so that the operatives will be brought under control gradually and taken to task for their inadvertencies; moreover, they will not be at liberty to change from one mill to another after spoiling the work in the mill which they intend to leave. The jobber class which is slightly superior in mentality to the labourers is getting impudent playing upon the ignorance of the latter and is many times the main causes of strikes by instigating and spreading dissatisfaction amongst the labourers behind the curtain for its own self-interests. The Association must devote their attention to this matter with the help of the Government, so that the operatives may be decent and dutiful and capable of developing the industry.

Remedies Suggestions

I beg to submit the following suggestions as regards my above statement :

- (1) If Government affords protection to the industry, its advantages would be enjoyed by every mill and therefore all mills must join the Association and form a solid body.
- (2) The Mill Owners Association must appoint an Executive Board having commercial and technical experts. There should be three to four well trained mill accountants under the control of this Executive Board.
- (3) All mills must forward statements every month on a certain date to the Association mentioning the consumption of cotton, production, waste figures, departmental wages, etc., so that the above Executive Board may draw the attention of the agents to any of the defects underlying the work in hand. By this course, all agents will grasp their situations properly and will be able to exact the right work from the working staff.
- (4) The body of the Association must take measures to ameliorate the mentality as well as the moral condition of the operatives without which the protection afforded by the Government would be of no avail. They must be made healthy and capable of

developing the industry. They must be under the control of Unions as in Western countries and all Unions must be under the control of the above Executive Board for the present to start with.

(5) The Government must help the mills to get good and stapled cotton. Export duty is essential for cotton and it is wrong to believe that this duty would diminish the export. Indian cotton is necessary for manufacturing cloth of certain texture which is consumed in large quantities in India, China and Japan, and therefore the duty will have no effect on the demand of this cotton. Also supposing the export figures decrease, wide inflations of prices would be less due to the absence of demand and would cheapen the manufacture of cloth. This would create a healthy demand among the poorest classes as was the case about fifteen years ago.

(6) All mills must open their own business centres in the different provinces in India because the freshly manufactured cloth is subjected to increments of prices by the time it goes to the hands of the buyers through three or four middle men; naturally the buying capacity would increase. This method is adopted by the Tata Mills and they are thus able to dispose off their stocks easily.

(7) The substitute (budli) system in mills must be stopped immediately and more attention should be devoted to the daily attendance and the salary list of the operatives. There should be control over the real figures of waste and the proceeds thereof. If proper precautions are taken in this matter, thousands of rupees would be saved indirectly.

(8) The duty should be abolished on mill stores and machinery.

(9) If all mills were to keep chartered head clerks thoroughly experienced in the working and accounts of the mills it would be a just help to the managers as well as the agents. It would be welcome if the commercial colleges here were to train their students in such a way that they may have a good idea of the working and the calculations of the different departments of the mills.

(10) If Government were to give protection for ten years over imported cloth in order to place the industry on a good footing again, our country would prosper and I beg to make the following suggestions :

(a) Protection must be granted by levying a heavy duty on imported cloth of all western or eastern countries

(b) India and England are correlated; moreover, it is well known that England acts as the trustee for India and therefore English goods must be imported in India with certain restrictions and I believe that England has a right to do so.

(c) Out of the three hundred and thirty millions of population here, 80 per cent. are agriculturists and poor and they consume coarse cloth; if cloth of similar quality as manufactured here is prohibited from being imported, the 80 per cent mentioned above would easily consume the output of the India mills and thus the industry would prosper. For this reason, protection must be granted to India for ten years for cloth woven from yarn up to 26 counts.

(d) English cloth of fine texture manufactured from American cotton is imported mostly here and is consumed largely by the middle and better classes. England should be allowed to import here cloth woven from yarn of more than 26 counts free.

(e) Bleached satin twills and full coloured coatings of English manufacture should be exempted from prohibition though manufactured from yarn of less than 26 counts as it is demanded extensively by the middle and better classes.

(11) It would be better if such a Tariff Board were appointed at least twice within the 10 years of protection so that it may be able to judge the benefits thereof.

ANNEXURE A

"I hope that the Board will sympathetically consider the question of labourers and planters of India, who are enthralled by foreigners other than Britishers, in certain ways. It is to be regretted that cotton planters are working under the domination of Japanese exporters which encroachment is never allowed in any other civilised nation; also, it is annoying to note that one of our countrymen has unpatriotically taken up a member of a foreign power as a partner in a big industrial concern. This will gradually lead to our home industry being dominated by foreign capital and skill. I therefore seriously draw the Board's attention to this evil of foreign intrusion, other than British, and request them to approach Government in their report, after due consideration."

Witness No. 66

Mr. A. B. TATA

Oral Evidence recorded at Bombay on the 7th September 1926

President.—What is your exact connection with the industry, Mr. Tata ?

A. I have been in mills for the last 30 years. I commenced my career as an apprentice in the Central India Mills at Nagpur and from that I have become a weaving master and then Manager, in many notable Bombay mills and Ahmedabad mills.

Q. Of which mills were you the Manager ?

A. The Alliance Mills and other mills in Bombay.

Q. Which was the last mill of which you were Manager ?

A. The Alliance Cotton Mill of Bombay.

Q. How long ago was that ? How long is it since you retired ?

A. Three years back. I have been suffering from defect in eyesight for the last 30 months. I can say I was the only man taken up as a partner in one of the largest mills, the Morarjee Mills. I was getting my monthly salary plus one per cent. profit.

Q. I notice that you consider that the Managing Agents do not visit their mills sufficiently often.

A. Most of them do not.

Q. And the shareholders do not take sufficient interest in the affairs of the mill ?

A. Hardly about 5 per cent. of the total number of shareholders are taking a practical interest.

Q. Then if the affairs of the mill go wrong, nobody can be blamed except themselves.

A. As I have mentioned, there are no regular shareholders on the roll. Very few are really taking interest in the regular working.

Q. I see you consider that Government should do more than it is doing to provide cotton of proper staple.

A. I think still better protection is wanted in regard to cotton.

Q. How do you mean " better protection " ?

A. Already Government has passed legislation in regard to adulteration of cotton. But it must be strictly adhered to.

Q. The legislation has not been in force for very long. It is a little difficult to see its effect at present.

A. That is the vital point so far as I know. A better class of cotton should be obtained by the mills.

Q. Quite so ; but don't you think that matters are improving in that respect owing to the work of the Central Cotton Committee ?

A. I think so.

Q. Another point that you raise is, I take it, that the system adopted in Japan for mixing the cotton in order to produce the best results is considerably better than the system in India.

A. Because the Japanese are only taking certain classes of cotton from which they are actually manufacturing. Being importers of cotton from this place, they simply select their own class of cotton from so many classes. But that is indirectly a very great disadvantage to the concerns here.

Q. I see it is your view that the rates of wages for weavers should be standardised in all mills.

A. Yes. That is also one of the greatest sources of confusion everywhere.

Q. What do you mean by ' pick-counters ' ?

A. A pick-counter is like a clock. It is a mechanical thing, attached to each loom and by every turning of the loom it reads 1, 2, 3, and so on.

Q. Are those not installed in most of the mills ?

A. Nowhere in India.

Q. Are they common in Lancashire ?

A. Practically common.

Q. What would the result be ?

A. The rates would be standardised. Here there are so many classes of cotton, so that according to the fancy of the masters they give the rates. Thus for long cloth it is 9 pies per pound. Suppose some confusion is going in the department and the weaver makes some row. The master will say 10 pies. There is no regular standard for work. What I mean to say is let the work of the mill be as smooth as possible.

Q. If you had these pick-counters, what would the effect be ?

A. The revolutions of a loom are even all throughout the day. Take a certain class of cloth. That contains 44 picks per inch, and it will be so many pies everywhere for the 44 picks. This will enable everybody to standardise the rates.

Q. I do not quite see how it would enable every mill to standardise its rates. At present they are paid by the pound. Are not they ?

A. They are paid by pound.

Q. If you had these pick-counters what would they be paid by ?

A. By the number of picks.

Raja Hari Kishan Kaul.—You will still have to maintain different rates. Won't you ?

A. Only according to the different widths. There are different classes of looms, 28 inch loom, 30 inch loom and so on. The 28 inch loom differs in revolutions from the 30 inch loom. The 32 inch loom differs from the 36 inch loom. So once for all the rates would be fixed according to the revolutions.

Q. For each type of mill, you would have to fix separate rates ?

A. Yes, once for all.

Q. You need not change ?

A. Not at all.

President.—Would you have to have a separate rate according to the width of the loom ?

A. Yes. That is essential, because for instance, the 28 inch loom will weave only cloth 24 inches wide ; the 56 inch loom will weave cloth up to 50 inches wide. Now there will be a great difference between the revolutions of the 28 inch loom and those of the 56 inch loom. The 28 inch loom will take 205 revolutions per minute, the 56 inch loom 150 revolutions per minute and so on.

Q. How would that be reflected in the number of picks ?

A. According to the number of picks the rates would be fixed. Less pies for 28 inch looms and more pies for 56 inch looms. Fifty-six inch looms take less revolutions. It means less length of cloth.

Q. The number of picks depends on the revolutions ?

A. Picks mean revolutions. One revolution means one pick.

Mr. Majmudar.—The speed of the loom is changed when the count of warp is changed.

A. That is not very often. Generally Indian mills weave from 20s counts and 24s counts. Even if it is 30s there is no necessity of changing the loom speed, unless and until the yarn is very weak. At that time they reduce the speed of the looms or when they want to work on the same looms for more production.

Q. What if the mills are going on to finer counts ?

A. Accordingly the rates will be fixed entirely differently. So there will have to be various rates fixed according to the speed.

A. At that time the speed and counts will be different. For instance, looms on 40s warp will run at a lower speed. So the rates will have to be fixed according to the speed. But I do not think one-third of the Indian mills will work with 40s. Practically all are on 20s and 24s counts.

Q. There is a tendency now to take to medium and fine counts. We found that in many places.

A. Some of the Bombay mills are working. Up to now I have not seen if there is a loom shed specially for fine counts. Nobody has put such a loom shed up.

Q. Ahmedabad is going in for medium and finer counts.

A. It is different there. They can have pick-counters according to their own ways.

Q. What I say is that the varieties change so often and the quality of the cloth changes so often that I do not think there will be much advantage in going in for pick-counters.

A. That is why I am taking these pick-counters. Suppose we take one class of cloth manufactured in four-mills. Perhaps you will now find that the rates are different in all the four mills. But if the Association fixes the rates according to the picks everywhere, there will be standardisation.

Q. But then whatever the rate is fixed, generally a weaver is expected to earn a certain amount a day. For example, a weaver on two looms is expected to earn Rs. 1-12-0; and the wages are fixed accordingly. The rates per pound are so fixed that the weaver may earn that amount on the average. So whatever method you adopt, whether you fix the rate per pound or whether you do it through pick-counters, finally you come to the same standard of wages.

A. Well, when the rates are fixed on the weft, one standard is not considered everywhere. Moreover they are trying to put in different kinds of weft and lower the texture of the cloth, so that they can earn more, while the pick counters will stop all these evils.

Q. So far as the quality of cloth is concerned, that depends on the demand and supply. If the market demands a certain quality, the mills have to manufacture that quality.

A. You will find so many different classes and qualities. I dare say all these mills are not maintaining one quality. That depends on how a mill has been managed by the agents. There are so many mills here. They are liberal sometimes. You cannot govern them in this respect. Sometimes they will change a wheel and put in 46s and so they will have their own way. So this will be a check on everybody's working.

President.—I think you said just now that in all the looms in Bombay there are only a few hundred looms engaged on finer counts. What do you mean by finer counts?

A. Till five years back practically all the mills were working on 20s counts. Not more than 10 per cent. or 20 per cent. of the looms were on 24s counts. That has been the standard working of the Indian mills up to now. But now-a-days some are spinning 30s and upwards that is a little finer counts and weaving cloth out of that.

Q. What are they making the counts over 30s from? What sort of cotton?

A. Broach or Gujarat as well as Cambodia and Tinnevely cotton.

Q. Are they importing much Uganda cotton?

A. They were importing Uganda cotton too to spin 40s and 50s.

Q. What is your experience in regard to absenteeism?

A. Practically 90 per cent. of the labourers must be having about four days extra in one month.

Q. In the mills in which you were manager, were you able to take any steps to improve matters in that respect?

A. Before the war, things were quite different. Masters and managers were directing labour to the advantage of the industry as well as of the agents. But after the war and after this propaganda of the so-called public men, the position of the masters and managers is just like buffers, between labourers and agents. Before the war they respected us. Now they can abuse us. Suppose a man is punished. Some will abuse the master and some say 'I do not care for your mill; I can go to another mill'. Their mentality is quite changed. This is my experience. So many false vakil's notices come in. When a man leaves, naturally we do not pay him. Within a fortnight a notice is bound to come saying 'you have dismissed my man wrongly; please pay him immediately or within 24 hours we will go to the Small Causes Court.' We do not want to go to the court and naturally we pay them. They have become impudent now. At that time the position of the masters and managers was quite different.

Raja Hari Kishan Kaul.—How do you propose that Government should thwart the influence of the so-called leaders in respect of labour?

A. This was the idea I discussed some five years back with certain good agents. What I say is let the millowners make themselves into a fine, consolidated body and appoint certain Unions for the present under their own control and let the labourers understand that whenever they have to go away or serve notices, they have to do it through those Unions.

Q. Government would have nothing to do with that.

A. When Government is going to give so many boons just for the sake of the industry, Government should make the Millowners' Association into a responsible body. Unless and until the Millowners' Association becomes more effective and more active, unless there is something done for the millowners, I do not think, whatever may be given to them by the Government, the industry is likely to be improved.

Q. That is in their own interests. It is in the interests of the millowners that you are making the suggestion. Why should it be necessary for the Government to do it?

A. It is rather unfortunate that nobody is uniting.

Q. Then you say cotton should be protected against wide fluctuations by speculators, I suppose you mean in respect of prices?

A. Yes,

Q. How can that be done ? How can fluctuation in prices be protected against ? Have you any suggestions to make on that point ?

A. Cotton is being imported to Bombay from a long distance.

Q. But the price of cotton is a world factor. The price in India depends upon world conditions.

A. Not always.

Q. It depends principally on the world price, for instance, the price in America.

A. Yes. They are working jointly, side by side. But still of course there are middle-men and everyday speculation ; and ultimately the mills are the sufferers.

Q. As the prices in India are regulated mainly with reference to the prices in America, the speculators suffer or gain accordingly. The prices remain at a certain level with reference to the world prices. Then I want to know what you mean by saying ' yarn of 2 or 2½ counts goes to the heavy side in the cloth department '. I do not quite follow that.

A. Practically all the mills are working over 20s counts. Now what is 20 ? Twenty is a class, is a number. Now suppose the cotton is inferior. They cannot make 20s counts. Twenty is finer than 16. One is the heaviest. Ten is lighter than 1. Sixteen is lighter than 10 and 20 is lighter than 16. Our basis is to spin 20s for the loom shed. Now suppose the cotton is inferior ; and you cannot spin 20s. There will be so many breakages in the spinning department that naturally for smooth working the spinner will change wheels and try to put in 19s. Still breakages occur and he tries to put in 18s. But still the breakages occur and he again changes. Between 1 and 19 it means a difference of 840 yards in length.

Q. I suppose what you mean is that instead of turning out 20s they turn a different thing, say 17½s.

A. Yes, so that they are losers by length.

Q. It will be called 17½s and not 20s.

A. No. They are calling it 20s. Or let it be even granted it is 17½s. The mill is ultimately losing.

Mr. Majmudar.—You say ' some of the Directors have their own self-interest in the management of the affairs of the mills '. You also say that the Directors have not the requisite control over the agents. I do not quite follow what these remarks mean.

A. It is an open secret. That is my experience. These are my views to the Committee only.

President.—So you do not want them to be published.

A. Yes.

Mr. Majmudar.—You are referring to the executive body in the first paragraph. In what way do you expect that executive body to work ?

A. The executive body should be in touch with Government officers in the first place. They should report to the Government and they should receive instructions from the Government. The executive body should see how the industry is prospering.

Q. I see. It should guide the mill owners also ?

A. Exactly. So I say under the executive body let there be three or four chartered accountants and let all the mills send their monthly statements so that the executive body can inform the different agents about any mistakes they find in the statements. I have mentioned it there.

President.—You think the millowners would agree to that, Mr. Tata ? You want to give Government a great deal of power over the millowners ?

A. They may or may not. But when Government is going to give them protection, I say that the Government must have a little control over them. When they want Government's help, naturally Government must see in which direction the industry has been steered.

Q. You consider that in return for protection, the millowners have an obligation to do something on their part ?

A. It is not an obligation, but it is rather for the prosperity of the country, Sir.

Q. But this control over an industry which you suggest is not exercised anywhere else in the world ?

A. The position of India is quite different from any other country in the world. Every other country is standing on its own legs, but India is not.

Q. Would it not come in practice almost to nationalisation of the cotton industry if you had this measure of control ?

A. I do not think so.

Q. I see you suggest protection for ten years for cloth up to 30s counts ?

A. I have changed it. I have said 20s counts.

Q. Would not that put up the price of that cloth to the poor people whom you are anxious to protect ?

A. To the users in India.

Q. Yes. If you had this duty on coarse cloth, would it not put the price up ?

A. The rest of the profit will be taken by the agents you mean ?

Q. No, would not the price of cloth go up ?

A. Naturally it is likely to fall, because 75 or 80 per cent. of the population will use no other goods but Indian made goods.

Q. But won't they have to pay more for that if you put a duty on it. If you put a duty on coarse cloth, won't the people who use it have to pay a higher price for it ? You say protection must be granted for ten years. That means a duty. Does it not ?

A. Duty on the imported cloth.

Q. But won't that mean a higher price for all cloth ?

A. Not for the cloth manufactured in India up to 26s.

Q. Of what use is it going to be to the millowners, unless it is going to put the prices up ?

What use is the duty going to be to the millowners unless it puts up the price of cloth ? (There was no answer).

Q. I see you are in favour of Imperial preference ?

A. Yes.

Mr. Subba Rao.—You say, Mr. Tata, that Labour Unions should be under the control of an executive board for the present.

A. For the present.

Q. Will not that lead to trouble between the labourers and the millowners if you put the labour unions under the control of the executive board which consists of millowners ?

A. The executive board of the millowners will guide them very sanely, while the present leaders are not directing them properly. They simply ask them that they should get more. They do not improve their character. If this union comes under the control of the executive body naturally the executive body will try to improve them in every respect for the benefit of the country as well as for the industry.

Q. It will lead to the development of a harmony of interest ?

A. Yes. Now there are so many leaders simply for the name.

Mr. Majmudar.—Referring to the *budli* system you say it should be stopped immediately. What steps do you suggest ?

A. There should be no substitutes at all.

Q. Should the machinery be stopped if the workman on the machine remains absent ?

A. No, let 20 or 25 extra numbers be regularly employed in the mill. But no jobbers should be allowed to engage anybody. There should be no substitutes in the mill at all. Then there won't be any stoppage in the machinery. Practically in the spinning department you will find that about 30 to 50 boys are daily absent. Now if you have 20 regular extra labourers engaged these labourers will do it.

Q. Occasionally the percentage of absenteeism is much more. What will you do then ?

A. If they do not find any *budlis*, one man should mind two sides or two pieces or four machines, or something like that. Sometimes they do manage like that.

Q. Does not the production suffer ?

A. Very little. These are the ways on account of which the industry has practically come to this condition. Thousands and thousands of rupees are thrown away like that without the knowledge of the agent.

Witness No. 67

Messrs. N. SIRUR AND COMPANY, BOMBAY,

Agents of the Mysore Spinning & Manufacturing Co., Ltd.

Written Statement dated the 17th August, 1926

The terms of reference to the Tariff Board appointed for the purpose of enquiry into the Textile Industry may be grouped under the two following heads:—

- (1) To ascertain and examine the causes of the present depression in the industry.
- (2) If it is found that the competition of other countries in the home or export trade is responsible to any extent for this depression, in what form and for what period protection should be given to the industry.

Taking the first main head, we consider that the present depression is due to the following causes:—

- (a) High cost of manufacture.
- (b) High Railway freight on raw materials and manufactured goods.
- (c) Heavy taxation.
- (d) Foreign competition, particularly of Japan.

High cost of Manufacture.—The principal items of cost are under heads of labour and stores. We do not think any reduction in wages is possible in view of the still high cost of living prevailing in the country. The rise in wages as compared with the wages before the war is about 100 per cent. as against the rise of about 55 per cent. in the cost of living in 1925 as reported by 'Labour Gazette'. In the matter of stores, we have entirely to depend on imports from foreign countries and therefore any reduction in the cost thereof is beyond the control of the industry.

High Coastal Freight and Railway Freight.—The coastal freight from Bombay to Calicut, Tuticorin and Calcutta is Rs. 14 per ton on cotton as against 14s. (official 17—1926) from Bombay to Liverpool and about Rs. 12½ per ton from Bombay to Japan. Similarly freight on piece-goods from Bombay to Calcutta is Rs. 7-8-0 less 10 per cent. per ton and to Madras Rs. 11 less 10 per cent. as against 14s. (officially quoted 17) from Liverpool to Calcutta and about Rs. 10 per ton from Japan to Calcutta. As regards railway freight, while it is kept fairly low from port to port to compete with steamship companies, the rates are kept at a high level in areas where there is no competition to meet with either from rival railway companies or from coastal service. For these reasons although cotton is apparently at the doors of the mills and consuming markets for piece-goods and yarn are close by, Indian mills have no real advantage over mills in foreign countries. These anomalies have to be removed and charges for transport by coastal service and by rail should be maintained on an economic basis governed by no considerations other than that of distance both on cotton and yarn and cloth.

Heavy Taxation.—The industry is also handicapped by excessive taxation. Being dependent entirely on foreign countries for stores and machinery, the incidence of import duties on the industry is heavy enough. The most inequitable of the taxes is however the super-tax on companies. Since this tax is collected from the individual assesses, assessment thereof on company's profits involves indirect taxation on the individual shareholders whose income is not liable to super-tax and double taxation in the case of shareholders who are assessed to super-tax on their individual incomes.

Foreign Competition.—Foreign competition, particularly of Japan, is the real crux of the subject matter of the enquiry. Japan has not only made inroads in the foreign markets served by India, but has been cutting down prices of yarn and cloth of Indian mills in India itself. Her exports of yarn and cloth to India are no doubt a small fraction of India's requirements, but this fact serves only to indicate to what extent the Indian mills have to sacrifice to keep in their hands the home markets. If the Indian mills have been able to prevent the Japanese goods coming in to any considerable extent, it is only by reducing their prices below the prices of Japanese goods. Although the industry has long been established in India, it is bound to suffer so long as it is not offered protection against such competition by adapting an effective tariff so that the goods which Indian mills make shall not be open to the unfair competition of Japanese mills. Opinions differ as to what should be the scientific method of tariff protection. In our opinion an export duty on cotton would be more expedient and effective than any increase on import duty on piece-goods and yarn. Value of cotton exported to Japan in 1924-1925 was Rs. 45,88,13,000 as against Rs. 10,33,93,000 value of piece-goods and yarn imported into India. From these figures it is clear that Japan is taking over four times in value as much raw cotton as it exports

manufactured goods into India; and with the cheap cotton it is buying in India it has not only captured foreign markets which were fed by our mills, but is a keen competitor in our home markets. Therefore the most effective method of remedying this state of things would be to put an export duty on cotton to an extent which will give substantial relief to the Indian mills.

It is argued by some that the export duty on cotton will tend to lower the prices of the cotton crop in India with the result that the agriculturists will suffer. The prices are generally governed by the law of supply and demand. The very fact that Japan is taking a considerable portion of Indian cotton for its requirements shows that it pays her to buy Indian cotton and she will continue buying in spite of any export duty. The levy of a reasonable export duty on cotton will not result in diminishing the Japanese demand for Indian cotton for any considerable time and therefore it will not affect the interest of the growers in any way. Moreover it is in the interest of the country to export more of its manufactured goods than raw material and it should therefore be the aim of the Indian agriculturists to regulate the crops to meet the home consumption primarily, so that they may be in a position to demand a fair price for their produce rather than place themselves at the mercy of the exporters by over-production of any commodity. The area under cotton cultivation is only about 3.55 per cent. of total cultivated area of land in India and as such it should not be difficult for the agriculturists to regulate the supply of cotton for the country's demands which will entitle them to a reasonable return. An export duty on cotton is therefore scientific and it is also expedient in the interest of the Empire as it will provoke less opposition from the United Kingdom, since it uses only a small quantity of Indian cotton as compared with Japan or the Continent. Further, the export duty on cotton will enable Indian mills to recapture some of the foreign markets where they have lost ground by reason of Japanese competition.

An increase on import duty on piece-goods and yarn will only tend to restrict consumption of piece-goods and yarn in India while not giving any effective protection to Indian mills against Japan, since Japan is only exporting to India a small portion of India's requirements in piece-goods and yarn. Further, it will give no protection to Indian mills in foreign markets.

Witness No. 67

Messrs. N. SIRUR AND COMPANY

Oral Evidence of Mr. D. N. Sirur, recorded at Bombay on the 11th September 1926

President.—Your mill is known as the Mysore Spinning and Manufacturing Company's Mill ?

A. Yes.

Q. It has 38 thousand spindles and 500 looms ?

A. There are about 40 thousand spindles now.

Q. How many looms ?

A. 500.

Q. When the Millowners' Association's statement was printed the average number of looms at work was only 396 ? It seems rather a small proportion ?

A. We had some new looms put in only recently. When this statement was published we might have had only 396 looms or so fitted and working. 500 looms were the total number that the mill was intended to contain, out of which we had only 250 old looms and about 146 new looms were actually working on the date the statement was published. So the total number was stated to be 500 and the actual number working was 396.

Q. The others were being put in ?

A. Yes, and they are all working now.

Q. You are a member of the Bombay Millowners' Association ?

A. Yes, I am.

Q. You are an upcountry member ?

A. I am a Bombay member.

Q. But your mills are upcountry ?

A. Yes, the mills are upcountry.

Q. I notice that the views put forward by you are not quite the same as those of the Bombay Millowners' Association ?

A. In what respect ?

Q. You are much more in favour of an export duty on cotton ?

A. Some of the millowners here are also in favour of it.

Q. Only some, but you prefer that to an import duty ?

A. Yes, and my reason is this that if an import duty is levied it will not be such a relief because Japan is importing into this country only a small portion of our requirements. They are taking a lot of our cotton and then compete with us in our foreign markets and an import duty in India will not give us any relief in foreign markets.

Q. You do not agree with the millowners that protection is required ?

A. I agree that we want some protection, but in what shape it should be given is a matter on which opinions differ.

Q. You doubtless know the objections to the export duty on cotton. The argument is that, if you impose an import duty you will spread it over the whole country whereas if you put an export duty on cotton, it means that you are taxing the cotton cultivator for the benefit of the cotton industry ? Why should the cultivator of cotton specially be expected to support the mill industry and not the cultivator of jute or rice or wheat or any other crop ? Why should the cultivator of one special product be singled-out to support an industry which will deprive him of his profit ?

A. All this is I believe on the supposition that the price will decline if you put an export duty on cotton, but my contention is, it will not, because Japan will be taking the Indian cotton in spite of the duty provided the same is reasonable.

Mr. Subba Rao.—Why do you assume that ?

A. Because they cannot do without our cotton. They find our cotton comparatively cheaper than American or other classes of cotton for the kind of goods they manufacture in competition with us.

President.—But the price of Indian cotton is governed by the price of American cotton ?

A. Yes, but most of the cotton which is taken by Japan is of inferior grade. And the margin of difference in the prices of American cotton and the inferior grades of Indian cotton which Japan buys will not be materially affected.

Q. Does that not matter if the price is determined by the price of American cotton? Is it not so determined?

A. Yes, to some extent; but if the Japanese want any particular quality of cotton they will pay the price which the agriculturists in India may want. Paying the duty I do not think will affect them very much.

Q. Will not Japan substitute American cotton for Indian?

A. I do not think so. They are spinning 10s, 12s and 14s and exporting to foreign markets. American cotton will be too dear for that purpose.

Q. The great need of India is more long staple cotton to enable the mills to compete both with Lancashire and Japan in finer counts. Would you admit that a greater part of the imports that come from Japan are of finer counts—for example, shirtings between 30s and 40s which Indian mills do not make to any very large extent—and that therefore it is desirable that the cultivation of long staple cotton should be encouraged in India. But if you put on an export duty will you not discourage it?

A. The competition from outside is not so much in cloths or yarn which are made from long staple qualities of cotton.

Q. What are your grounds for that statement?

A. Japan for instance is exporting to India very little of piece-goods. She is exporting just enough to cut down our prices, just enough for that.

Q. Have you examined the range of Japanese cloth that comes into this country?

A. In 1924-25 the total quantity of piece-goods placed on the Indian markets was something like 3,535 million yards out of which the Japanese imports were only 155 million yards. So the Japanese competition is not competition so much in the sense that large quantities are imported. There is not so much Japanese competition in the imports into the country. They are importing just now to cut down our prices, the prices of the Indian mills.

Q. But if their imports are negligible, how is it that you say that they do affect the prices?

A. They reduce prices and we Indian mills follow them to keep the market in our hands. That is how they affect the industry.

Q. As you know yourself there are weak and strong mills. There is a great difference between the best and the worst mill, and is it not probable, to say the least of it, that the prices at which the weak mills sell are the determining factor in the Japanese prices?

A. I admit there is internal competition, but over and above that this foreign competition of the Japanese goods generally regulates the market to a considerable extent.

Q. Why should they regulate the market any more than the prices of the weakest Indian mill?

A. Because they are at times selling at a much lower rate than even the weakest mill can afford to sell.

Q. Can you produce any evidence on that?

A. I cannot produce any evidence because I am not dealing in piece-goods, but this is what I understand from my dealers. They say that the Japanese are quoting such and such a rate when I want to sell them anything.

Q. What yarn are you thinking of?

A. For instance 30s. But competition in that is not so keen now as it was some months ago.

Q. Is that not possibly due to the fact that Japanese exchange is going up?

A. Yes. Now, the competition is more with mills in the interior itself.

Mr. Subba Rao.—In what counts?

A. In all counts.

President.—Where your evidence could really be of great help to us is if you could give us some idea of the comparative cost of production in Bombay and in your upcountry mills?

A. I can only give you a rough idea. I have been working out these figures. You wanted figures for 10 or 15 years and it is rather difficult to get those figures readily. However we have been trying to get them and I have prepared a rough statement. It costs about six annas a pound for making cloth and about three annas for making yarn. From cotton to cloth it may cost about nine annas—three annas for spinning cotton into yarn and about six annas for weaving yarn into cloth.

Q. How do these compare with Bombay costs?

A. They might be about 20 to 30 per cent. cheaper. In Bombay I understand the prices have increased.

Q. It costs you three annas to make yarn ?

A. Three annas for making cotton into yarn and six annas for weaving yarn into cloth.

Q. According to the Bombay Millowners' statement it is considerably less in Bombay.

A. It also depends on the counts of yarn. We mostly use 20s to 2½s warp and 20s to 30s weft and considerable quantity of coloured yarn. We have included depreciation, interest and all these charges. I do not know whether the figures in the statement submitted by the Bombay Millowners' Association are from yarn to cloth. I do not think they can be from cotton to cloth.

Q. I think they are, Mr. Sirur. The detailed costs of production from some mills show that they are. Will you let us have your figures as soon as you can ? Then we shall be able to know more about it. But your general impression is that costs upcountry are 20 to 30 per cent. cheaper ?

A. About 20 per cent. cheaper.

Raja Hari Kishan Kaul.—You get your cotton cheaper ?

A. Yes, to some extent cheaper than Bombay mills, but cotton only from areas which are within a radius of about 200 miles. If we want cotton from more distant places it will cost us as much as it costs Bombay.

President.—What cotton are you using ?

A. Mostly Mysore cotton, Davangere and also cotton from Guntakal and Tirupur in the Madras Presidency.

Q. There is not much cotton grown in Mysore ?

A. Cotton is grown to a considerable extent in the northern portion of Mysore.

Mr. Majmudar.—Do you purchase from Hubli also ?

A. Hubli is very expensive for us.

President.—Is that because it is rather a long way round ?

A. Yes.

Mr. Majmudar.—Is the freight from Hubli to Bangalore high ?

A. It is higher than what it is from Davangere to Bangalore ; besides Davangere cotton is cheaper.

President.—May I ask what dividend your mills have been paying of recent years ?

A. Last year we could retain our dividend at 16 per cent. on the face value of the shares only by sacrificing the provision to depreciation. Last year we paid 20 per cent. and this year we paid something like 16 per cent. Before that for some years we paid something like Rs. 10 per share of Rs. 50 or 20 per cent.

Mr. Subba Rao.—During the boom period you paid 40 per cent. ?

A. Yes, I should think so.

President.—You paid 16 per cent. last year and made some provision for depreciation I see ?

A. It was not the full provision.

Q. What would the full provision be ?

A. About a lakh and seventy thousand rupees.

Q. You have got a reserve fund which is more than equal to the paid up capital ?

A. Yes, but that has been spent on extensions. Our mill had originally 20 thousand spindles and 250 looms. We have now doubled that.

Q. How many mills are there in Bangalore ?

A. There are three mills ; two are controlled by us and of these one is a newly built mill called Minerva Mills with about 20 thousand spindles.

Q. Is that working ?

A. Yes.

Q. Is it only a spinning mill ?

A. Yes.

Q. That is interesting, because we have been told that spinning mills are doing much worse than weaving mills and we should be glad to know why you put up a purely spinning mill ?

A. In the boom time every mill was paying and in order to cut down the capital cost we thought we could start with spindles only. Now we think of putting in looms. I think looms will be working some time early next year.

Q. How long has this mill been working ?

A. For about a year.

Q. With what results ?

A. There was a small loss last year.

Q. A small loss when you bought your machinery at high prices ?

A. I cannot say that we bought our machinery at high prices, because we bought it at 90 per cent. premium.

Q. And what would be the premium to-day ?

A. Now it is 25 per cent. and then what we lost here we gained in exchange. We sent our money when exchange was at 2s 6d. The mill did not cost us more than it would have cost us now or even before the war.

Q. The only trouble is that you got it started when the boom was over ?

A. Yes.

Q. Is not that what usually happens in trade cycles ?

A. Yes, it is so.

Q. The reason of my putting the question in that way is that I want to know your views as to whether what happened was that you placed your orders when prices were at their highest ; you got your machinery when things are at their worst and then when you are not working at a profit you say it is due to the Japanese competition. Might not the same result have happened if there had not been Japanese competition ?

A. That can only be said if there is over-production in India ; but I do not think there is over-production. We are only manufacturing what the country really wants. We are making only 1,790 million yards of cloth as against 3,535 millions required for the country. So there is scope for expansion of the mills both in spindles and looms, provided the industry is placed in a healthy condition.

Q. But might there not be over-production of the sort of cloth the country wants ? My point is that it is possible that the Japanese imports are growing because Japan supplies what the country wants.

A. My position is this. I do not say that Japan imports goods in sufficient quantities directly and visibly to compete with us. It is importing just enough to cut down our prices, so far as the manufactured goods are concerned.

Q. Why do you think they are importing to cut down the prices ?

A. As I stated before Japan with the cheap cotton they can obtain in India must be doing profitable business in their own countries and also in the foreign markets supplied by Indian mills in the old days ; and their imports into this country represent only a small portion of their production and hence they can afford to sell at a loss to cut down prices and capture Indian markets.

Q. Unfortunately we have no evidence about that one way or the other.

A. One cannot say we have very keen competition with the Japanese so far as the volume of the actual goods go. Our total requirements are about 3,535 million yards including total imports and mill made goods ; and Japan imports are only about 155 millions. So we cannot say that the Japanese are competing with us in manufactured goods. They are using this as a dumping ground ; that is what I say. Our further grievance against Japan is that they are taking our cotton at a cheap price and they have been making inroads in our foreign markets. That may be one reason to say that there is over-production in India. India's export trade is entirely gone.

Q. That is hardly correct. India's export trade in piece-goods is, if anything, slightly increasing.

A. I am speaking of yarn to China.

Q. Have not the Japanese exports to China suffered almost equally ? If you look at the figures, you will find that the Japanese exports to China are going down very heavily.

A. That might be due to the Chinese manufacturers looking up.

Q. Exactly ; but then you cannot call that Japanese competition ?

A. But why should we afford facilities to Japan—I mean by enabling them to obtain cheap cotton from India for spoiling our trade in yarn and cloth ?

Q. Is not the great objection to an export duty on cotton that it penalises certain class of cultivators ?

A. If we were sure that we will get the duty without affecting the interests of the agriculturists, I do not see why there can be any objection to it.

Q. But how can you get a duty without affecting the interests of the agriculturist ?

A. Japan cannot do without our cotton. They cannot replace Indian cotton by the more expensive American. Provided the amount of the export duty is reasonable, Indian cotton even with the duty will be always cheaper than the American.

Q. What do you call a reasonable figure ?

A. About Rs. 5 to 10 per candy.

Q. What is Rs. 5 going to do ? It is neither here nor there. Do you think Rs. 10 per candy or less than three pies a pound will make any difference in the Japanese imports of cotton from this country ?

A. It might give us some help. It is a matter for the Board to consider what will be a reasonable duty.

Mr. Subba Rao.—You want it to be sufficiently high ?

A. Yes ; to give us some substantial help.

Q. But not so high as to induce Japan to buy American cotton ?

A. Yes. And especially when there is scope for increasing the number of spindles and looms in the country, why should we send our raw material to foreign countries ?

Q. But is not the spindle capacity slightly in excess of the Indian requirements ?

A. I do not think so, if we put in more looms. The bulk of our requirements of cloth can be met from yarn of not higher than 30s and 40s. We can make that cloth here as well. 30s warp and 40s weft, we can make in India.

President.—Can you make it as well ?

A. Yes. But, though we can make cloth of that quality the bulk of the cloth used in India is under 20s warp and 30s weft and in some markets it is even under 20s weft.

Mr. Subba Rao.—I am speaking of the imported cloth. What proportion of the imported cloth do you think is 30s and 40s and above and what below 30s ?

A. Imports are falling down. In 1924-25 the total imports were 727 million yards from the United Kingdom and 109 millions from Japan. In bleached cloth they were from the United Kingdom 532 million yards and from Japan 4 millions and in the subsequent year this has dropped down.

Q. But I was asking you about the counts of yarn in the imported cloth.

A. I think a good portion of imported cloth consists of yarn not over 30s warp and 40s weft and we Indians can turn out this cloth as well. Any cloth over that we cannot make. We will have to rely on Manchester for that.

Q. Therefore, is not there the danger of over-supply of cloth of lower counts if you multiply the Indian mills ?

A. But I think the consumption of coarse cloth is much more than that of the bleached and the finer counts are used only by the richer classes and the proportion is very small. The majority of the people are using only the rough cloth and since the movement of Gandhi, I think the people have more fancy to use coarser cloth, especially khaddar.

Q. It is only a small section. We have been told that the taste for the finer cloth is developing.

A. No ; I should think it is disappearing.

Q. Some witnesses told us the other way. But in any case, it is not possible to spin yarn of finer cotton, above 30s and 40s, with Indian cotton ?

A. No ; we cannot.

Q. The production of yarn between 30s and 40s has been either stationary in India or has fallen and so has been its import. You suggest that the Indian production will meet the present Indian demand for imported cloth. But beyond a point the Indian mills cannot, because the kind of cloth the production of which can be increased is coarse.

A. All the cloth required by the masses can be manufactured in India and the imports thereof are considerable.

President.—Would you admit that upcountry mills on the whole are doing better than the Bombay mills ?

A. I cannot say that in all cases.

Q. You would, at any rate, do so as regards your own mill ?

A. Success or failure depends on the reserves to some extent and also on the efficiency of the mills.

Q. But taking it all round, the upcountry mills are doing better than the Bombay mills ?

A. Because upcountry, there are comparatively few mills.

Q. What difference does that make ? I do not see how that should make a difference. Do you mean they have their own local markets ?

A. Yes. They are at an advantage to that extent. They can serve the area within about 200 miles profitably.

Q. Here are some figures which I want to put before you. You point out that the Japanese imports are very small and yet you consider that they fix the rate of prices.

A. Yes; because in accordance with their reduced quotations our customers threaten to place the orders with Japan if we don't reduce our prices.

Q. In 1923-24 the Bombay mills made 855 million yards of cloth and the upcountry mills 846 millions. In 1924-25 the Bombay mills made 986 million yards and the upcountry mills, 984 millions. In 1925-26, the Bombay mills made 871 millions and the upcountry mills, 1,083 millions. You will see that in two years the outturn of the upcountry mills has gone up by about 240 million yards.

A. That is because I think some of these mills had large reserves and they might have invested their money in expanding their business.

Q. I quite agree. Whatever the reason do you not consider it at any rate possible that the effect on the Bombay mills has been just the same as the increase in the imports from Japan? What I mean is that the Bombay mills are yearly meeting greater competition from upcountry mills, and might not that be as effective in pushing their prices down as the competition of the Japanese mills?

A. Both might contribute.

Q. You think both might contribute?

A. Yes.

Q. Quite so. The Millowners have paid special attention to Japanese competition.

A. The Millowners' point is, if I understand them rightly, that any increase in the production of piecegoods in India should not affect the industry so long as the actual production is far below the requirements of the country.

Q. I do not follow that at all.

A. Supposing the country wants 3,500 million yards and if we produce 4,000 million yards, then we can say there is overproduction. But as long as we make just half of that, I cannot say there is overproduction.

Q. Apart from the fact that you cannot produce the finer goods?

A. We can at least produce another 50 per cent. of our imports. What is the percentage of finer cloth?

Q. How much of the Japanese imports of 150 million yards and of the 1,287 million yards from the United Kingdom, can you produce?

A. I think we can produce 50 per cent. of such imports as are made from 20s to 30s warp and 30s to 40s weft.

Q. How much of that comes from the United Kingdom?

A. Long cloth and other sorts made from those counts, I believe, are coming.

Q. Are they 20s warp and 30s weft?

A. Yes; I think so.

Q. We have been told that the imports from the United Kingdom of anything under 40s are small.

A. My impression is that they are not so small. But during the last four or five years some mills in India are manufacturing cloth in imitation of the Manchester cloth, like shirtings, longcloth, etc.

Q. Are those under 30s?

A. They are all under 30s.

Q. I wish you would send some samples of them.

A. The shirting for instance that I am wearing is made in a mill in Southern India and it is made of 24s warp and 30s weft. And this kind of cloth is being imported largely from the United Kingdom.

Q. If you would send us samples of the United Kingdom cloth of what you think are under 40s we should be very much obliged, because the evidence we have got so far is certainly to the effect that not much cloth below 40s comes from the United Kingdom.

A. Yes. I shall.

Q. I cannot help thinking that your estimate of the probability of producing 50 per cent. of the United Kingdom goods is a very high one.

A. My impression is that only a small percentage of the country's requirements are in counts over 30s and 40s.

Q. My impression is that most of the 1,746 million yards that come in from outside, are of counts over 40s.

A. We are getting some from Italy also.

Q. Very little. But at any rate, the point which I wish to put to you is, whether the additional 240 million yards turned out by the upcountry mills in the last two years might not have had as depressing an effect on the Bombay mill industry as the 150 million yards of imports from Japan.

A. I cannot say particularly of Bombay. It may have a depressing effect on all the mills. Upcountry mills are also suffering. I think that competition between upcountry mills is much keener than in Bombay.

Q. In Bangalore you have a piecegoods market, I suppose?

A. Yes. The complaint there is that the rates there are spoiled by the mills in Ahmedabad and other places. So we are also now suffering.

Q. Then how would protection cure that?

A. I think the principal cause is the Japanese competition. They are always trying to cut down the prices. But at the present moment owing to heavy stocks held by the mills in India, they try to undersell each other, apart from the Japanese dumping quotations. Now the question for the Indian mills is how to move the goods. The mills are not looking to their costs. They have to sell and so they are selling.

Q. Are you getting much of the Japanese goods in Bangalore?

A. We are not getting much. But the quotations are always there and dealers are guided by those quotations and ask for lower prices, and if we do not meet them, they say that they will go and place their orders for the Japanese goods.

Q. But the same thing might happen, as far as you are concerned, with Ahmedabad. Suppose there were no Japanese goods in Bangalore. Might they not say that they can get lower prices in Ahmedabad and hold those prices before you.

A. Yes. But the internal competition is not always so keen and if there is internal competition I for one won't object. But what I object to is the foreign competition.

Q. That of course is the view of the protectionist all the world over.

A. We do not want protection against fair competition. We want to have things adjusted. If the Japanese are given some benefits by their Government—what I understand, though I have no definite knowledge of it, is that they have subsidised the steamship companies—and they can therefore transport the raw material and manufactured goods at a cheap cost. All these advantages are given by their Government and I think our Government should give us some benefit.

Q. Of an export duty?

A. Yes. That is the least harmful duty one should think. I do not favour an import duty because it may lead to rise in prices and that may again check consumption. At present the consumption has gone down. I think in the old days we calculated about 10 yards per head and now according to the recent calculation, it is 7 or 5 yards per head.

Q. I do not know where that figure comes from. My own figure is 11 yards.

A. Recently they say it has come down to 7 yards.

Q. My figure for 1925 is 11 yards.

A. What was it in the pre-war days?

Q. It was 13 yards.

Mr. Subba Rao.—If you take one year possibly it may be less. The average for 7 pre-war years would be about 3,394 million yards but now it is 3,535. But even if you take 1913-14 a year of very large imports the consumption was 4,173 million yards, or it would be 2 yards per head more than now. In the last year or two consumption has not been much short of pre-war average?

A. In India cloth is not quite so necessary as it is in other countries. People can do with very little cloth for some time, especially in Southern India.

Raja Hari Kishan Kaul.—You say that the depression is due to your not being able to sell cloth?

A. I say that the depression is due to not realising the price which will cover our cost; either the price of raw material should go down or the price of manufactured goods must go up to secure a sufficient margin.

Q. Which of the two do you think would help more?

A. I think we may get our cotton cheaper.

- Q. I understood you to say that the cultivator would not suffer ?
- A. I mean cheaper in this sense that there will be more margin between the cost of manufacturing goods and the price at which they are sold.
- Q. But the cultivator would get smaller prices for his cotton ?
- A. Yes, if you consider that the price which the exporter is prepared to give would form the basis of the price.
- Q. Naturally the price of cotton being regulated by the export the cultivator would get less ?
- A. Not necessarily, because if an exporter wants cotton for his requirements he might pay the price which the agriculturist wants.
- Q. What do you think is going to happen ? Do you think the export duty is going to lower the price of cotton ?
- A. I think it will not reduce the price of cotton generally.
- Q. If it does not reduce the price of cotton how are you going to gain ?
- A. Now, for instance the exporter to Japan takes cotton, say, at Rs. 100 a candy. Put on a duty of Rs. 10 ; then he will be paying Rs. 110. Then our price will be only Rs. 100.
- Q. The Japanese price will be Rs. 10 higher, and the price of cloth will go up ?
- A. Yes, it is only a relative thing. The cost of manufacture of the Japanese would go up to the extent of the duty.
- Q. I understand that you believe that the export duty will not lower the price of cotton but it will raise the price of cloth ?
- A. Yes.
- Q. And so enable you to run your mills at a better advantage ?
- A. Yes. That is the idea. So far as Japanese competition is concerned, it will enhance the cost of Japanese manufacture to the extent of the duty.
- Q. Provided that the Japanese are unable to get their cotton elsewhere ?
- A. I believe they cannot get this cotton elsewhere for at least ten or fifteen years.
- Q. Did you read the article which appeared in the "Times" the other day ?
- A. Yes, the uncertain prospect of getting cheap cotton always from India is what is exercising the mind of the Japanese and really frightens them.
- Q. So they are already thinking of finding some other sources ?
- A. In the meantime we can increase our looms and spindles and we can find demand for our cotton in our own country.
- Q. I understood from your replies that the margin for expansion is not very great leaving out the finer counts which you cannot produce from Indian cotton. The margin for expansion is therefore not very great ?
- A. I think there is a margin of another 50 per cent.
- Q. Isn't it correct to say that the imports of fine cloth from the United Kingdom are of counts which cannot be produced in India ?
- A. Some of them are of counts which cannot be produced and some are of counts which can be produced.
- Q. But you told us that you could not ordinarily produce higher counts than 40s. You cannot produce anything over 40s or perhaps 30s from your cotton. Therefore you cannot replace these finer qualities coming from England. Excluding nine-tenths of that the margin for expansion compared with the total consumption of cloth in India is not very great ?
- A. I think it is about 50 per cent. Now India is making only 1,970 millions, the total requirements are about 3,535 millions. What is the import from the United Kingdom ?
- Q. It was 1,613 millions in 1924-25.
- A. At least 50 per cent. of this cloth can be made in India.
- Q. We were told that nine-tenths of that cannot be made in India ?
- A. I have no definite figures, but I believe at least 50 per cent. of the imported cloths can be made in India.
- Q. In any case if in ten years' time the Japanese were to dispense with the purchase of cotton in India will it not be a very regrettable thing for India to lose this market. Cotton is one of the two or three paying crops which provide the cultivator with a surplus, i.e., with the means of paying his revenue and repaying debts, etc. ?
- A. The export of raw material is not of real benefit to the country. If it exports the goods in a manufactured condition then it is more paying. Our attempt should be in that direction. Moreover Japan will not stop taking cotton even if you put on a duty. My suggestion of an export duty on cotton is on that hypothesis.

Q. That is a hypothesis which you have to assume in order to justify the export duty ?

A. Yes.

Q. Supposing it does not happen it will be a dangerous thing to do ?

A. Then the other question is, why should we grow more cotton than is required for the country. Food crops are being neglected and these commercial crops are being grown in preference to foodstuffs. That is another complaint.

President.—Who makes that complaint ?

A. The consumers. The agriculturists themselves say that they are growing this cotton crop in preference to foodstuffs. The cost of living is going up.

Q. Is not the position that the cost of food has gone up 30 per cent. as against 100 per cent. for cotton ?

A. All the cultivators are not cotton growers.

Raja Hari Kishan Kaul.—What do you consider to be a fair dividend for a mill to give ?

A. Say, about 7 or 8 per cent. on the market value of the shares.

Q. Do you think that a mill which is giving say 10 to 15 per cent. is running fairly well and has no cause to complain ?

A. No ; it has no cause.

President.—What is the market value of your shares ?

A. Ra. 117.

Raja Hari Kishan Kaul.—Judged by that standard are upcountry mills doing well generally or suffering ?

A. I do not know much about mills in Northern India but mills in Southern India are doing fairly well.

Q. You said something about freights. You do not advocate any favourable rates to carry cotton to the mill centres or the cloth to particular markets ? You simply want the freight to be regulated on the basis of distance ?

A. That will be a more rational view of dealing with it. At present I find from Bombay to Tuticorin which is over 1,199 miles the rate is Re. 1-3-0.

Q. That is because of the competition of the coastal shipping ?

A. Yes. From Bangalore to Madura, 386 miles, the rate is Re. 1-5-0.

Q. Your proposal is that all freights should be based on a

A. On a scientific basis, not an arbitrary basis. Now, they are giving these special rates just to compete with coastal steamers. Railways are public utility concerns and their object must be to aid other industries.

Q. As in Austria or in Germany ?

A. Yes.

Q. For that purpose you propose that all freights should be based on distance ?

A. On distance and on any other scientific basis.

Q. Without making any concessions in order to compete with other agencies for transport ?

A. Railways have no business to compete. They do not get any real volume of business by competition. They are only placing one area in competition with another.

Q. Don't you think that they lose a certain amount of transport ?

A. Even with this reduction I am told they are not getting much trade. People sending by coastal service will go on sending by coastal service.

Q. Some people have suggested that some concession should be given ?

A. Cotton is classed under what is called the fourth class. It used to be under class II and I cannot understand why it has been brought to Class IV which has higher scheduled rate. That is rather an exceptional rate to be charged on cotton.

Q. You think the classification ought to be altered ?

A. Yes.

Q. Some people suggest that there should be favourable rates for the transport of cotton and for the transport of cloth.

A. They must have favourable rates by the changes in the classification of the goods. Other considerations should not enter into it. Distance or any other scientific method of calculating freight from place to place must be taken.

Mr. Majmudar.—You have said that we have got in India cotton suitable for spinning 30s to 40s. If you refer to the statement on page 71 of the millowners' statement you see that the production of 31s to 40s was 22,010,000 lbs. in 1907, 20,694,000 in

1908, 15,825,000 in 1909-10, 18,035,000 in 1910, 20,281,000 in 1911-12, 19,642,000 in 1912-13, etc., etc. For 1924-25 it is 19,368,000. We are not making any progress there although we have made progress in fine counts above 40s. To what do you attribute that?

A. Those counts may not be paying to the mills.

Q. And still Japan was able to import a good number of bales. Japan imported 19 million lbs. The imports are equal to our production.

A. Perhaps on account of the Japanese competition in those counts it was not paying to the mills in India.

President.—Why was no progress made before Japanese competition really started?

A. I think high staple qualities are being grown only in the last eight or nine years in Tiruppur and other areas. Ten or fifteen years ago we had not this high class cotton like Cambodia.

Mr. Majmudar.—Now that we have got cotton will the mills be able to spin more of 31s to 40s?

A. Yes, and I think we can grow that kind of cotton more than we do at present.

Q. Your mills are not spinning 40s.

A. We do now.

President.—From what?

A. From Cambodia, and *Karunganni*. We have been able to make this at a profit because the Japanese are not able to sell, perhaps because of their appreciated currency.

Mr. Majmudar.—Can you give us an idea of Messrs. Binny's system of sales?

A. I believe they have got what they call indenters and they give a commission of about 4 per cent. I think to such indenters. But most of their sales are made to Government departments.

Q. Do they sell to one merchant in each centre?

A. They appoint a number of merchants—about three or four—as indenters.

Q. That system is working very well?

A. I have no idea.

Q. Compared to Bombay mills in costs of production do you stand to gain in the matter of wages? Do you stand to gain in anything else?

A. Yes; we pay about 25 to 30 rupees a weaver. We have not to pay anything for water as the mills have their own tanks.

Mr. Subba Rao.—It is about Rs. 47 in Bombay. What do you pay a spinner?

A. We pay about Rs. 15.

Mr. Majmudar.—Will you please send us these details?

A. Yes.

Q. For stores you have to pay more?

A. Yes, certainly because of the high railway freight.

Q. In the matter of fuel?

A. We are working by electricity.

Q. What is the rate?

A. 0·5 annas per unit.

Mr. Subba Rao.—It is 0·7 in Bombay.

Mr. Majmudar.—What about fire insurance and other charges?

A. So far as fire insurance is concerned I think we have to pay 10 per cent. higher than what the Bombay mills pay. We are paying the tariff rates prevailing in the Madras circle. They are about 10 per cent. higher than in Bombay. In Bombay the rates were recently revised but in Madras they have not yet been revised.

Q. Is there any difference in rates charged to the mofussil mills in the Madras Presidency and the mills situated in Madras City?

A. I do not think there is any difference. I have no definite information on that. Is there any difference between Bombay and the mofussil?

Q. Yes.

President.—The Baroda witness told us it was 50 per cent. I rather think 35 per cent. would be nearer the mark.

A. We have not got any difference, I believe.

Mr. Majmudar.—How do you find your labour?

A. We find it quite satisfactory.

President.—Is there not a strike now ?

A. That was engineered by people who have no interest in the industry. It is finished now.

Raja Hari Kishan Kaul.—Is it efficient ?

A. As regards the efficiency of labour there are several factors to be taken into account. If one keeps his mill in order and in an efficient condition there is very little to be done by the people and the machinery gives satisfactory results. But if these things are neglected, however efficient your labour may be, there will be breakages and things like that and the machinery will give inefficient results.

Q. You have no reason to complain about the efficiency of labour ?

A. No.

Q. Even as compared to Bombay ?

A. I think our labour is as efficient as Bombay.

President.—What sort of production from looms and spindles do you get ?

A. I think we get 7 ounces for 20s which is 80 to 85 per cent. of the efficiency guaranteed by the makers.

Q. What is the production per loom ?

A. It varies with qualities. The average now is about 15 pounds.

Q. If I may say so from your figures it is quite evident that yours is an efficient mill.

Mr. Majmudar.—What about absenteeism ?

A. That is the only trouble we have. We have to keep more men than we really want. That is the only thing that can be said about these people. They are not very steady. We have about 6 to 8 per cent. absenteeism and we have to keep extra people.

Q. In weaving ?

A. In weaving there is the pieceworker.

Q. You do not keep extra men there ?

A. No; but we have always what we call substitutes who are paid only when they work.

Q. So you keep extra men only in spinning ?

A. Yes.

Q. Do you force the weavers to take away imperfect cloth ?

A. We do not force them. At one time the weavers were themselves keen on having such cloth when the price of cloth was very high but recently when the prices have gone down they made that a grievance. They wanted the cloth to be taken by the company. We said we were quite agreeable to do so at the price which we realised for the cloth when it is sold, and that is the system we are now adopting.

President.—We have discovered here in Bombay that it is really one of the greatest grievances they have got. It is stated that a man who has a piece of cloth worth about Rs. 20 can only sell it for Rs. 7 or Rs. 8 in the bazaar. He finds that a very heavy penalty. Do you think it really is a sound system, this system of compelling him to take cloth ? Would it not be better to give an unsatisfactory man a warning once or even twice and if necessary get rid of him rather than to compel him to take cloth ? You know it means that for a comparatively small mistake there is a very heavy fine. I admit from the point of view of the mill it is a serious matter. But it does seem to me that it would be better to get rid of him.

A. I do not think the mills will be unreasonable in that respect. If a serious grievance is brought to the notice of the manager I think he will set it right. In our mills for instance we are crediting the cloth at a price which we would realise by selling the cloth. We are selling some short lengths, also damaged cloth for which the weavers are not responsible. There are certain cloths which are damaged through no fault of the weavers.

Q. I agree that this is a very much better plan than compelling the man to sell it himself.

A. The weavers themselves wanted the cloth when prices were high. They were taking it and selling at higher prices during the boom period. But now the market is against them.

Q. Even in the boom time they could not have made money. Were you charging the market price ?

A. No, only the cost price I think.

Q. Is the cost price what you charge now ?

A. I think it is the wholesale price now but I am not quite certain.

Mr. Majmudar.—Is it wholesale contract price that you charge ?

A. I think it must be the wholesale contract price.

Q. What is the system of recruitment of labour in Bangalore ?

A. We are recruiting them direct. People come at the gate and seek employment.

President.—You get them through jobbers ?

A. We do not leave these in the hands of the jobbers. The responsible heads of departments make the selection.

Mr. Majmudar.—The selection might be through the jobbers ?

A. No.

Q. Does the weaving master himself select the men ?

A. Yes, because if it is left to jobbers it will lead to corruption.

Q. Have you got any works committee to hear the complaints of the people or any other organisation of that sort ?

A. If the people have any grievances they go to the masters.

Q. You mean they go to the manager ?

A. Yes, they go to the manager or the departmental heads.

Q. The Labour Union's complaint is that the departmental heads always try to uphold the decision of the jobber for the sake of prestige.

A. I do not think it is so. It depends upon the masters. If the master is not in touch with the people, it is quite possible.

Q. Their suggestion is that labour would be more vocal if you were to have a Works Committee consisting of the representatives of the labour, representatives of the management and some independent men and if it could meet from time to time to decide questions of dismissals, of fines, their grievances would be better redressed.

A. I think that is too much for the labour to ask. I do not think in any industry it is done like that. It is purely a matter of agreement between the two. If the employee does not like the employer, he is at liberty to go away. Why should there be all these things ?

Q. What they say is that at present there is discontent and there is no means of knowing what the discontent is due to.

A. The discontent is mostly engineered by people who have not much useful work to do.

Mr. Subba Rao.—That is one interpretation of the labour movement.

Mr. Majmudar.—You think the Works Committee would not work properly or would lead to more trouble ?

A. I think it will be more or less sinecure.

Q. Supposing the Works Committee were to operate only when they have complaints against the decisions of the master ?

A. If they have any complaint against the master, they can approach the manager and if they cannot do that they can approach the agents.

Q. It has been represented to us that, in all such cases, no workman is heard, and that there is no justice meted out to the workman.

A. I cannot say how far that is supported by real facts.

Q. Supposing there are cases like that, do you think that a Works Committee would be a solution ?

A. In such cases it may be.

Q. Have you got a Provident Fund system ?

A. Yes. We do not take anything from the people. But we contribute to their Provident Fund 10 per cent. of their wages if they put in regular attendance. They can be absent with leave ; for instance, if they are sick or they are absent after obtaining previous permission they are not penalised. But if they are absent without leave, the contribution is not made.

Q. Any workman can join this Provident Fund ?

A. Yes.

Q. Is it only the company which contributes ? As there is no contribution from the workman, practically each workman is a member of the Provident Fund ?

A. Yes, and we give this after seven years' service.

President.—How many operatives have you got altogether ?

A. About 2,000 men in the Mysore mills and about 800 in the other mills.

Q. Are they separate companies ?

A. Yes ; they are separate companies.

Mr. Majmudar.—When you discharge labour, do you give them any notice or you simply ask them to go away ?

A. If they are dismissed for any fault of theirs, we do not give them any notice.

Q. If it is a case of reduction ?

A. We do not make any reductions at all.

Q. Supposing you want to reduce some workmen.

A. Then it is fair to give them a month's notice.

Mr. Subba Rao.—Has that happened at any time when you had to send away people ?

A. Such occasions are very rare.

President.—I understand that you work under exactly the same Factory Act as they do in British India ?

A. In fact we anticipated this Act and we were working ten hours long before the Act came into force.

Q. You are in the Mysore Territory and the Factory Act there is exactly the same as in British India ?

A. Yes.

Witness No. 63

Mr. NARANDAS PURUSHOTTAM, BOMBAY*Written Statement dated 20th August 1926.*

The Millowners have stated their side of the case very cleverly but, as may be naturally expected, it is singularly one-sided and, therefore, I desire to draw the attention of the Board to the other side of the shield.

I admit that Indian industries are hard hit by foreign exchange—with sterling at 1/6d. and Yen at 132 which is near par on this basis. I further admit that Indian industries are considerably handicapped by having to import machinery and stores from foreign countries; but when this is said and done it remains to be observed that if foreign countries are able to compete with India even after bearing the transit and other charges both ways, in addition to an import duty of 11 per cent., it is only rendered possible by the economical and efficient management obtaining in those countries.

Now to come to the point about Japanese goods competing with Indian in our home and export markets. A casual study will reveal that so far as the foreign markets are concerned Japan competes with India in sheetings only. In pre-war time India enjoyed a very fair proportion of the East African trade but during war time and immediately afterwards when the Swadeshi movement captured the imagination of Indians for nearly 2 or 3 years the mills found it more to their interests to produce qualities suitable for home consumption only and full advantage was taken of the Swadeshi movement to squeeze the maximum prices from the consumers. The Bombay mills during all these years deliberately and willfully ignored their special export markets simply to satisfy their greed of realising better prices at home. The door was thus opened for the ingress of Japanese goods into East Africa, Egypt and the Levant. America which also used to export sheetings to Africa in fair quantities ceased to take the same interest in the African trade because of increased domestic consumption at remunerative prices. Japan thus found the field wholly to herself in this particular class of goods and not only did she take the full advantage of the opportunity but having once acquired a foothold she had been naturally trying her utmost through her superior efficiency and economical management to retain her position despite the severe competition that she has to face today in the said markets from Belgium and Austria as also from America and India which have again sought an outlet in these markets.

Thanks to the methods and practices of the Indian millowners the Swadeshi movement has languished (as it did in 1909 for similar reasons) and now when they find their old export markets in other hands they are crying out like spoilt children for the results of their own follies and misdeeds. It is obvious therefore that Indian millowners have been themselves solely responsible for losing their export markets. It is my firm conviction that if our Indian mills were to put their houses in order, and run their concerns economically and efficiently they could most successfully compete against Japanese or any other goods.

For instance, only this week the Bombay Dyeing Mills—one of the best managed concern in the whole of India—has successfully sold sheetings in competition with Japanese goods and they as well as the Century Mills and some other mills have also placed on the market various qualities of long-cloth and shirtings in direct imitation of Japanese goods of these descriptions at not merely competitive but distinctly lower prices. Japanese dhooties manufactured from 30s counts or thereabouts also sell in the Indian market side by side with Indian dhooties of similar count; but in this connection I would draw the attention of the Board to the fact that the quantity of Japanese dhooties imported into India of these counts do not constitute even 5 per cent. of similar dhooties imported from Lancashire. As a matter of fact the Japanese dhooty business is almost contemptible so far as quantity is concerned which defeats the millowners' contention that Japanese goods are sold cheaper than Indian, on the other hand the quantity of Lancashire dhooties imported into India serves to show where the competition lies.

Secondly, there is some slight competition in bleached susies which were originally manufactured by the Bombay mills. In this connection also I should like to lay stress on the point that if Bombay mills suffer from Japanese competition they suffer all the more from Ahmedabad mills' competition. Since the last year or so Ahmedabad has been turning out this class of goods in huge quantities and has been underselling not only Bombay but Japan also. Cheap labour, intensely economical management, very low bleaching charges and the nearness of the raw material and the finished products markets all go in Ahmedabad's favour.

It is my deliberate conviction that beyond the competition indicated above Japanese goods do not compete with our Indian mills. Grey shirtings which are imported from Japan in fair quantities do not compete with Indian goods but with Lancashire goods and this is simply borne out by Customs figures which demonstrate that Lancashire has lost ground to Japan although it would not be true to say that Japanese imports have increased in anything like the same proportion as the decline in Lancashire imports. The difference may be accounted for by the poor demand for these goods more than anything else; hence with the exception of grey sheetings (36" × 30 Yards × 9/10 lbs.) and some small quantities of bleached musies Japanese goods do not enter into competition with Indian products.

Now, coming to the second point I should like to inform the Board that if Indian mills would improve their administrative machinery and otherwise put their houses in order they will be so able to reduce their cost of production that there will be no need to entertain any fears about Japanese competition. A few suggestions will not be out of place.

1. The method of buying cotton adopted by the mills is defective. Instead of buying cotton through middlemen (to whom fat commissions are paid) cotton purchases should be made direct in the cotton producing centres by the mills' own staff as is done in the case of several well-managed concerns. This would effect a considerable saving.
2. Likewise instead of paying fat commissions to selling agents, the mills should have their own shops in the markets as in the case of well-managed concerns like the Century, the Crown and the Hindustan Mills. Incidentally it may be also stated that with the removal of these middlemen in buying cotton and selling yarn and piece-goods they will to a large extent automatically remove the channels which render various malpractices possible and of which so much is often heard.
3. Japanese mills, if my information is reliable, are managed by salaried managing directors. The same economical system should be introduced in India instead of paying exorbitant commission to the managing agents.
4. There is also much room for effecting considerable economy in the purchase of coal, stores and other materials in which generally secret commissions are paid and which also add to the cost of production.
5. A number of mills are equipped with such out of date and worn out machinery as to considerably enhance the cost of production.
6. The goods turned out by the majority of Indian mills vary so frequently in quality and weight that there is nothing like a Standard quality on which consumers may safely depend. This means constant trouble to the wholesale and retail distributors of goods. Again for instance, mill A turns out a quality in 5 lbs. under No. 902; another mill manufactures the same kind in 4½ lbs. under the same number; whereas a third mill uses the same number on 4 lbs. This injurious practice results in the qualities ceasing to run in the consuming centres with the result that stocks accumulate and become unsaleable except at big losses. This practice therefore should be abolished and each mill should use its own registered number as is the case in Lancashire and Japan. This is very beneficial to the wholesale and retail distributors and therefore to the mills themselves.
7. Well-managed concerns like the Bombay Dyeing, the Hindustan and the Crown Mills (to mention but a few in Bombay), and almost all the mills in Sholapur, Indore, Nagpur, Cawnpore and Ahmedabad are not only not making any losses even in these hard times but on the contrary show very good profits. This in itself is conclusive evidence that there is something rotten in the management of other concerns and the latter would do well to take a leaf out of books of the former.
8. The Indian mills might with profit to themselves pay greater attention to improvements in sizing, the removal of leaf dust as also to improvements in packing (which is extremely defective today). Japanese packing is very good and worthy of imitation. Another frequent defect is that one and the same bale contains pieces which vary considerably in weight and dimension. This is very injurious and is never to be found in foreign goods, especially Japanese.
9. The contract terms which the mill-owners force upon their buyers are nefarious for their one-sidedness. The buyer is in all respects absolutely at the mercy of the seller, especially as regards the delivery period which enables the not overscrupulous sellers to take unfair advantage of the rise and fall in prices to the great detriment of the buyers.
10. It is also a common practice with our mills to manufacture the same sorts of cloths. This is very deplorable as when demand is absent from particular centres (owing to plague, riots, famine or similar causes) which consume particular sorts only, then at such time stocks accumulate heavily with resultant loss to the mills. The

frequent accumulation of stocks is one of the most disastrous features of our mill management as not only do interest and godown charges accrue but the financial position of the concerns is most seriously impaired and the weaker holders are consequently obliged to dispose of their stocks at such ruinous prices as to injure the interests of even the best managed and well financed concerns.

11. Whereas our mill-owners in their hey-day of prosperity deliberately neglected their export markets, Lancashire and more especially Japan has been at all times more anxious to foster and nourish the export trade and they are making constant endeavours to find out virgin markets for their goods. This spirit of enterprise is totally lacking amongst us.

12. There is an increasing tendency now-a-days in favour of finer count goods, but a number of our mills fearing their production would be seriously diminished if they manufactured fine instead of coarse goods continue to turn out coarse varieties, and as there is a gradually diminishing demand for coarser goods they are obliged to sell them at prices which are not very remunerative. It is common knowledge that finer goods leave a wider margin and the sooner the Indian mill-owners recognise this fact and act upon it the better it will be for the industry.

13. The Bombay mill-owners in their anxiety to make Japan the catspaw for their present position (as they necessarily must make some foreign country the scape-goat for seeking protection) seem to ignore deliberately the fact that it is not Japanese competition that is responsible for their predicament but severe competition from up-country mills that have sprung up in the cotton producing centres as in Sholapur, Indore, Nagpur, Cawnpore, Ahmedabad and Delhi where cheap cotton, cheaper labour, more efficient administrative machinery and the nearness of consuming markets give them a paramount advantage over the Bombay mills.

14. Although I am not in a position to say that handloom products are sold cheaper than mill-made goods it is a known fact that the handloom productions, especially of Madras and Malabar, have shut out certain styles formerly sold at an advantage by the Bombay mills.

15. Our mill-owners are very niggardly about supplying sufficient samples to their distributors which seriously tells upon the trade. They ought surely to be able to understand that the almost extravagant lavishness with which Lancashire and Japan supply samples to their buyers have some very positive advantages about it.

16. The future of the Indian mills so far as production of goods between 14s and 28s counts of yarn is concerned is perfectly safe as the other leading manufacturing countries of the world do not find it remunerative to sell this class of goods after paying a prohibitive duty of 11 per cent. To this extent therefore a permanent advantage is secured to Indian mills against foreign competition.

17. Our mills generally have to suffer very seriously on account of finance because of the preponderance of foreign banks in the country and the high rate of interest. Also the unfair advantage taken of the banks by some of the mismanaged mills has hardened the banks against advancing loans to our mill-owners on reasonable terms; and as a result the good concerns have had to suffer along with the bad ones. Mismanaged concerns and others suffering from financial difficulties have been forced into liquidation and are passing into other hands.

18. If there is anything like Japanese competition *in fact* it should be all the more welcome as it has opened the eyes of the share-holders as well as the public to the mismanagement of the Indian mills. As I have demonstrated above there is no competition from Japan worth the name that is detrimental to the interests of our home industry; but if there is any degree of healthy competition we ought rather to encourage it so as to keep the Indian mill management alert and efficient in the supreme interests of the millions of insufficiently-clad consumers. Notwithstanding this, should it be found necessary or advisable to afford protection to the Indian cotton mill industry by imposing an additional import duty, such an action should not be confined merely to Japanese goods, which have rendered a distinct service to the poor consumers of India, but should also apply to *all goods* manufactured outside India. Out of a total import of 60 crores rupees worth of foreign piece-goods Japan's share is barely 8 per cent. Hence it would be wholly unjustifiable to penalise Japan only.

I am firmly of opinion that the depression that our industry is passing through is equally felt by Lancashire and Japan and the causes thereof are more fundamental than the Bombay mill-owners have sought to make out. To mention only a few:

1. The Indian piece-goods market, more especially the Bombay market, have not yet fully recovered from the disastrous crisis of 1919 which resulted from Government's exchange and currency policy. It brought untold ruin to more than half the trade and

the other half was seriously crippled. The wholesale failures of respectable and even financially strong merchants created a feeling of mistrust which has ever since most seriously impaired dealings on credit terms between sellers and buyers. This restriction of credit in my opinion is the most vital cause of the present depression.

2. The reduced purchasing power of the consumers.—In support of the statement I cannot do better than to cite a passage from the evidence submitted by the cotton trade to the Committee on Industrial Enquiry in England :—

“ The decline in the cotton export trade is due to the combined effects of high-prices for British goods and the reduced purchasing power of overseas customers than to any other factor, the agricultural population in our foreign markets being unable to exchange the products of their labour for the same quantity of manufactured goods as formerly. Whereas the average price per unit of cotton goods exported from this country had increased since 1913 by 142 per cent., the average price of cereals exported by India had only increased by 34 per cent.”

3. The reduced holding power of wholesale distributors and up-country merchants.—Formerly, Bombay and up-country wholesale merchants were in a position to buy big quantities from the mills and were financially strong enough to hold their large stocks through the ups and downs of the markets. This is no longer the case and the risk of holding these stocks is now transferred to the mills themselves which tells very sorely upon their finances. The weaker concerns who have not much holding power are thus obliged to sell out their stocks regardless of their cost of production and these forced sales react unfavourably upon the whole industry including the best-managed concerns. Thus unhealthy internal competition is generally more responsible for the present state of depression than foreign competition.

In conclusion I beg to state for the information of the Board that I have been more than 30 years in the piece-goods trade and have done extensive business in Lancashire, Japanese and Indian mill-made goods. My observations therefore are based upon a knowledge of facts and ripe experience and I therefore commend my statement to the Board for what it is worth. Should the Board desire me to tender oral evidence in support of the above statements I shall be happy to present myself.

Mr. NARANDAS PURUSHOTTAM, BOMBAY

Oral Evidence recorded at Bombay on 31st August 1926

[N.B.—The evidence of this Witness was given in Gujarati]

President.—What is your exact connection with the cotton textile industry, Mr. Narandas Purushottam ?

A. For the last thirty years I have traded in Indian, Japanese and English goods

Q. Which goods are you trading in, now ?

A. At present in Indian.

Q. Not in Japanese goods ?

A. Not for the last five years.

Q. Why have you given up Japanese goods ?

A. I have taken a vow before Mahatma Gandhi, and since then I have given up trading both in English as well as in Japanese goods.

Q. But the whole of your evidence is in favour of allowing Japanese competition free play. In these circumstances, I find it a little difficult to understand the trend of your evidence ?

A. I have written it from the consumers' point of view, because I am afraid if a duty is put on, the poor people will have to pay a higher price. I have got samples of Japanese cloth and I want to show that even England has now commenced to manufacture cloth on the Japanese style.

Q. We shall be glad to have the samples. I do not understand why, if you have yourself taken a vow not to handle Japanese or English goods it would not from your point of view be well worth while inflicting a small penalty on the Indian consumer to bring about the same result generally.

A. I have done it for my own sake. The vow is for myself and not for the Indian public.

Q. You say here that a casual study will reveal that so far as foreign markets are concerned Japan competes with India in sheetings only. What markets are you thinking about there ?

A. There is competition in sheetings, striped shirtings and dhoties.

Q. You mention here that the Bombay Dyeing and Manufacturing Company's Mill successfully sells sheetings in competition with Japanese goods. Do they sell it at a profit ?

A. I do not know.

Q. Then, how can you call it successful if you do not know anything about the profit ?

A. I do not know whether they are making a profit or not. As they are selling cheaper than the Japanese I thought they were successful.

Q. You say the system of managing agency that obtains here is the cause of the complete dislocation of the whole industry ?

A. In Ahmedabad the agents themselves do the work practically as Managing Directors and therefore it won't be difficult if the system of Managing Directors is introduced in Bombay.

Q. I do not quite follow your point that the goods turned out by the majority of Indian mills vary so frequently in quality and weight that there is nothing like a standard quality, etc. You say one mill turns out No. 902 in 5 pounds; another manufactures the same kind in 4½ pounds and under the same number, and a third uses the same number on 4 pounds. What do you mean by three mills using the same number ? Do you mean that one mill is copying another mill's number but turning out a different quality ?

A. If one mill manufactures a particular quality and gives the number 902 another mill gives the same number to a different quality and a third mill also does the same.

Raja Hari Kishan Kaul.—Do you suggest legislation on this point, this copying of numbers ? Do you propose that Government should legislate or give advice to the millowners ?

A. It would be good if Government legislates in the matter.

Q. Are you a mill agent ?

A. I have been a selling agent six months back of the Victoria Mills.

Q. Did you find as a selling agent that the system of selling through you was not advantageous to the mill ?

A. They have appointed other selling agents.

Q. While you were selling agent, was it not considered advantageous ?

A. As there is very great competition and as we are not able to compete with Japanese goods the appointment of several selling agents is the way to reduce the cost of production.....

Q. But you say that there is no competition with Japanese goods ?

A. There is competition, there is some competition of Japanese goods with Indian goods and some competition also with English goods.

Q. Have you had any experience of the industrial side of the cotton industry ?

A. I had connection with the mills and therefore I know.

Q. Any mills of your own—spinning, dyeing or weaving ?

A. I was a partner in the agency firm of the Hubli Mills.

Q. Spinning, weaving and dyeing ?

A. It was only a spinning and weaving mill then.

Q. Why did you give up the mill agency ?

A. I sold my share to my partner.

Q. Was it not profitable ?

A. Owing to change of circumstances, I sold it.

Q. You say only Japanese sheetings compete in the Indian market. The figures here show that drills, longcloth, shirtings, coloured goods, all compete.

A. Formerly there was competition in drill and jeans. But now it is not so. Last year it was so, but this year it is not so.

Q. Then you say that some of the mills had imitated Japanese designs but there is no competition in sheetings. Why is it necessary for anybody to imitate those designs ?

A. There has been a change in the taste of the people since the war. Japanese designs and qualities are more liked by the people and therefore in order to cater for the taste of the people the Bombay mills have also commenced making them.

Q. It means they are displacing the Indian mill goods and there is competition ?

A. The style of the Japanese cloth is different and as that commenced to sell the Indian mills also commenced to manufacture similar styles.

Q. About dhoties, of course, there is no complaint of Japanese competition ; but could you give us figures ? Japanese manufactured dhoties of 30s. also sell in India side by side with Indian made ones. You could probably give us the price ?

A. I will give you the price in two or three days.

Q. Also about susis ?

A. Yes.

Q. You say the millowners are very niggardly about supplying sufficient samples to their distributors.

A. The Bombay mills do not give samples. The Japanese mills give as many samples as we require while the Bombay mills give only one sample.

Q.—Then you say, 'I am firmly of opinion that the depression that our industry is passing through is equally felt by Lancashire and Japan.' How about Japan ?

A. Japan was able to sell at cheaper rates due to their exchange. Now Japan is not able to sell so cheaply. In 1919 we had goods imported for 964 lakhs and even then the millowners of Bombay did not raise a hue and cry. Now when the total quantity is less they are raising a hue and cry. The Japanese people are now working shorter hours. They are working four or five hours shorter than what they were doing.

Q. How do you know that ?

A. From another friend who is trading in the Japanese goods.

Q. You say that during the Swadeshi movement the Bombay mills 'deliberately and wilfully ignored their special export markets.' If the Swadeshi movement reduced the consumption of mill made cloth, it should have been easier for the mills to export more cloth to the outside world. Is it the Khaddar movement that you are referring to ? The Swadeshi movement was very much earlier and it was started in Bengal.

A. Yes, and also the Swadeshi movement.

Q. But exports did not decrease, in fact they increased.

A. During that time mills had good profits in local markets and so we lost the market,

Q. Still they exported goods and the quantities were larger ?

A. Because our looms and spindles were increased.

Q. Is it the mills who export or the merchants ?

A. The mills sell to the merchants and the merchants sell to markets. As it is we offer these goods for some price and the mill says Rs. 1-8-0 and the other people say 1-4-0. How can we sell to the other country ?

Q. You say they do not sell their products cheap enough for export to the other countries ?

A. Yes.

Q. They do export goods. The quantity exported has increased.

A. As it is they get less price for some goods. Therefore they export such goods.

Q. Naturally they export such goods on which they can make a profit ?

A. They keep the market in hand so far as the quantities of such goods are concerned. The figures show that the quantities exported did not decrease.

Mr. Subba Rao.—You make a number of statements about mill management, cost being high, paying fat commissions and so on. Do you make those statements on mere hearsay or have you come across instances ?

A. I have seen them. When we used to go to the various mills for purchases those mill agents used to say that because of their old machinery their production was low and therefore their costs are higher. That is how I have got the information.

Q. You say it is a common practice for mills to manufacture the same sorts of cloth. What do you mean ? As a matter of fact they varied the type of cloth in Bombay. What do you mean by this statement ?

A. Suppose one mill has some counts—24s. x 28s. All the mills make the same quality and when the stocks are sold there are losses.

Mr. Majmudar.—What authority have you for making the statement that there is superior economical management in Japan ?

A. I have no figures to support the statement.

Q. You say 'I should like to inform the Board that if Indian mills would improve their administrative machinery and otherwise put their houses in order they will be so able to reduce their cost of production.' I want to know whether and if so what changes you made when you were partner in the agent's firm of the Hubli Mills ?

A. I was a partner for three years, 1919 to 1921.

President.—Was it after that that the mills went into liquidation ?

A. Messrs. Forbes, Forbes, Campbell & Co. sold them.

Q. When did they sell them ?

A. In 1919.

Q. And your firm took them over ?

A. Yes; and I sold my partnership in 1922 and Purshottam Govindji bought it.

Q. Why did you sell it ?

A. I was in straitened circumstances.

Q. There should have been no straitened circumstances in the boom period.

Mr. Majmudar.—You did not make any changes ?

A. I did not see any necessity for any changes at that time.

Q. Can you say which mills are working inefficiently ?

A. I will give the names privately; but I cannot prove that.

Q. Do you think it likely that the Japanese competition in dhoties will increase ?

A. Formerly it was only the Indian dhoties that were coming in. Japanese dhoties have commenced to come in for the last three years. They might sell more if they are cheaper. Japan is underselling Bombay mills. First of all Ahmedabad sold cheaper than Bombay mills and now Japan is selling cheaper than Bombay mills. At present in certain qualities the Japanese are underselling. Again Ahmedabad susies sell very well whereas the Bombay susies do not go so well in the market.

Q. The prices of the Bombay susies are higher ?

A. Ahmedabad mills are able to sell cheaper due to the lower bleaching charges, economical management and so on.

Q. You say that grey shirtings which are imported from Japan in fair quantities do not compete with Indian goods but with Lancashire goods. Is it not possible that on

the one hand the Japanese shirtings being a little superior to the Indian ones displace them due to the slight difference in price and on the other hand successfully compete with the English which are dearer ?

A. I do not say that the Japanese shirtings do not compete with the Indian ones, they do compete. I will supply the figures to you about the Japanese shirtings which compete with the Indian shirtings. Before the war English shirtings were imported to a very great extent. During the war time Japanese shirtings commenced to come to a greater extent and now practically the English shirtings command very little sale.

Q. You say ' Incidentally it may be also stated that with the removal of these middlemen in buying cotton and selling yarn and piece-goods they will to a large extent automatically remove the channels which render various malpractices possible and of which so much is often heard.' Have you any personal knowledge as regards the malpractices of selling agents that you allege ?

A. I have got personal experience. The selling agents sell off the goods to their own relations without giving a chance to the other merchants. Some of them do it. But I am not prepared to mention the names.

Q. You say ' Another frequent defect is that one and the same bale contains pieces which vary considerably in weight and dimension. This is very injurious and is never to be found in foreign goods, especially Japanese.' Does this apply to the Bombay mills ?

A. To some of the mills. Occasionally also the yardage is less besides the difference in weight and dimensions and therefore many a time the contracts are cancelled.

Q. Can you give us the names ?

A. A contract was once cancelled with Birla Mills on that account with regard to shirtings, the quantity being 200 bales. There was a similar experience with the Sassoon mills. Such instances occur very often and concessions also have been granted to the mills by the merchants. As a consequence the prices of the goods suffer. If a duty is to be levied it should be levied on both English and Japanese goods. I do not want it to be levied on the Japanese goods, because the English mills will then import the goods.

Witness No. 69

Mr. B. N. KARANJIA, J.P., BOMBAY

Written Statement dated Bombay, 12th August 1926

I have submitted two letters to the Honourable Sir Basil Blackett, K.C.B., on the 14th July 1925 and the 17th August 1925, copies of which are enclosed herewith.

I also enclose herewith a copy of a letter addressed to the Millowners' Association, Bombay, dated the 13th August 1925. I have briefly stated therein my views on the subject, and am prepared to give oral evidence if necessary.

Further I venture to add that the system prevalent in Bombay of management of mills by what are called "managing agents" or "secretaries, treasurers and agents" is very harmful to the mill industry inasmuch as they charge commission on profits and sometimes on production and sometimes also on purchases. Many temptations lie in their way; profit dwindles in good times and difficulties arise in adverse times. In my opinion a powerful board should control the whole management.

On the other hand it is contended that Indian mills cannot finance their concerns if the agency system is done away with. But I do not agree with this. With a good board, and with local banks as well as Government banks financing sound concerns, any difficulty in this direction should disappear. In Japan local banks and sometimes Government banks come forward to help sound concerns when temporarily in difficulties and save them from shutting their shops.

Many Indian mills are over-capitalized. Hence they are incapable of showing good results. Japan mills send their representatives to different parts of the world to learn their requirements and push their own goods. In their endeavours the people and Government help them. I do not agree with the suggestions that the Government of India should send out representatives, but the mill owners should send them and Government should grant them certain aid in this direction.

Up-country mills are better off than Bombay mills because they are situated very near cotton districts and their productions are easily consumed in their own markets and they have not to suffer from land and sea freights. Hence they very seldom lose.

Japan has a good hold in China and particularly in Manchuria where it sends its goods in loose packings, it also packs its goods in straw bales for home consumption, and thereby saves a lot of packing expenses. It makes good profits there and with such profit competes with the outside world.

Some few years ago the Petit mills used to manufacture good hosiery. Japan competed and supplied India with such cheap stuff that the Petits had to close down and thenceforth Japan has captured the Indian markets. Of course to my mind it was not a healthy competition, because the same qualities were sold then in Japan at a higher price than in India and when the Petits stopped manufacturing these goods, Japan raised its price in India and made up for past losses if any.

Japan herself would never allow such competitions in her own territory.

For helping the mill-industry in India I would make the following suggestions:—

- (1) A specific import tariff should be introduced.
- (2) Import duties on mill stores should be abolished.
- (3) Super-Tax on companies should be done away with.
- (4) Town duty of one rupee per bale should be done away with. It is an unnecessary burden on Bombay mills.
- (5) Drastic changes should be made in the matter of the agency system, above referred to.
- (6) Government banks should finance sound mills when necessary.
- (7) Mills should open their own shops to sell their own goods and the system of giving agencies should be discontinued.
- (8) All forward transactions in mill shares should be stopped by legislation.
- (9) Mills, which have already lost by way of depreciations in land, building, machineries, stocks, etc., etc., should reduce their capital. (Japan always does that).
- (10) Up-to-date machinery should be installed in Indian mills.
- (11) Skilled labour or better labour should be employed.

A Japanese labourer is more skilful and industrious and does at least double the work of the Indian labourer.

Japanese labourers are better looked after by their masters than Indian labourers are. Japanese mill structures are very cheap. They themselves manufacture certain machineries also.

I am not in favour of raising the tariff wall and creating unpleasantness between these two countries.

Again Japan has got a natural advantage of climate. They can produce better counts from inferior cottons, which we cannot do here. By such advantages and economy and a favourable exchange they can easily compete with India, while on the other hand the transit expenses of cotton and cloth are negligible.

There are besides many other advantages which Japan enjoys. I do not include them here, as they are well known to the mercantile community.

*Annexure A**Letter to the Honourable Sir Basil Blackett, K.C.B.**Simla, dated July 14th, 1925*

RE EXCISE DUTIES IN INDIA

I take the liberty of suggesting a method which if adopted will relieve the present cotton mill trade depression, do away with the necessity of abolishing the excise duties, do no harm to Lancashire and involve no loss of Government revenue.

I suggest that a specific duty based on flat rates be levied on all cotton piece-goods, whether grey or white, imported from England, Japan and America. This will tell on inferior varieties which will naturally affect Japan and benefit Indian mills. Indirectly Japanese goods will gradually disappear from the Indian market and their place will be taken by better qualities of English goods and what may be lost in revenue on decrease of Japanese imports, will be made good by increase of imports of English goods. Indian mills which are producing generally lower qualities than England will be very much benefitted and the Japanese competition in Indian markets of which complaint is made in the papers and in the English and Indian Chambers of Commerce, will disappear.

*Annexure B**Letter to the Honourable Sir Basil Blackett, K.C.B.**Simla, dated August 17th, 1925*

Sir,

In continuation of my letter dated 14th ultimo, re Excise on cottons, I have the honour to add further on the subject.

I enclose a cutting from the "Times of India" dated 12th instant from which I gather that if the course therein suggested is adopted, there may be a heavy deficit in Government revenues.

I have suggested in my last letter that a specific duty at flat rates might be levied. If this is objected to as inequitable I suggest a tariff fixed on the same basis as "Silk textiles," see Government of India "Tariff Schedules" for the purpose of Customs duties, serial No. 107, "Silk piece-goods and other manufactures of Silk". A fixed tariff may be more accurate and may be levied at 11 per cent.

If either of the two methods as recommended by me is adopted there is no doubt in my mind that Japanese competition cannot be maintained in Indian markets, and I venture to suggest this as a solution of the present critical condition of the mill industry.

Under the circumstances, I most respectfully request you to give careful consideration to my suggestions if you think it advisable to do so.

*Annexure C**Letter to the Secretary, Millowners' Association**Bombay, dated August 13th, 1925*

I send you herewith a copy of a letter addressed to Sir Basil Blackett re Excise duties, and my further suggestions to be put before your Committee of the Millowners' Association.

I have to add briefly for the information of your Committee that:—

- (1) The Import duty on cotton piece-goods is not 11 per cent. but 9·909 per cent.
- (2) All the steamer companies charge freight on Cotton at Yen 4·20 per bale out of which they return to the mills in Japan 1·40.
- (3) Kanegafuchi Mills Company have got their mills in China also. They make good profits there and it is a help to them to compete with India also.
- (4) They have got a dumping policy (they sell their own goods at a higher price in Japan to enable them to undersell in India, etc., etc.).
- (5) The low exchange also helps them to the extent only of the actual difference between raw material and manufactured cloth, etc.

There are many other factors which enable them to sell their goods cheaply in India. I would advise you to insist on Sir Basil Blackett's levying import duties at tariff rates. By fixing the tariff inferior goods will cease to be imported. The rate of duty

should remain the same ; that is 11 per cent. on all imported cotton piece-goods. But the goods for the purpose of assessment may be divided into two groups, say greys and whites, the price of the former may be fixed say approximately at Rs. 1-8 per lb. and of the whites say Rs. 3 per lb. approximately (a proper rate will of course be fixed after taking the average figure of Imports), and then the duty may be levied on price calculated according to the weight. Say a piece of grey cloth weighs 9 lbs. the value thereof will be at the above rate 13/8, and 11 per cent. duty thereon will be Rs. 1.4850 (and no "Less duty" will be allowed on fixed tariffs, while in market values less duties are allowed), in the same way Rs. 3 per lb. may be fixed for whites and the duties charged accordingly. In my letter to Sir Basil Blackett, I recommended specific duty at a flat rate, which may be objected to as being inequitable, but a fixed tariff cannot be open to the same objection. If any difficulty arises in the working of the system, I am quite prepared to solve it, as I did in the case of "silk textiles," see Government of India "Tariff Schedules" for the purpose of Customs duties, serial No. 107, "Silk piece-goods and other manufactures of silk."

Specific duty and fixed tariff may of course be respectively so fixed as to work out the same. The first is fixed and based on the average values and average of various qualities of goods imported, and a fixed tariff is based on values fixed for different groups calculated on the average imports of different qualities. The latter duty is more accurate and will be calculated at 11 per cent.

If either of the two methods is adopted there is no doubt to my mind that Japanese competition cannot be maintained in Indian markets, and I venture to suggest this as a solution of the present critical condition of the mill industry.

My point in writing to you is to enable you to approach the Government of India after discussing various details in your Committee. I am quite prepared to offer such help as I can.

I may mention that Japan mills always hedge "Sampin" against their purchases of raw cotton or cloth as the case may be when they see a weak tendency in cotton.

There are various other points on which the Japan mills work to their advantage, I shall be glad to mention them to you if required.

Witness No. 69

Mr. B. N. KARANJIA, BOMBAY

Oral Evidence recorded at Bombay on the 27th August 1926

Mr. Karanjia.—May I be allowed to explain that I have come not on behalf of the Japan and Shanghai Silk Merchants' Association of which I am the President, nor have I come on behalf of my firm Messrs. Gobhai Karanjia & Co., Ltd. I have come in my private capacity and not to favour either side. I want to give you all the facts which I have in my possession, basing them on my 35 years' experience.

President.—What is your special connection with the cotton industry ?

A. I am exporting cotton, as well as importing a very negligible quantity of cotton piecegoods. Our main line is silk goods. We are general importers as well as exporters.

Q. How much cotton do you export ?

A. I think we have been exporting cotton to the extent of about 5 to 6 thousand bales to China and Japan every year. We did not do that business simply for exporting cotton, but to save something in exchange. We bring some silk piecegoods as well as raw silks, so that what we sometimes lose on cotton we gain in exchange by importing other articles.

Q. Have you been in Japan yourself ?

A. I have been twice to Japan.

Q. Did you visit any of the Japanese cotton mills when you were there ?

A. Yes, I did. We are dealing in cotton. So we naturally saw those mills.

Q. How many Japanese mills did you see ?

A. I saw about 20 silk mills and about 3 cotton mills.

Q. In what year was that ?

A. 1923.

Q. So you can at any rate give us first-hand information as to the conditions in the Japanese mills ?

A. Yes. What I say should not be misconstrued by the Bombay mills as well as by the Japanese mills, because I want to give facts, facts which I know as a citizen, without basing them on any statistics. I will give general information and I think that will throw some light on your enquiries.

Q. We shall be very glad to have it.

A. I have come here with much hesitation simply to explain defects, advantages and disadvantages. In the first place we have some experience as we wanted to start a cotton and silk mill also and in that capacity we gathered some experience how the mills are going on and so forth. Yesterday in your enquiry the Millowners' Association said that the ryot would suffer to the extent of only 1 to 1½ annas per head if the tariff were raised by 13 per cent. If it comes to 1½ annas per head, the total is about 4 crores of rupees. That means that the Millowners will get 4 crores of rupees from the lower and the poorer classes. They have applied 1½ annas to all the population, while the mill goods are not used by the upper classes or the upper middle classes but by the poorer classes and the lower middle classes. So it must be 3 annas and not 1½ annas.

Q. The upper and middle classes do not constitute 50 per cent. of the population. Surely there are not 150 million people belonging to the upper and middle classes ?

A. No. Say about 120 millions. Each mill gets 4 lakhs more. That is a burden on the poorer classes and I must tell you that a man in India cannot afford to use silks worth one anna. Taking the population as a whole, a man cannot afford to have silk worth one anna. So it is not right; and the other thing I am convinced about is that it has not been ascertained by you or by the Millowners' Association what is the cost of production per pound in Japan and what is the cost of production per pound in India. That has not been ascertained by any one. I do not know why that has not been done.

Q. Have you any reason to suppose that we do not propose to do it ?

A. But it has not been done up till now.

Q. We have only been here for a very short time. I may explain for your benefit that we are doing it as regards India, but that as regards Japan the position is a little more difficult. If you are in a position to help us to obtain costs of production in Japan you will be rendering us a very great service.

A. But I never knew that I would be here and I have not collected the evidence.

Q. If you can do anything, so much the better. Costs of production are a most difficult thing to obtain. It is all very well to criticise us but are the Indian mills willing to give us their costs of production ?

A. If you compel them, they are bound to give. They want protection.

Q. They cannot be compelled but they have promised to supply figures. Can you expect Japanese mills to supply their costs of production ?

A. If you apply to the Japan Cotton Spinners' Association they will supply them.

Q. That is very problematical, to say the least.

A. But any way we can come to conclusions by what we have got in our possession.

Q. Have you any information in your possession ?

A. General statistics, general information. In one of your questions to Sir N. N. Wadia you enquired whether the Japanese merchants got their cotton cheaper in Bombay or upcountry.

Q. That was not the question ; the question was, do the Japanese or any other exporting house buy their cotton cheaper than the Indian mills ?

A. Yes ; the Japanese mills buy cheaper than our millowners here. The thing is that they buy some goods from exporters from Bombay to Japan. They do their business quite separately. Today, Broach here costs about Rs. 360 per candy while in Japan it is sold at Rs. 342 today. The rate is much less in Japan and that is why they buy in Japan from the local dealers. Again they buy from Shanghai sometimes.

Q. How do they manage to buy Indian cotton cheaper in Japan than it is in India.

A. The millowners buy from Bombay and upcountry. They do not buy from Shanghai.

Q. I do not understand you. You have not explained to us how the Japanese can buy Indian cotton in India cheaper than the millowners.

A. Not in India. I am talking of Japan. I am an exporter of cotton to Japan. I have got some bales lying there. To-day I am offered much less than the price of cotton here in Bombay.

Q. That must be an exception.

A. Generally it is the case.

Q. Then, if that is the case, the exporter must be losing money.

A. They are losing money.

Q. They cannot be losing money all the time.

A. People going to the race course have to pay 10 per cent. as the totalisator fees. Still they go and lose. They lose and they shut down their shops. New companies are coming in. They always combine and get the goods lying there in shops at a much cheaper rate than in Bombay. I can convince you of that. Only two months ago I had a consignment from one of the jaithawalas here to be sent to Japan to be sold at a certain price. Now as the American futures are going up, he says ' have you got any offers for that consignment ' I said no, and then he says the Japanese are buying here the very goods which I have consigned and how is it you do not get any offer even at a loss. Of course I am showing some advantages which they have.

Mr. Majmudar.—That only shows that the Japanese are trying to keep out Indian cotton merchants. They are working in combination and therefore they do not want to purchase cotton from the Indian merchants, but want to have dealings only with the Japanese merchants here and therefore you have felt the loss. That does not prove that the Indian mills are purchasing at a higher price than the Japanese.

A. But they have facilities of buying there and from Shanghai.

Q. How many Indian cotton merchants are exporting cotton to Japan ?

A. There are about ten firms who have their offices and do businesses and there are about 20 other merchants sending consignments to these ten firms.

Q. How many bales would they be sending ?

A. It comes to about 20 per cent. of the total export.

Q. And will this happen in all cases whether there is a fall or rise in cotton ?

A. Not always but many times they are able to reduce.

Q. So it depends upon the tendency of the market or the rise or fall in the price of cotton and the price at which the exporter had purchased in India ?

A. Yes.

Q. It has nothing to do with the general complaint that the Japanese mills are able to purchase in India at a cheaper price than the Indian mills ?

A. In India they are not able to buy at a cheaper rate.

President.—They have really a wider market and they can take advantage of a slump in local conditions? That is your point?

A. Yes.

Raja Hari Kishan Kaul.—They buy cheaply there at your expense?

A. Yes; we lose and they buy. As regards insurance we have to give insurance to foreign countries while they keep insurances in their hands. The mills here want a 13 per cent. higher import duty. I think if it is given Japan won't buy cotton from India. Only such quantities as would be required by them to capture foreign markets and not India.

President.—What are your grounds for believing that?

A. Supposing India does not consume the Japanese cloth, so much cotton is less exported from here.

Q. But after all, the production of the Japanese exports of cloth to India uses up far less cotton than the Japanese take from India. The amount of cloth coming to India from Japan represents far less in cotton than the exports of cotton from India to Japan. If this is so, will not Japan have to go on buying Indian cotton for the rest of her needs.

A. Yes. They will have to. Again, in Japan, cotton is sold to the mills at two or three months' credit. They have not to pay interest on it. Also, as they are buying cotton from Karachi, they get it cheaper there than in Bombay. So they are despatching their steamers to Karachi and buying from there as they save Re. 1 per bale as town duty, plus some expenditure which they incur in bringing goods to Bombay and exporting to Japan. Another point is with regard to mixing. Our mills are far behind in the art of mixing. I can tell you that we import mercerised yarn which Japan makes. Japan mixes different kinds of cotton and prepares from that the exact numbers, 42, 64, 84, etc., imitating exactly the Manchester counts. In the bazar this mercerised yarn is sold so largely that it has ousted Lancashire. What I mean is that they are very clever in mixing. Of course that goes in their favour. In Japan the profits which the mills make are not very large. Sometimes we make here very large profits. In Japan the profits are divided up and risks are avoided in this way. Suppose they buy one thousand bales of cotton from me at a low price, they sell at the same time cloth to Indian markets or to any other markets, but suppose they do not, then they do not buy cotton in Japan but they buy forward delivery from Bombay, and so on. Suppose it does not pay them to manufacture goods, then if the exporter whether Japanese or any one else supplies the cotton to the Japanese mills than they manufacture on his account taking only manufacturing charges to secure the profit and give back either yarn or cloth and this yarn and cloth are sold by other merchants than the mills. So they do not lose, while our mills are losing on that very occasion.

Q. In short they have a much better system of hedging?

A. Quite so. They have a better system and they always take cotton from hand to mouth and, if they buy ahead, they try to get cotton from somewhere which would give them some margin in manufacture.

Q. What are your views in regard to double shifts?

A. If Indian mills go in for double shifts it will be only for their loss because they cannot sell double the quantity which they produce. Even their present production they are unable to sell. The Japanese have got enormous markets, they send their representatives all over the world. They have got their consumers. They have got all sorts of support and they can afford to run double shifts, while if our people try to do it it will be a failure. The Japanese manufacture varieties of goods, while our mills stick only to the usual qualities. Now a days we get so many qualities of artificial silk. If our mills would try to deviate from the present system and go in for artificial silk cloth, I am sure there would be a big market. They must try to get samples from all countries of the world. They should try to get them just as Japan does and success, I think, will await them. Now, since this enquiry, Japan is not selling to India. They demand a higher price; so our Indian merchants who have got to supply their goods to Aden, Mesopotamia, Batavia and other places outside India, enter into contracts here for the shipment direct to Aden, Basra and other places....

Mr. Subba Rao.—I don't quite follow.

A. Now, that our Indian merchants do not enter into contracts for Indian goods, of course Japan does not sell to Indian markets so largely; to some extent they do. Then Japan is selling to our merchants for delivery in Aden, Mesopotamia and other places and the goods will go direct there without touching Bombay.

Q. You mean that they are exporting through Indian merchants but that the goods do not come to India?

President.—I see you are not in favour of the managing agency system?

A. No, Sir, I am not in favour of it.

Q. Where are you going to get your powerful Board from ?

A. From those who have experience in textiles.

Q. Where are you going to get them from ?

A. In India you have plenty of men.

Q. Who are they ?

A. Of course from the present houses who run these mills, the Wadias and the Tatas, and from other outsiders. Of course what I mean to say is from those who know the textile trade. There are some directors who do not know the A B C of textiles. They simply depend upon the manager. The manager telephones from the mill, and they say, "all right, go on !" That is not the way to conduct the mill.

Q. Quite so, but would it not be rather a big business splitting up the expert Directors you have got among the different mills ? I don't quite understand where you are going to get sufficient men experienced in textiles to run the 82 mills in Bombay as Directors.

A. Then they should be educated. It is the Government's duty to educate them.

Q. But surely Government has too many other duties to permit of this ?

A. In Japan Government has got so many duties, but they educate even a coolie and a rickshaw man.

Q. Is not that sort of education a very different matter from educating people to run big mills ?

A. Government sends people from colleges to Germany, England, America and other places. It should be done by the Government. It is the Government's function to promote the industries of India. Of course I know that there are not so many people just now who are capable of conducting the mills, but if you say there are not enough they should be educated.

Q. What you want is a system under which you have a Board of Directors with one managing director ?

A. Quite so. Here I have taken out some averages which would exactly show you how these Japanese have got advantage over the Indian mills, of course by their perfect management, and by their tact and by their knack of conducting the mills. Here I have marked some figures which will enable you to find out that if these economies are possible, the mill, at least the ordinary mill, would save a lakh and sixty thousand rupees with Government help, in this way, that is, if taxation is reduced. An average mill in Bombay charges as commission or office allowance, of course sometimes they don't in bad times and in good times they do, on an average about 30 thousand rupees a year. Even an average mill pays as super-tax 20 thousand rupees. Then an ordinary mill pays 10 thousand rupees as town duty on cotton. Then the difference in capital expenditure is about 10 lakhs of rupees. What I mean is, supposing you start a new mill for 40 lakhs of rupees, in Japan you can construct the same mill for 30 lakhs.

Q. How is that ?

A. They do not build concrete buildings or *pucca* buildings. Then they make some machinery in the country and bring some from outside. Thus they save money in capital expenditure of about 10 lakhs, or 25 per cent. less. So, if you take the interest on this 10 lakhs, it would come to about 60 thousand rupees.

Q. But you cannot take it. The buildings and machinery are already there. So the question of saving interest does not arise. No new mills have been erected in Bombay since 1914.

A. What about those which were already erected ?

Q. They did not cost 40 lakhs.

A. I mean the cost in Japan is 25 per cent. less than it is here. So interest should be counted on that.

Q. I do not see how you can take that into consideration, because you are dealing with past years, and our information is that the cost of prewar erection was certainly not less in Japan than it was in India at that date.

A. That may be so, and then they have got electricity of their own which is very cheap while here they have to pay so much for one unit.

Raja Hari Kishan Kaul.—What is the rate in Japan ?

A. I do not know exactly, but it is I think half of what it is here.

President.—You can only say in general terms. You do not really know ?

A. No, I made it plain to you that I have not got details.

Q. What do you save by replacing the managing agents by a managing director ?

A. The managing director won't charge Rs. 30,000. Sometimes the agents take away two and three lakhs.

Q. For what sort of pay would you get a suitable managing director ?

A. About Rs. 2,000. In Japan they pay Rs. 1,000.

Q. From my knowledge of Bombay I should say that a man who could run a big mill successfully would want a good deal more than Rs. 2,000 a month, but if you pay him Rs. 2,000 there is Rs. 24,000 gone at once out of your Rs. 36,000. Then he wants an office establishment.

A. In Japan they have not got any office establishment. Here the mills are spread out in Parel and Mahalakshmi and are spending so much on staff and so on, whereas in Japan they sit in the very mill and people go there.

Q. As they do in Ahmedabad ?

A. Yes. What I want to show you is the economy and advantage they have got over our Indian management.

Q. You say many Indian mills are overcapitalised. Could you give us a few examples ?

A. The overcapitalised mills are the E. D. Sassoons United ; then the Bombay United which was taken up by the Tatas ; then the Shapurji Barucha group . . .

Q. I do not know whether you wish your views to be reported or not ?

A. I do not mind. I am not an interested party in the least. These mills are overcapitalised.

Q. But, that is only a very small number of the Bombay mills, is it not ?

A. They are overcapitalised in this sense that I understand that in Japan they can construct at a lower cost. That is my idea. If you see the actual mill you will at once find out that these mills won't cost as much as in Bombay. I have seen it with my own eyes.

Q. You have been over the Japanese mills ? Can you tell me what was your general impression of the labour conditions and of their efficiency ?

A. Yes, I have seen Bombay mills also. In Japan I saw a young girl running like anything from one room to another, while here I saw that the workmen were lazy. They go from one room to another in five minutes while in Japan they can run. In Japan they have got a patriotic feeling. The owners of the mills as well as the poor labourers are kith and kin. They talk to them and go with them, take them to excursions and please them in every possible way. Here they do not. The *burra sahibs* never care for the labourers and they never sympathise with what they lose or gain, while there they feel, "supposing my master loses, Japan loses." Here we have not got that patriotic feeling amongst our labourers. For a slight fault they run away and there are strikes and so on. It is very unfair. They will never do it in Japan. They are so quick that if you go and see them working in the mills you will simply be surprised. I have seen in France exactly the same.

Q. Did you see anything of the conditions of their living ? Did you see the dormitories ?

A. Dormitories are not cells as they are here. They are open places with a roof on and they sleep side by side.

Q. Which mills did you see ?

A. In Osaka of course I was a casual visitor. I saw the Kanegafuchi mills.

Q. That is a well known mill, is it not ? That is considered a model mill in Japan and you cannot judge every other mill by the Kanegafuchi mill.

A. That is, of course, the case.

Q. You saw two other mills besides Kanegafuchi ? Which were they ?

A. I cannot remember.

Q. Were all the three mills you saw in Osaka ?

A. Yes.

Q. Can you give us a description of the dormitories ?

A. Supposing this is a big room, without walls and without windows, they sleep there. They are supplied with food and they work regularly without any hitch. The description given in the letter written by the Japanese Cotton Spinner's Association (Appendix 4) to the millowners' statement is quite correct.

Q. Did you go round the mill at night ?

A. No. I once saw the mill people being taken to an excursion. I have never seen here the mill authorities taking their labourers for excursions.

Q. You say that 'some few years ago the Petit Mills used to manufacture good hosiery' and that in those qualities Japan captured the market because the same qualities were sold in Japan at higher prices than in India ?

A. Yes.

Q. Could you give us figures ?

A. That was a few years ago, not now. There is now no mill in India manufacturing hosiery.

Q. There is one in Ahmedabad and one in Cawnpore to my knowledge. But the point is that you say Japan was dumping hosiery in India ?

A. In those days. Now so far as I know there is no competition because we can import hosiery without any competition with the Indian mills. I may be wrong—I do not know.

Q. You have not got the figures ?

A. No.

Q. I should like to ask a few questions about your specific import tariff, Mr. Karanjia. In view of the fact that you say that you are not in favour of raising the tariff wall and creating unpleasantness between two countries the specific tariff which you propose should be introduced is merely a tariff which would give the same real results but in a different way. Is that the idea ?

A. Yes, Sir. The idea occurred to me when I read in the papers the burning question of these mills. The idea occurred to me why it should not be through a specific tariff. So I wrote a letter to Sir Basil Blackett and I got a reply. It was very courteous of him to reply to my letter, but when I wrote to the millowners they did not care to reply. I am a disinterested party. But they never acknowledged my letter.

Q. You drew their attention to a very interesting and important piece of information namely that the import duty on cotton piecegoods is not 11 per cent. but 9·9 per cent. In other words that they are getting less protection than they thought they were. I should be interested to know how exactly you get this 9·9 per cent. ?

A. When we pay 11 per cent. duty and when we actually put down the figure it does not come to 11, but only to 9·9. When the assessment is made in the Customs Department on the *ad valorem* system they take the value *plus* duty. Rs. 100 is the cost and Rs. 11 is the duty. So, on Rs. 111 they charge Rs. 11. According to that calculation if we pay exactly on Rs. 100 it comes to 9·909.

Mr. Majumdar.—You mean that if the price is Rs. 111 in the Bombay market they do not calculate duty at 11 per cent. on that ; but they charge 11 per cent. on the invoice amount. That means for goods which are worth Rs. 111 in the Bombay market a sum of Rs. 11 is charged. Hence the difference ?

President.—We will examine the Collector of Customs on this point

A. When they charge on *ad valorem* system they charge less duty. So it is an advantage to the importer to the extent of 1·1 per cent.

Raja Hari Kishan Kaul.—That is assuming that the duty is supposed to have been included in the market value for which the cloth can sell when it reaches the Bombay market ?

A. Yes, when they clear the goods.

Q. But that is not the value when the goods arrive at the seaport. It is that value less the import duty. The basis of the tariff is the value at the sea port ?

President.—The point is that the market value in the Bombay market includes the 11 per cent. duty ?

A. Yes, it does not come to 111 but to 109·9.

Q. You say in that letter to the Secretary of the Millowners' Association that the Japanese have a dumping policy, that they sell their goods at a higher price in Japan to enable them to undersell in India. What is your authority for that statement ?

A. There is no authority.

Q. We should be glad to have some because the millowners say that they are unable to prove it.

A. You can call it a dumping policy or a business policy. Here in Bombay we have got some 20 firms of Multanis. Some of them have got a hundred shops all over the world, in America, France and other places. Supposing they make profit in 70 shops and do not make any profit in Bombay, that does not matter. They can continue to undersell on the profits that accrue outside. In the same way they have got their mills in Shanghai. They make profits there and they can therefore afford to sell in Bombay a bit cheaper. They come here with advantages in the shape of commission, etc. and they can easily afford to sell here at a lower price.

Q. We have been informed that the goods they make for the Indian markets have no sale in Japan at all ?

A. Quite right. This is the point. When I went to the Japanese markets for buying something—my idea from the very beginning was to start a cotton mill and a silk mill—I always enquired in every market what the thing there was. I enquired about a certain kind of cloth. They said that it was 10 yen per piece while from my knowledge of cotton.

piecegoods I thought we could get it in Bombay at Rs. 8. When I enquired why it was so dear there while it could be got cheaper in Bombay they said it was always the case there, that whatever they consumed there was sold at a higher price and whatever was for export was charged less.

Mr. Majmudar.—The same quality ?

A. The same quality or not that is not the question. They make profits from their home consumption and utilise a part of their profits to capture the outside markets. That is business tactics. I do the same thing when I get my Karachi, Delhi and Amritsar offices. I sell in Amritsar the same quality of goods at a lower price while in Karachi I am making a profit. That does not mean dumping. That is business.

President.—It is one of the definitions of dumping that you are selling in the foreign market at a lower price than in the home market. Whether it is defensible or not, it is undoubtedly dumping.

A. It may be dumping, but I mean to say that it is business policy.

Q. Do you consider that the country in which the goods are dumped has a right to object ?

A. Yes, if the Government really want to help them.

Q. But then one way of objecting is by putting on a tariff on dumped goods and you say you are not in favour of it.

A. A tariff won't do much. What I say is, it should be just enough to drive out only the qualities in which Japan competes. My suggestions are suitable to all parties, to the Japanese millowners and to the Government and also to Lancashire. All will be benefited if what I have suggested is adopted.

Q. How is Japan benefited by the suggestions you have put forward ?

A. They can try to push finer goods. They will capture outside markets for coarse goods and they will supply us finer goods.

Q. That will hardly benefit Manchester.

A. As long as exchange is 1s. 6d. they are bound to be benefited.

Q. How are they benefited by more Japanese goods of finer counts coming into this country. ?

A. They would be as regards mulls and other finer qualities. Japan is not manufacturing those goods.

Q. That is only part of the import trade ?

A. They will try their level best. Now this is some solution.

Q. You say up-to-date machinery should be installed in Indian mills ? Do you think the machinery taken on the whole is not up-to-date ?

A. In some mills it is not. I have got a relative of mine who is a manager in a mill. I told him that his mill was not making profit. He said the machinery was all old and the production was very much less.

Q. But that will only apply to a few mills ?

A. Yes ; my observations are only in regard to such mills.

Raja Hari Kishan Kaul.—When you suggest that skilled or better labour should be employed, do you mean that labour should be imported from outside ? You are not satisfied with the Indian labour ?

A. Yes ; and what I mean is that Government should educate labourers, and millowners should open schools and then they can get better labour. As far as possible they can employ good labour.

Q. Everybody would like to do that. Nobody employs bad labour when good labour is available.

A. No ; sometimes these recruiters bring almost raw people from villages, who have not seen machinery.

Q. It is because they cannot get good men. Then you say, ' Mills should open their own shops to sell their own goods and the system of giving agencies should be discontinued. Have you worked out the comparative cost of these two systems and the risks involved ?

A. No risks are involved. These cotton piece-goods are sold on cash on delivery. Some mills, for instance, take the Central India, sell their goods piece by piece in all the markets. I mean the Nagpur mill.

Q. I want to know whether you have worked out any percentage.

A. I can give you evidence on general views only, absolutely without any statistics. I am telling you my experience and nothing else.

Mr. Majmudar.—As you have referred to the Nagpur mill, I may mention that Mr. Saklatwala says that they are selling piece by piece and also that they are making contracts.

A. Quite right, when it pays them to sell forward deliveries.

Q. But at the same time he showed certain defects of the system, although he said on the whole they had done well.

A. I have got one instance where the prices of the mill shares of the original value of Rs. 500 remained at that figure while the selling agent of the same mill made 50 lakhs of rupees. Where did that money come from? That is defective. They must sell in their shops piece by piece. When they say that no profits are made they must sell piece by piece and make up the losses.

Q. That policy also has not brought profits to some of the mills.

A. Why not, if they do it carefully.

Q. Only some of the mills in Bombay have followed that policy and all of them have not made profits.

A. They must have some other defects. Their goods may not be current in the market.

Q. You say that the Japanese put up cheap buildings. How long do they last?

A. Of course I may tell you for their own dwelling houses, they won't last for more than ten years. These are built on that style and the duration of the mills may be thirty years.

Q. You do not know it as a positive fact?

A. No.

Q. Then you make mention here of packing goods in straw bales. What is that?

A. Here when our mills send our goods to other places, they are in well packed bales. Our mills have not captured outside markets. From Nagasaki they send their goods to Shanghai, Manchuria, etc., and they send them in very loose packing. And for home consumption also they do not pack them actually as we do here.

Q. You are mentioning straw bales?

A. Yes; you must have seen straw mattresses. They wrap in them.

Q. In India the complaint is that the goods get spoiled even when packed in hessian with mattresses inside?

A. I am showing you the differences between these two countries and nothing else. They have got these advantages, while we have got these disadvantages.

President.—But you could not send your goods like that in India. The climate is against it for one reason and the pilfering which goes on is another?

A. Yes.

Mr. Majmudar.—You say 'All forward transactions in mill shares should be stopped by legislation'.

A. Yes; that has brought about this depression.

Q. Is it due to speculation in shares?

A. Not exactly. But it is one of the causes. Suppose the intrinsic value is Rs. 1000.

President.—What do you mean by intrinsic value?

A. According to the assets of the company, suppose the mill is worth 10 lakhs.

Q. Do you mean the issued value of the share? I do not like the expression intrinsic value, because it means different things.

A. Whatever it may be, supposing the mill agents or the brokers connected with the mill see that the profits are great and the dividend would be large they go on speculating in the share bazaar. When they see that the top rate is reached they go on selling and, in the meantime, the outside public who have bought these shares at a higher value lose. They do not get the dividend actually on their invested capital. They naturally say that mills are not working and this and that.

Q. What do you mean by forward transactions?

A. They always relate to speculation.

Q. Is there no settling day on the Bombay stock exchange?

A. Only as regards profit and loss.

Q. Is there the same procedure as that in England and in other stock markets in the world?

A. Here they speculate blindly.

Q. We shall be obliged if you can produce samples of the Japanese cloth. Can you do so? You are an importer yourself. We want them in order to see exactly what the range of competition is.

A. If these things I suggest are done, the competition will go to some extent.

Witness No. 70

Mr. C. M. GUPTA, BOMBAY

Written Statement dated Bombay, the 26th August 1927.

SECTION I

General

The present depression extends all over the country but for various causes Bombay feels most of the pinch. Yes, it affects all the mills in the same centre alike.

2. Part of the depression is due to world factors but most of it is due to factors special to India.

3. The causes that have brought depression to the industry if left like this will certainly make the present depression a permanent one.

4. Subsequently they will have to close down.

5. Most of them are selling at a loss and the few that are making any profits are doing so on a very small scale.

6. It may help slightly in improving the conditions but not as much as would be desirable, moreover, the foreigners will also get the same cotton at the reduced prices and they would again compete within the same range as they are doing now.

7. It has very little effect on the present depression whose nature is a resultant of so many long standing factors.

8. On purely Indian-made cloth the price is only 21 points higher than the price of any other commodity while the difference between the cotton and the cotton cloth is only 26 points more for the latter (cotton 158; Long cloth 184; other commodities 163).

9. There is absolutely no doubt that the purchasing power of the ryot has gone down since the war but that does not affect the industry so much because on the other hand we find a decided increase in the sale of Japan-made goods.

10. The bulk of the consumers make up the poor class of people who really do not earn enough to make any savings to go in for gold or silver and when the question of wearing clothes in India is a bare necessity they have got to get it wherever they can get it. If not Indian-made then from someone else who could give them better and cheaper.

11. There is absolutely no doubt that the mills are not being run under the most ideal conditions but certainly the management is on the whole far better than it was when the industry was in its boom and hence this factor is not the immediate cause in the depression of the Indian textile industry.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. The export of yarn from India in 1908 was 248 million pounds out of our total production of 638 million pounds. In 1917 it was 169 million pounds out of the total 681 million pounds. In 1917 it was only 37 million pounds out of the total 719 million pounds.

These figures clearly show that in 1908, 34 per cent. of our produce in yarn was exported while it came down to 25 per cent. in 1917 with a further decline to only 5 per cent. in 1925.

China being the principal importer of our yarn the figures tell us that we have lost 87 per cent. of our previous export trade.

14. Practically all from Japan.

Year.	Quantity in million yards from Japan.	Values Rupees.	Quantity produced in India.	Percentage.
			Million yards.	Per cent.
1921-22	90,275	36,702	1,732	5.1
1922-23	107,778	42,490	1,725	6.2
1923-24	121,902	45,945	1,701	7.1
1924-25	155,302	67,463	1,770	1.1

The percentage column figures show that there has been an increasing range of competition of Japanese goods.

15. Yarn up to 30s counts and the piece-goods consisting of jeans, T. cloth, sheetings, dyed long cloth and drills.

18. The same facilities which led Japan to capture the Indian market have enabled her to oust India from foreign markets. It is not only the low cost of production which has enabled her to compete and oust India but various other factors have combined with this and led India to this disastrous condition.

19. Yes, because that will be enough to cause a reduction in the price of other materials. Yes.

20. Yes.

21. Yes.

22. Yes.

23. Yes, on account of the favourable rate of exchange they can undersell us in our own market.

24. Practically none because the range of goods manufactured is quite different.

Year.	Average rate of exchange for the year.	Price of Broach cotton per candy.		Price of cloth in Bombay per candy.		Price of Broach cotton in yen.		Price of Japanese cloth with duty.	
		Rs.	a. p.	Rs.	a. p.	Yen.	Rs.	a. p.	
1921	187·6	375	10 3	772	0 0	202	829	0 0	
1922	166·3	474	8 0	835	10 8	265·5	813	13 4	
1923	156·4	533	10 8	935	0 0	341·6	957	0 0	
1924	131	528	2 8	920	12 4	402·6	891	5 4	
1925	113·3	436	4 0	642	4 4*	355·4	749	9 4	
1926†	126	348	0 0	till November 718	0 0	274·6	679	2 4	

The assumptions on which the Millowners' Association base their figures are quite reasonable and my figures are also based on a similar assumption.

Comparing the third and the fifth column figures it is evident that Japanese competition had not assumed its present serious aspects but every year the Japanese prices were coming nearer to the Indian prices.

1924 and 1925 saw the sharp decline in the Japanese exchange which coupled with the appreciation of the rupee exchange began to act in favour of Japan and enabled that country to compete successfully with the Indian manufactured goods.

During 1925 and 1926 the fall in exchange was really not so very sharp but the yen had already gone down to such a low level as to enable Japan to undersell Bombay and other Indian mills with a considerable margin.

27. The fixation of the rupee exchange at 1s. 6d. has been most unfortunate for the mill industry of India. It would give the competing countries a very considerable advantage as compared with the pre-war period when the exchange was 1s. 4d. in competition with India in home and foreign markets on account of the evident fact that we shall be paying a premium of 12 1/2 per cent. in many items of the cost of production and this increment together with the increase in cost of production owing to high wages compared with pre-war years would seriously hamper the successful development of the industry in India. This ultimately will have its effect on the Indian foreign market as well.

29. The Government places all the orders for its own requirements with these mills including the army and the navy requirements.

State subsidy is given to steamship companies to promote and provide cheaper freight.

30. Not that I know of.

* Cotton Excise duty abolished. † Till June 1926 only.

31. There is certainly no doubt that Japanese and other exporters have made a thorough study of our markets and the requirements of the consuming masses and hence they are better able to supply the middlemen with better things as regards quality and finish.

32. The quality of goods from all the exporting countries has been decidedly better.

33. On account of the Japanese competition our line in mills jean, dyed long cloth and sheeting has very greatly suffered.

34. While answering this question the effect of the non-co-operation movement must be taken into consideration. The spell of the movement practically ousted all the foreign cloth and during this time there was no question for the fine cloth but as the movement began to decline, once more the consumers went in for finer cloth but to-day the Indian mills are also going in for finer counts and they are in quite a good position to meet the requirements of the growing change of taste of the consumers provided the industry is not handicapped by other causes.

SECTION III

Internal Competition

35. None whatsoever, on the other hand there is still room for the further expansion of the textile mill industry in India.

36. (1) A good business centre.

(2) Better humidity.

(3) Facilities for store and machinery.

37. (a) *Ahmedabad*—

(1) Advantage of upcountry market 10 per cent.

(2) No advantage.

(3) Fifteen per cent. better.

(b) *Cawnpore*—

(1) Forty per cent. better.

(2) No advantage.

(3) No advantage.

38. There is no competition since the two lines are quite different. Fly shuttles and the salvation army looms have come in.

SECTION IV

Mill Management

40. (a) Yes, (b) Yes.

41. There is certainly no doubt that the managing agency system is defective in its very aspect that the successor of a very able mill agent may not be at all suited to carry on the work but since everything goes on in succession even the worst man has to be tolerated. So the failure or success of any enterprise depends to a very appreciable extent on the capability of this individual. But for the Indian situation it is not very easy to take up one system of management and reject the other without going in detail into the actual circumstances under which the work is carried on here.

First of all we have to take into consideration the fact that most of the mill agents are majority shareholders and were the first to put their feet in the enterprise and hence they have been bearing the greatest risk, secondly we have to take into consideration the fact that they are also responsible for the financing of the enterprise in all its aspects—both these features being absent in the managing director. Again on analysis it is discovered that there is really a scarcity of such business and technical talents combined in one who could do the necessary responsible work while on the other hand we find that the majority of the mill agents have done this as their business and train their sons fairly well in this business. This of course does not mean that we should not train up our men in this line as we have done in others so that those who would like to go in for this sort of management will not find the dearth of men.

42. Some charge on profit while others charge on production.

43. (a), (b), (c), (d), (e) Yes. Yes, but the general practice is that whenever the company loses the agent forgoes his minimum commission.

44. Yes. No, on the contrary I believe that their association with other business concerns gives them added business experience.

SECTION V

Mill Finance

51. Yes. This has contributed to about 2 per cent. of the present depression.
 52. India—ordinarily 6 to 8 per cent.
 Japan— „ 3 to 4½ per cent.

SECTION VI

Costs of Production

A. General

53. Forty spindles per loom or 40,000 spindles and 1,000 looms.
 54. The following table will throw some light in the matter :—

Location	Looms			
	Upto 799	800—899	900—999	1,000 and over
Bombay City	24	9	6	46
Bombay Presidency	67	4	1	4
Northern India	46	1	1	7
Deccan	10	1	1	2
Madras, Mysore, etc.	11	0	0	2

On the basis of 40,000 spindles and 1,000 looms we find that in Bombay City we have only 18 per cent. mills equipped with approximately the above number of spindles and only 15·3 per cent. as far as the number of looms is concerned.

Bombay Presidency mills have only 8·5 per cent. equipped with the number of spindles and 13 per cent. in looms.

Upcountry mills only 3·4 per cent. in number of spindles and 5·4 per cent. in looms.

According to this we find that either the mills are too small or too big to be worked economically.

55. Fifteen per cent. in spinning and 10 per cent. in weaving. More in spinning because most of the mills previously were spinning mills alone and weaving has been taken up comparatively recently and hence there is more inefficiency in the spinning due to old machinery.

57. Cost of fuel and power.
 Cost of water.
 Cost of stores.
 Repair and upkeep of machinery.
 Taxes, etc.
 Insurance.

58. Labour—Disadvantage.
 Stores and machinery—Advantage.
 General climatic conditions—Disadvantage.
 Taxes—Disadvantage.

59. Two per cent., 10 per cent. lower the cost in production.

C. Labour

64. Yes, Ahmedabad 15 per cent. less. Upcountry mills 20 per cent. less.

65. The bonuses declared were liberal as compared to profits now but taking into consideration the huge profits that they were making in those days they were not liberal and in my opinion this has no bearing upon the present depression.

66. Ten per cent. less production since the reduction in the working hours.
67. (a) Two hundred and twenty to 420 spindles per frame, 4½, 5½, 6" lift.
A competent spinner can look after 420 spindles of 20s. yarn.
- (b) Two looms per weaver.
- (c) Two thousand one hundred and ninety-four persons for 80,000 spindles or 27 men per 1,000 spindles.
- (d) One thousand six hundred persons employed in the whole of the weaving department to look after the manufacture of coloured cloth or say 100 men will be required to look after 100 looms. For the manufacture of grey cloth on the same number of looms we need 1,220 persons or 70 persons for every 100 looms.
- 68.

Year	Spinners wage		Weavers wage	
	Rs.	a. p.	Rs.	a. p.
1914	15	0 0	25	0 0
1917 July 10 per cent. all	16	8 0	27	8 0
1918 Jan. 15 "	17	4 0	28	12 0
1919 Jan. 35 "	20	4 0	33	12 0
1920 Feb. 55 "	23	4 0	36	12 0
*1920 Nov. 70 "	25	8 0	45	0 0

* Seventy per cent. for day workers and 80 per cent. for the piece-workers.

69. The spinner is paid monthly wages. Weaver's wage for standard grey long cloth which is 32 × 37 × 8½. 20s. warp, 24s. weft, 48 reed, 44 picks. Eight annas per day per loom is the cost or 5½ pies per pound.

70. Twenty-five per cent. Taking all factors into consideration Bombay and up-country labour comes to the same standard but Ahmedabad labour is decidedly more intelligent and efficient and hence Ahmedabad enjoys at least 5 per cent. in the matter of labour.

71. (a) Twelve per cent., (b) 10 per cent., (c) 8 per cent. As far as the Bombay mills are concerned the variation is about 8 per cent. from day to day except immediately after the pay day when it goes up to 15 per cent.

August to November	..	..	..	15 to 20 per cent.
December to April	..	..	..	8 to 10 per cent.
May to July	..	..	..	10 to 15 per cent.

More absenteeism in men. No. No.

72. It takes time for the man to set himself up in the work and hence the production suffers.

The quality of the work turned out by this man is decidedly low.

More wastage.

74. Since Ahmedabad and other upcountry mills are situated in an area in whose hinterland plenty of labour is available the mills in these centres find it much easier to obtain cheap labour whom they make work very effectively, while in Bombay although labour is available it is very dear owing to the diversity of occupations and greater number of industrial concerns. Hence Bombay is at a disadvantage in the continuity of labour supply.

Owing to the peculiar nature of the working people it is practically impossible to hold them by giving them such an allowance or bonus. No.

75. The figures do not reach more than 5 per cent. at any centre. The housing conditions would give better health and sanitary measures to the operatives. They will also feel the atmosphere of homogeneity. Efforts were made in Bombay to provide housing facilities for Bombay workmen by erecting Development chawls but owing to high rent they have proved a failure.

77. Upcountry Industries—

Textile	18 rupees per month.
Tannery	16 " " "
Glass	15 " " "
Sugar	15 " " "

78. The standard of living has decidedly gone up as is evident from the general living of the ordinary workman. He has become comparatively more clean and fashionable.

79. No scope under the existing labour conditions. In England and America one operator looks after as many as 20 automatic looms while with Binny's in India they have not succeeded in giving more than four looms per operator.

80. Gradually they have been looking after more spindles but no progress has been made in the number of looms, neither is there any likelihood of any improvement in the near future.

81.

Cost items.	Cost for single shift.	Cost for the other shift.
	Rs.	Rs.
Power and gas	1,315	1,300
Stores	1,883	1,880
Labour	5,065	5,065
Office and supervision	453	....
Fire Insurance	215	....
Municipal and other taxes	205	....
Interest	733	367
Commission on cloth	600	600
Dyeing charges	573	573
Agent's Commission	108	108
Income tax and super tax	252	252
Cotton cess and town duty	60	60
Total	11,462	10,208

The table on this page shows the working expenses of 25,000 pounds of yarn per day. According to this a saving of 10·9 per cent. may be effected by working double shifts.

82. (a) It is advisable but not possible on account of the shortage of labour.

(b), (c) Both possible and advisable.

83. By adopting the Washington International Labour Conference Committee held at Washington in 1919, India has been forced to 60 hours' work per week, while Japan working its double shifts of 20—22 hours a day has at least an advantage of 10 per cent. in the production cost which means an indirect loss of 10 per cent.

D.—OVERHEAD CHARGES

85. The insurance is effected by the Indian mills against fire protection. The amount has gone up by 303 per cent. since 1914 owing to the increased cotton prices and stores material.

86. It should be 3 per cent. for the building and 5 per cent. for the machinery. The fund should be used in making replacements of the old machinery for which it was provided.

It should be reckoned as a charge on cost of production, but since the Indian mills have not been running on a paying basis it has so far been reckoned as a charge on profits.

88. Mostly running.

E.—SALES

89. There are two systems adopted by the mills in selling their products:—

(1) *Selling agency system.*—Secures the orders and works on commission.

(2) *Paid salesmen and shops in the market.*—They act as the middlemen between the merchants and the mill. They at times work by the help of brokers.

I have no choice as regards the above two. To my mind there should be a separate selling department in each mill which should be looked after by a very able and efficient salesman who should be responsible for all the advertising work. Under this man should work travelling salesmen who should go to the different parts of the country, study the market and the requirements and then book the orders with the merchants. In this way we shall be able to do away with the middleman's profit and shall be better able to place the goods cheaper in the market.

90. No. Even if it was prevalent in those days I think there was not much harm in it. Mill agents could do that by saving storage and insurance charges.

92. No difficulty but they do not want to take any risks.

SECTION VII

SUGGESTIONS AS TO REMEDIAL MEASURES

(a) Suggestions put forward by the Bombay Millowners' Association

96. Yes, except on all those materials which are being manufactured in India and for the encouragement of which an extra heavy duty should be imposed which will enable an allied industry to establish itself firmly.

The average running cost is 5½ pies per spindle or 15·7 pies per pound. After the abolition of duty on mill stores and machinery it will come to 12·74 pies per pound or say a reduction of 3 pies per pound of yarn.

97. Records show that this tax was not in force in 1914 when the industry was decidedly in a better condition than at present. Under the present circumstances a single pie that mills have to pay in the form of super tax is really too much for them and hence it should be taken off till the mill industry is in sound running condition.

98. If the purpose for which it was levied, is not served, then there seems no justification for the continuance of this tax.

100. Certainly. The freight rate has gone up considerably as is evident from the following figures and there is enough ground for the reduction. The freight was already too high for the real industrial development, so instead of any desirable decrease there has been an increase :—

	1914.	1924.	Increase per cent.
	Rs. a. p.	Rs. a. p.	
Cotton bales .. Ahmedabad to Bombay	.. 0 9 3	1 1 1	84·5
Piecegoods .. Bombay to Cawnpore	.. 1 14 1	2 5 2	23·5
Piecegoods .. Bombay to Amritsar	.. 2 1 11	2 14 10	38
Piecegoods .. Ahmedabad to Bombay	.. 0 11 1	1 1 1	54

101. I am of opinion that immediate steps should be taken in this direction.

102. The idea is an excellent one and most desirable.

103. (a) Extra cheap railway freight on the goods to be exported.

(b) Cheaper ocean freights.

(c) Better sales organisation in the importing countries.

We should appoint men who should go and study the market and report accordingly.

(d) Adequate use of the Indian merchant marine in case it comes to be.

104. There should be no discrimination. All imports should be charged equally.

105. It should stay as long as the rate of exchange does not come down to 1s. 4d.

106. It will have a slight effect on all yarn and cloth but only for a very short time for the Indian mills when in a position to compete will be able to bring down the temporary increase in price. It would not affect the middle or lower classes very much.

107. Certainly, the imposition of such a tax would give a great impetus to the Indian product and that is why I believe that the rise in price would only be temporary and as soon as the Indian mills are on a permanent footing they will be in a position to bring down the prices.

108. Throughout the whole of India.

109. First of all the inflation in prices would be a temporary one as explained in answer to question No. 106; besides there is enough internal competition to keep down the prices.

111. We are passing through the worst economic depression and everybody has reduced his wants to a minimum and hence we have already touched the lowest point and there should not be any further fall in buying owing to the increased prices due to the imposition of this extra duty. This imposition of the duty would place us within the competing range and when once we can successfully compete we shall be in a better position to manufacture more which will bring down some of the overhead charges—coupled with the facilities given we shall before long be in a position to sell better and cheaper and thus restore the previous consumption.

112. When we manufacture goods without any unfair competition and by getting the facilities from the Government and the steamship companies as the other competing countries are getting we shall also be in a position to compete in overseas markets rather than have the foreign market effected in any adverse sense.

115. Yes. Five per cent.

(b) *Other Suggestions*

116. No.

117. No.

118. The Imperial Bank which is supposed to be the Government bank to give special facilities to the industries of India is really not giving as good facilities as some foreign banks are doing. At present the conditions of the Imperial Bank are more strict than other banks.

Better rates should be given for weaker concerns though greater security may be taken. At present the reverse is the case.

119. Certainly.

120. Indian millowners who are in a position to do so have already gone in for counts above 30s. The two lines are quite different and there is enough field for both of them and hence the adoption of finer counts would certainly improve the industry.

121. Things change so much that it is not possible to go in for any kind of specialisation; moreover, very few mills are equipped for this.

122. Certainly, provided Japan does not come in the way.

123. I do not think that every mill will be financially able to undertake such a venture, but if the Government can give them some sort of help for the purchase of machinery it would certainly be a very helpful thing to the industry.

Subsequent branches such as hosiery should be undertaken.

124. From the figures given in answer to question 25 it is quite evident that the Japan se competition has been so very strong that it has offset all the advantages that could have been realised by the remission of the Cotton Excise Duty.

126. I. The Board should recommend the use of Indian made articles. All those articles that are being manufactured in the country should be protected against foreign competition by the imposition of an extra heavy duty. Thus we will be supporting two or more industries by the same legislation.

II. The recommendation which was made by the Indian Shipping Commission that coastal shipping should be reserved for Indian companies and which should take effect by degrees in the next 25 years, should be given effect to so that extra facilities for the movement of our ocean freight may be realised.

III. Government should encourage and open Industrial Banks which should form the backbone of our industries.

IV. It would not be out of place to say a word or so about the position of the factory inspector as regards our industry.

The powers given to the factory inspector are such that they cannot be questioned or appealed against with the result that whatever he may say has to be done without any protest, for if the management doubts the utility of such a measure, then there is no place of appeal with the result that the millowners quietly swallow the bitter pill rather than displease this officer and suffer much more at his hands in some other way. So I suggest that there should be appointed a body where disputed points could be referred to.

Bearing in mind that the factory inspector has such powers Government ought to go in for men of real high calibre rather than give such responsible powers where they are misused so very often. Most of the time it is nothing but pleasing his fancy. I am sure that this office was created for the betterment of the industry but as the practical experience tells us more harm has been done. Will not this Board make the position of this office such that it will really be of more use to the industry?

Witness No. 70

Mr. C. M. GUPTA, BOMBAY

Oral Evidence recorded at Bombay on the 26th August 1926

President.—What is your special acquaintance with the cotton textile industry, Mr. Gupta ?

A. It is both foreign and local. I have got some practical experience of the American and also of Lancashire mills and have made some study of the Bombay mills and also of the Cawnpore and Ahmedabad mills.

Q. In what capacity have you made this study ?

A. In my own commercial line, because that was my teaching line. I was Professor of Commerce at Agra.

Q. In what College ?

A. St. John's College. But for the last few months I have been in Bombay.

Q. What are you doing here ?

A. I am not connected with any particular mill, but I am making a study of the whole thing. I have been visiting wherever I could get facilities. I am trying to find out what is the actual situation of the Bombay mill industry as compared with our own as well as with foreign countries.

Raja Hari Kishan Kaul.—With what object ?

A. I wanted to write a book on the industrial situation of India especially on labour problems. That was my main object. I felt that as I had made certain observations, while I was here, if it was at all of any help, I could come and give my views.

Q. What were you doing before you were appointed a Professor in Agra ?

A. I was in America.

Q. Do you know anything of the cotton industry there ?

A. Yes.

Q. Where ?

A. Both in New England States as well as in the Southern part specially in Columbia, Georgia.

President.—You say you have seen mills on the continent ?

A. Yes.

Q. Where ?

A. In Manchester and Liverpool.

Q. There are no mills in Liverpool. You could not have seen cotton mills in Liverpool. Where did you see cotton mills ?

A. In Manchester. I was specially interested in the dyeing process.

Q. Where did you get your education out here ?

A. At Agra and Lucknow.

Q. How old are you ?

A. Twenty-eight.

Q. You have no practical experience ? Your experience of the cotton industry has been obtained in the capacity of a student ?

A. I should say in the capacity of an unbiassed observer, perhaps.

Q. Exactly, as a student of the industry.

A. Certainly.

Raja Hari Kishan Kaul.—In reply to Question 29 you say "State subsidy is given to steamship companies to promote and provide cheaper freight". Can you give us any evidence of that ?

A. Of course, no practical proof except all the news that we get from the various papers. The latest one was only the day before yesterday which one Japanese paper published, that 3 lakhs yen was going to be given to propagate their trade in Bulgaria and Mesopotamia.

Q. But not India ?

A. No, not in India.

Q. In reply to Question 34 you say " While answering this question the effect of the non-co-operation movement must be taken into consideration ". When did the non-co-operation movement have its sway ?

A. I was away then ; but I think it was in 1920-21.

Q. Then you have no personal experience of that time ?

A. No.

Q. It did not affect the production here ?

A. No. But as far as the tendency is concerned it brought about a change in taste. The Indian public have changed their taste, as I believe. Naturally they are liking the finer counts of goods. So we have got to see this way. When the non-co-operation movement came, we practically were not dealing in foreign cloth and we went back to coarser counts.

Q. And now we are going to finer counts ?

A. Yes ; we are going back to the original level which we had before the war, as far as the finer counts of goods are concerned ; that is in consumption.

Mr. Subba Rao.—What proof have you of that tendency ?

A. The only proof which we can see is this ; if you can get hold of any merchant who is dealing in foreign cloth and see the goods which he was getting before the period and the goods which he is getting now, we see a decided change.

Q. Is it not true that the consumption of foreign cloth is less now than before ?

A. Yes ; it has been less in a way.

Q. We have not got any way near the original level.

A. Certainly.

Q. Then how would you say that there is a restoration ?

A. Because some of the Indian mills are also going on to finer counts. Before that period, there were very few mills in India, which were going above 40s. Now there are mills going up to even 80s.

Mr. Majumdar.—In reply to Question 18 you say " various other factors have combined with this and led India to this disastrous condition ". What causes have led to this condition ?

A. In this connection I have to say just as I pointed out before that the Japanese have got a very well organised system of market. That is one thing. Then of course there is the subsidy which they are getting for the steamship companies, besides the lower cost of production ; because when we are talking of a foreign market, we must take into consideration the freight also.

Q. You don't take the cost of production ?

A. " Besides the cost of production, " I say. It is not only the low cost of production but some other factors also.

President.—You estimate the advantage that Ahmedabad has with regard to upcountry markets at 10 per cent. and at 15 per cent. with regard to proximity to sources of supply of raw materials, whereas Cawnpore has an advantage of 40 per cent. with regard to proximity to upcountry markets ? On what basis have you worked out those figures ?

A. The proximity to the market and the total amount of goods which they put into the market.

Q. How have you worked out the figures ? On what data have you been able to come to such definite percentages as 10 or 15 or 40 ?

A. I should have added " approximately ". That is my mistake there.

Q. Even approximately, how have you worked them out ?

A. What I did was, when I was in the northern part of India, I visited a number of cities, though not in this connection. How I took the percentages was that in every big city, I went to all the leading merchants and got information from which particular centre they were getting the goods and what percentage of them and on that basis I came to the conclusion that a certain locality has got a certain advantage in a certain market. It is more or less on consumption than anything else.

Q. Naturally, if you take the mills nearest Cawnpore they may have 40 per cent. advantage over the Bombay mills. But if you take Bombay, the Bombay mills would have got 100 per cent. advantage in Bombay as far as mere proximity goes.

A. Upcountry goods are rarely to be seen in the Bombay market because they have a more definite market of their own.

Q. I do not quite see how you can work out any definite percentage.

A. I do not assert that my own working must be exactly right. But this is what I got from my practical observations.

Q. It depends upon the market in which you made your enquiries. You can only say that, as far as your enquiry went, Ahmedabad had a 10 per cent. advantage in certain markets which you made enquiries in.

A. When you are talking of upcountry markets, I can speak of Amritsar, Cawnpore, Benares, etc. That fairly covers what we call upcountry.

Q. Are you referring to all markets, to all places outside Bombay and Ahmedabad when you speak of upcountry markets?

A. I confine myself to places above the Vindhya. It is based on enquiries from merchants of those places.

Q. How many merchants did you question?

A. Eight or ten in every town.

Q. In how many towns?

A. Agra, Delhi, Cawnpore, Lucknow, Amritsar and Lahore.

Q. Eight or ten merchants in each place?

A. Yes. Of course I could not know that this Commission was coming. Otherwise I could have got more figures.

Raja Hari Kishan Kaul.—Did you examine the books?

A. I just asked them, and they told me about how much they are getting from this centre and how much from that. I got the information from what they said, and also from what we see in the markets I can just say what particular kinds of goods are wanted in each market.

Q. It is rather a difficult thing to do. There are different types of cloth and it is difficult to say which cloth comes from where and in what quantities. What do these figures signify?

A. That Cawnpore has a 40 per cent. better advantage as far as the pushing of the Bombay goods is concerned in that particular locality.

Q. That is, in the markets from Lahore to Benares you found that on the whole Cawnpore goods were to be found to an extent of 40 per cent. more than Bombay goods?

A. Yes.

Q. Bombay goods probably go to some other markets?

A. Possibly.

Q. You cannot call that a disadvantage. There are certain markets which are nearer to certain mills.

A. It is a disadvantage as far as that particular market is concerned. Is it not?

Q. Do you mean to say that you found in all these Northern India markets 140 bales of Cawnpore goods as compared with 100 bales of Bombay goods.

A. That is the ratio I would put it at?

Q. Have you worked it out separately for each market town?

A. Whatever figures I can give are at your disposal.

Q. Can you give us separate figures for each market?

A. Not now. If you want them I can.

Q. How do you work this average from these figures? Did you put them together and divide them by the number of markets?

A. Certainly.

Q. *Mr. Majmudar.*—Did you go to the villages to study the market requirements?

A. Not the actual requirements of any particular mill. But of course I am myself in a way, you may say, from a village. So I know. I cannot say what are the particular requirements. I know their requirements, but I do not know from what market they want the goods. A villager will never care to know from where he gets his goods as long as he knows he gets them cheaper and better.

Q. The reason why I am putting this question is that sometimes the requirements of the city are of a different type from those of the villages round about, and if you have gathered your information from the requirements of the city those impressions may apply to the city only but not to the whole district?

A. Certainly, but as far as merchants are concerned they are the same men who supply both city and country. It is not every local shopkeeper who goes to Bombay or Cawnpore.

Q. President.—As regards your reply to Question 51, how did you work out this rather confident statement that the difficulties in obtaining finance have contributed about 2 per cent. in the present depression?

A. I took the figures this way. I gathered the information from various sources, from the millowners and others. I asked them what was the actual difficulty they were experiencing in their finance—if they really had any difficulty or not. Because if they had difficulties we have to consider what they are and work on the basis of that. Of course, I cannot say whether it is that much or not but what I think is that since they cannot get finance so freely the stocks are tied up and I think it will certainly cause some depression. This 2 per cent. is not quite exact. It may be 1, 2 or 3.

Q. Don't you think it most unsafe to assume factors like this in terms of percentages? I should have thought your economic training, if I may say so, would have taught you that that was about the last thing to do. You are always liable to have your statements challenged at once. You take a general cause such as the difficulty of obtaining finance and say that it contributes 2 or 4 per cent., and so on. It seems to me a most unsafe method.

A. But it is like this. When we know there is a depression, when we want to picture it in any way we have got to give it a concrete figure. I may be wrong but it is only to give some idea, of course in a very rough way how much it is. There are so many other factors which contribute to the depression. Well, only to give the degree of importance—whether it is this factor or that. The whole idea of what I meant to say is that it has contributed to a certain extent. But this particular percentage whatever else it may show shows that it is not a very great factor in the present depression.

Q. I should have thought it would have been better to leave it at that. What is your authority for saying that in Japan mills can borrow money at 3 to 4½ per cent.

A. Because I have got my cousin there and I got this information from him.

Q. In what capacity is he there?

A. He is in the glass industry.

Q. Raja Hari Kishan Kaul.—Is he studying the glass industry?

A. Not studying. He has been there now for the last four years.

Q. Is he employed there?

A. Yes.

Q. We have been told that rates are different.

A. Possibly.

Q. I should like to know what value is to be attached to your brother's statement about this 3 and 4½ per cent. interest. It makes all the difference.

A. Possibly it does.

Q. Would you attach very great value to the information supplied to you by your brother?

A. Certainly.

Q. Has he any chance of coming into contact with people who borrow money?

A. Certainly, he has been there for the last four or five years. Besides, when I go to the United States, Germany and other places I know it is not very hard to find out what is the actual rate at which people are getting money. There is nothing confidential about it. It is not difficult to find at what rate the banks finance loans to the different industrial concerns.

Q. It is difficult to find out what the actual rates are. The bankers of course know.

A. I can send it in to-morrow.

Q. Where did you get your figures for wages in the textile industry?

A. These are for up-country mills.

Q. Not Bombay?

A. No. This particular centre is Cawnpore and its vicinity of course. Except for the glass industry we find every industry in Cawnpore. We find glass in Allahabad.

Q. Mr. Majmudar.—In regard to Question 66, what is your authority for the statement that there is 10 per cent. less production since the reduction in the working hours?

A. There also I should have made one thing clear. 10 per cent. reduction is in this way. I will give you the correct figures if you want them. From the actual rates which I have seen of the two or three mills to which I am known it is of course evident that there is less production to the extent of 10 per cent. in weaving.

Q. You do not refer to spinning at all.

A. I should say, 15 per cent. in spinning. More in spinning than in weaving.

Q. And then in reply to Question '67, you say a competent spinner can look after 420 spindles on 20s. yarn. Is there any mill in Bombay where that is done.

A. I want to make this thing also very clear, because that is what I understood. The same man is looking after two sides and of course we have to take into consideration in various mills that there are 3 to 6 *tarvalas* who are helping and when I am talking of 420 spindles I should take into consideration the help of the *tarvalas*. There is also one other point which is very important. The 20s. yarn that I mean is warp yarn, not weft yarn, because when it comes to weft yarn it is quite a different figure altogether.

Q. The point is about the number of spindles that a competent spinner can look after.

A. Yes, the way I calculate it is this. There are in fact 15 men altogether to look after 10 frames. That is $1\frac{1}{2}$ men for every frame. So according to this I say 280 spindles of 20s. warp yarn. That is what I have seen. I can show you.

Q. *Raja Hari Kishan Kaul*.—Which mills?

A. I can show it you in the Madhoji Dharamsi, E. D. Sassoon Mills, and Morarji Goculdas Mill.

Q. *President*.—You say that in the Morarji Goculdas Mills one spinner is looking after how many spindles?

A. So I have just cleared up the whole point. There is a spinner in charge of a frame. Then there are what they call *tarvalas*. In different mills the number varies. On different counts also it varies. Therefore it is 5 *tarvalas* for 10 frames, 15 men for 10 frames, that is $1\frac{1}{2}$ for each frame. There are 420 spindles in a frame and 280 go to the share of each man. But it is only for 20s. warp yarn, not weft yarn.

Q. *Mr. Majmudar*.—Are you referring to double siders?

A. Yes.

Q. Are there many double siders in the mill?

A. On finer counts it is single mostly; on medium counts it is double; and on coarser counts again it is single.

Q. Is 20s. correct medium?

A. I will call it medium.

Q. In all these mills you mentioned the siders look to two sides on 20s. warp?

A. Yes, that is what I have seen.

Q. Are you sure?

A. Yes, I am.

Q. Have you made proper enquiries?

A. I made enquiries. Not only in that connection, but I saw something very different in one section of the mill, because that was my point. In one section you go and see the same spinner looking after 280. And in the other there is a big difference—40 to 60 spindles and in the same count of yarn. The reason given out is this. If he is attending a shorter frame he cannot be given an extra part of another frame and therefore naturally he will look after less spindles here and more there. We have got the same thing when it comes to deliveries. A man looks after five deliveries; another might look after seven deliveries.

Q. We would like to have complete figures about the spindles looked after by a sider also how many are double siders and how many single siders in these mills.

A. Certainly, I will give them to you most gladly.

Witness No. 71

Mr. G. N. IYER, BOMBAY

Written Statement, dated the 20th August 1926

SECTION I

General

1. Generally speaking the depression extends throughout India and Burma. But it is felt more in Bombay due to certain reasons :—

- (1) High wages (when compared to other parts);
- (2) Low working hours (10 as against 12 and 14 in Native States and same parts upcountry).

3. If the mills continue working as at present and the market does not improve, the depression will be of a permanent nature.

4. Yes. They will certainly be obliged to close down.

5. Generally speaking the majority of mills in Bombay are selling at a loss; whereas the majority of mills in Ahmedabad and upcountry are making profit or at least are making both ends meet. A review of the balance sheets for the year ending 1925 will prove this. The mills at Indore and Bangalore have actually declared a bonus. But in Burma the mill is suffering a loss.

6. A drop in the price of cotton will have practically no effect as the price of cloth will also go down. On the other hand, if the cloth prices remain as at present the mills may be benefited to a little extent. But the hopes are very vague.

8. The fall in the cloth and cotton prices is disproportionate. So the industry is suffering; for instance the price of cloth is 200 per cent. less than during 1922; and cotton has gone down only by 50 per cent.

9. Yes. The ryot does not now-a-days purchase to such an extent as he was doing before. He only meets his bare necessities. So demand has gone down.

10. Certainly not. We in India have lost all our money and have nothing to spare for investment in gold and silver.

11. I will answer this question orally as it requires a long explanation. This much I can say; that mismanagement and want of forethought among the millowners has a lot to do with the present depression and I do not think they will overcome it unless they try to improve. I may just mention a few points for guidance—

- (1) Ignorance of millowners of details.
- (2) Untrained men succeeding experienced owners.
- (3) Too much unnecessary interference.
- (4) No value or appreciation of technical training.
- (5) Board of directors has no power but one man does everything.
- (6) Favourites and relations are brought in to responsible posts and maintained at the risk of the firm.
- (7) National feeling in Burma.
- (8) Non-confidence in responsible officers specially in Ahmedabad and upcountry mills.

12. I cannot say that all the mills which have gone down have done so on account of depression. There are various other reasons for their downfall; and all the ins and outs have come to light on account of the depression. If the industry was doing well, all these defects would have continued unnoticed. Under these circumstances it is best to consider these on their own merits.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. Loss of the China market for India is no doubt true. The fall in the export to China is due to other reasons; which do not include the development of the weaving industry in India. In my opinion the depression is due to a counteraction of all the causes stated above.

14. The foreign competition from Japan and other countries has a lot to do with the depression of the industry in India. Just look at the figures quoted from the Millowners' Association.

15. Generally speaking, the medium counts, say from 16's to 40's compete directly with the production of Indian mills. And also there is a slight competition in counts upto 80's. There is practically no competition in counts above this. I am not very well acquainted with the particular varieties of cloth.

17. Yes. Specially the following counts 20's, 24's, 30's, 32's and 40's and doubled yarn of the following type 2,10's, 2/20's, 2,24's, 2/30's, 2/32's and 2/40's.

The above are the counts in the Indian market exported by other countries which do not cover the cost of production.

Of course I cannot say whether they are underselling their yarn. But by working double shift in Japan and engaging women and children they are able to produce yarn at a cheap cost.

18. This is very simple. If Japan or England can beat us in our own markets they can surely monopolise other markets.

19. Yes, it is a serious factor. If even this 1.3 per cent. of foreign goods of a type which can be produced in India was not imported and sold at a comparatively cheaper price India would have gained something and above that she might have obtained a better price than at present.

The foreign import is sure to increase as long as it can find a ready market.

20. Yes. I accept these figures.

21. Yes. I accept these figures.

22. Yes.

23. This will happen only if they are able to sell their goods in India at a fair margin. And if the quality of Indian products does not come up to their level.

24. The imported Japanese goods do not compete with English goods as they are of a different variety. The import will increase due to the conditions as stated in answer to the question 23.

28. Indian labour is poor and ill equipped. The labour in the United Kingdom can beat us; whereas though Japan's labour is superior to ours they have a distinct advantage over us due to working 20 hours and employment of such labour as is prohibitive in India.

29. I have read that in other countries they do assist the industry; but I do not know how far it is true.

30. Yes.

31. Of course; the foreigners study our market and supply our needs better.

32. Yes, there has been.

33. Take for instance the unbleached gin. You will always find that the American gin beats ours in quality and price. Of course this variety as produced by the Buckingham Mills is an exception but it is too dear.

34. This is only a question of price. If the consumer is able to get finer qualities at a very slight increase there will be a growing preference; on the other hand if he has to pay a higher price or he can get similar goods of Indian make at a slightly lower cost he will surely buy Indian goods.

SECTION III

Internal competition

35. Though the extension of mills in upcountry centres has affected the prosperity of mills in Bombay, I am glad that this has facilitated the industry in general. The consumer can get his requirements cheaply and easily; but it must at the same time be remembered that if certain quick alterations are not made in upcountry mills the industry is sure to deteriorate.

The following vices exist:—

- (1) Long hours.
- (2) Ruination of machinery.
- (3) Waste of energy of workmen.

- (4) Greediness for production.
- (5) Incompetent labour.
- (6) Ruination of industry by deceiving customers.

36. The advantages that Bombay mills have over mills in Ahmedabad and upcountry are outweighed by the disadvantages. The only advantages are:—

- (1) Better handling.
- (2) More efficient labour and efficient officers.
- (3) An opportunity to compete with foreign goods.
- (4) Comparatively cheap prices in stores which can readily be obtained.

37. The advantages of upcountry and Ahmedabad mills are:—

- (1) Cheap labour.
- (2) A ready market for goods produced.
- (3) Facilities in prices of cotton.
- (4) Less competition.

38. I do not fear the competition of the hand-loom industry in India provided they give up using foreign yarn. I think the hand-loom industry is not in a progressive condition.

SECTION IV

Mill Management

40. Yes. I am satisfied of the economy, though I consider further economy is possible as has been proved in mills now-a-days. This must cover a long period. Hasty economy is dangerous.

41. This is a broad question as different mills have different systems. As far as my knowledge goes, the following systems are current:—

A fixed remuneration and certain other benefits also—

- (a) A certain per cent. of commission on all purchases and sales.
- (b) A certain per cent. on production.
- (c) A certain per cent. on profits.
- (d) Other benefits: as monopolies, travelling and boarding expenses, etc.
- (e) Generally an understanding that the agent will work for the firm for a long period say not less than 20 years; his right and action being undisputed.

In my opinion, items named (a), (b) and (c) are defective.

However the agent is the sole master of the firm, whose actions are not questioned and with powers to do anything, irrespective of the evils occurring from his actions. In the majority of cases we find these powers being abused.

In my opinion, the board of directors must be vested with more power. It must be a representative body of the share-holders, the capitalists and the workers must include men who are well versed in technicalities and internal management.

It must meet as often as possible, say, every week, as is customary in England and decide all matters concerning the firm. The agent's power must be limited and subject to the confirmation of the board. Nothing must be done without their approval.

42. That by commission on production is common. I prefer commission on profits.

43. Certainly they do. As for the details all of them are common; but the number of them differ in different cases. In one of the mills I came to know that the chairman of the directors was toying apparently collecting shares for the firm and in the meanwhile doing his own business. He was accompanied by a few of the directors as well. He debited the firm with the brokerage commission on shares as well as his expenses, which came to more than what he was able to collect in shares. The agency do not provide a minimum in such cases.

44. The association of agents in other kinds of business is common. This need not necessarily be detrimental, provided the resources of one firm are not utilised for the other. But in common practice we find quite the contrary due to the unlimited and unchecked powers. Hence it is detrimental.

SECTION V

Mill Finance

45. The depression is more due to over-capitalization than under-capitalization.
46. This is not very common. In some mills where they have equipped their machinery they have done well. Most mills have on the other hand suffered for want of equipment and in some places mills have suffered for having purchased some machinery which was not essential for the working of the mill.
47. Certainly there was, as may be judged by the balance sheets. The depression may be attributed to the fact that if the mills had reserved that money and purchased some essential stores and material for the upkeep of the mills they would not be suffering now and effecting false economy to the detriment of the industry.
50. This system is very common. As it is detrimental to the industry, it must be put an end to.
51. Yes, they do.
- (1) Non-confidence in the directors.
 - (2) Many bogus firms being started.
 - (3) Depression in the industry.
 - (4) Mainly due to tightness in the money market and people being poor.
52. In India it is borrowed from 9 to 20 per cent. I do not know the case of Japan.

SECTION VI—*Costs of Production**A—General*

53. I consider a mill between 25 to 35 thousand spindles and 600 to 800 looms ensures the most economical and efficient working.
- In pre-war days to establish a mill in Ahmedabad of 30,000 spindles cost somewhere between 15 to 20 lakhs with the looms shed. Now-a-days it is double. In Bombay add an excess of 2 to 3 lakhs for building and land. In upcountry 4 to 5 lakhs may be deducted from the above figures.
54. The majority of mills are of the size stated. The only difference between Bombay and upcountry mills is that the former are a little too big, whereas the latter are a little too small.
55. This is common to a very great extent. The efficiency in mills in India or elsewhere need not be less due to old machinery, provided the spare parts are well supplied and machines kept up-to-date. But, in India, the agents are very reluctant in doing this and consequently ruin their mills. Even in the boom period it was quite common for agents to refuse the essential spare parts. There are mills in India where machinery is 25 years old and yet everything is up-to-date and others which are less than 15 years old and completely ruined.

57. (1) Less efficiency of labour.
 (2) Long working hours.
 (3) Bad equipment of mills.
 (4) Favouritism.
 (5) Non-technical men being engaged who generally stick to old and crude methods and are reluctant to reforms.
58. Bombay mills are at a disadvantage.
- (1) In cost of labour.
 - (2) Fuel, water and taxes.
59. The benefits are almost negligible and I have good experience of this compared with mills in Bombay, Ahmedabad, upcountry and Burma; except in Bombay the advantage is being utilised in spinning fine counts. In upcountry mills where it is hot the humidifiers can maintain a low temperature at a very slight cost.

B—Raw Material

60. (a) In Bombay raw cotton is generally purchased in the market. This is one advantage in Bombay that we can get any quality of cotton we require.
- (b) In cotton districts; the crop of the district is utilised and as the quality differs from year to year the quantity produced will also have to be changed according to the material available.

61. There are no doubt speculative purchases going on in Indian mills but I do not know whether it contributes in any way to the depression of the industry. If methods as suggested in answer to question 41 are adopted this can be stopped.

62. Yes. This statement is correct. The margin is about 10 to 20 rupees per bale. There should not be this margin. This is due to agents charging (1) commission on purchases (openly done), (2) at their own initiative filling their own pockets, (3) due to speculation.

63. The depression due to this is negligible.

C. Labour

64. Yes. I accept this view. Not so much in Ahmedabad and up-country as the rise of wages from the pre-war rates are not so high as compared with Bombay.

65. In a way I do not consider that there was an unduly large distribution of bonus. Now supposing less bonus had been paid; then the balance would go to the shareholders, and in both these ways the industry would not be benefited, whereas if the dividends were curtailed this bonus would also have been less and the amount reserved for bad times. If the shareholders deserved to reap big dividend; the workers also deserved in a better way to get a better bonus.

66. Generally speaking it has gone down by 12 to 15% after the change in hours.

67. (a) In a ring ring frame the number of spindles vary from 280 to 400; lift is generally 5 inches. This also varies from 140 to 200 in counts between 20; and 30s.

(b) 8 to 10 looms; differs on varieties of cloth width of loom and other things.

(c) If the averages counts are say 24s the total number for 1,000 spindles is 22.

69. This differs due to various reasons. Taking an example in my present mill; the cost of production for average 23s counts is 2 annas; and 550 men are working. So we can say that wages per lb. is 0.5 pies.

70. The labour is less efficient by about 25 per cent. when compared to Japan and 30 to 40 per cent. compared to Europe.

Taking Bombay mills as an average; in the workmen class Bombay, Ahmedabad and Madras are practically equal, or to be on the safe side we may say that the latter are 5 per cent. less efficient. In up-country mills the labour is less efficient by about 20 to 40 per cent. South Indian labour is practically equal to Bombay but as we go north it is less efficient except in Calcutta. In Burma it is 50 per cent. less efficient.

In the subordinate staff the Ahmedabad mills are less efficient by about 10 per cent. when compared to Bombay and in up-country mills it varies from anywhere between 25 to 50 per cent.

71. (a) In Bombay mills this varies from 5 to 10 per cent.

(b) In Ahmedabad and Madras daily it is between 10 to 15 per cent. rising to 25 in the monsoon.

(c) In up-country mills it is variable anywhere upto 35 per cent. Of course during the monsoon and festival times the attendance is very poor.

It is very common to find many operatives absent for 2 to 5 days just after pay day.

In Bombay mills a bonus is common to certain class of workmen. In Ahmedabad there is no system.

Of course bonuses and other privileges encourage regular attendance as has been found to be successful in the mills at Madras.

72. The Budli system is no good. There is 20 to 40 per cent. less work turned out by a man who is working budli as generally he is found to be a starter in business.

73. The turn-over as compared to Europe is some where as follows:—

Bombay 75 to 85 per cent.	} I base these figures on the number of hands engaged to turn-out a given amount of work.
Ahmedabad 60 to 70	..	..
Madras 80 to 85	..	..
Up-country 40 to 50	..	..
Burma 35 to 45	..	..

74. In my opinion the continuity of work in Bombay is much more satisfactory than at Ahmedabad and up-country. Certainly a long service bonus and provident fund contribute a lot though these are very uncommon.

75. Generally mills in Ahmedabad and Bombay do not provide housing accommodation. Only 20 to 30 per cent. of workers get accommodation where mills provide chawls. The income generally covers an interest on the outlay of 8 to 10 per cent. Improved housing accommodation will surely contribute to the improvement of the industry. In Bombay it is difficult to secure this where as at Ahmedabad this can very easily be done.

76. (a) The facilities for technical training of workmen are practically nil.

(b) For the supervising it is very inadequate.

(c) No doubt good use is made in this case but there is very little encouragement.

The efficiency of operatives can be improved from 25 to 50 per cent.

Government and mill owners to some extent are responsible for the non-encouragement of this part of the industry, specially in textiles.

77. I accept this opinion as far as up-country and Ahmedabad mills are concerned but not Bombay. I emphatically say that the workmen deserves every pie and the industry need not grudge this.

78. Yes. All I can say is that they are spendthrifts. They do not utilise the increase in money for better purposes.

79. There is scope in utilising labour saving devices.

80. Yes, there is provided you give him a better training. The improvement in this direction is very slight. There can be no improvement as long as the present conditions exist. We have tried these in finding ways of effecting economy.

81. Yes, I accept, but, I am not in favour of double shifts in India for the present. Though this appears to be very nice to look at just for the present, it is detrimental in the long run. We had experience of them during war-time. There are many defects which want remedying in the double shift system in the textile industry.

82. I would not advise the restarting of double-shift system as long as the present systems of management are unaltered. This is detrimental to the industry in general and affects the machinery and work people.

I can give ample proofs if necessary.

83. Legislation as it exists at present is only to the benefit of the workmen and that too to a limited extent. It has done nothing for the industry.

D. Overhead charges

85. Insurance is effected in mills to cover the capital by fire.

It is satisfactory under present conditions.

86. An amount equal to at least 5 per cent. per annum of the value of the mill must be kept apart. I give this amount on the understanding that the life of a machine is about 25 years. Consequently this amount after 20 years will buy us new machinery; and the excess for 5 years more must be utilised every year in repairs and renewals of parts. It is better if it is charged on profits; but if a mill makes no profits add it on cost of production.

87. These are generally valued on the actual cost of production. The auditors are generally contented with a certificate.

88. The audit of the mill accounts is an annual one.

E. Sales

89. There are different system in different mills.

(1) Agents themselves sell directly to customers in retail.

(2) Sole agents or commission agents are entrusted with this work.

(3) The firm sells directly in retail or wholesale.

(4) Brokers are engaged who negotiate between the firm and the consumer and get a certain commission. They are responsible for the recovery of the amount. I prefer the last system as the risk of losing is lessened.

90. They are prevalent. This is a very bad system.

91. Yes. They do experience difficulties.

SECTION VII.—SUGGESTIONS AS TO REMEDIAL MEASURES.

(a) Suggestions put forward by the Bombay Millowners' Association.

96. Yes. I am in favour of the abolition. It makes a very slight difference say nothing more than a quarter of an anna per pound. But this saving goes a long way.

97. I wish the super-tax to be abolished.

98. I am not very particular about this.

100. Yes. I do.

101. Yes. If they undertake to do so and get a reduction it will surely help the industry.

102. I think this is not an easy task to undertake for the textile industry only. But if the Government can undertake to do so and afford to pay, it is a good way to regain lost markets.

103. This can only be done if mills can compete in quality and price. I do not think any legislation will help this unless the qualities are standardised. As I think that India can very well consume its mill products one need not care so much for over-seas.

104. I am in favour of this duty—

(a) on all piece goods imported from Japan and China and other countries except the United Kingdom;

(b) on all yarn up to 40's and a smaller duty on all counts up to 80's and the same for piece goods. A special reduction may be made on printed goods.

105. This should be imposed as long as the industry can meet the demands of markets. I would say that this should be of a permanent nature subject to increase or decrease after a certain number of years.

106. Certainly prices will rise on the goods on which duty is imposed to such an extent that foreign goods will be able to sell in the market. The cost of living need not go up provided the mill owners are not greedy to get more profits.

107. Both will occur.

108. I think this will be the case throughout India.

109. Yes. I do. Our industry must be protected at all costs. Because, once it begins to decline it is too late and difficult to revive it.

111. I do not. This increase of duty will restrict consumption. Even if it does it is negligible. Yes. I do consider that this will be in the best interests of the industry.

112. There is nothing unfavourable in this. This is very favourable to India.

113. I do not think the hand-loom industry will suffer, whatever may be the view of the Fiscal Commission. The majority of hand-looms say 80 per cent. are using counts that can be produced in India. They are sure to be benefited.

115. Yes. I do support it. Any amount up to 25 per cent. may be levied provided the millowners promise to utilise the benefits thus arising to the development of the industry and not to declare enormous dividends say about 15 to 20 per cent. of the share value at any time.

(b) Other Suggestions

116. Yes. I am in favour of this. Say up to 15 per cent.

(a) The income of the cotton growers will not be affected but on the other hand it will make them grow better cotton.

(b) The area will depend on the margin of the profits in cotton crops when compared to other crops.

119. Yes. If they do so it will be a great boon to the industry.

In this connection I wish to quote an example:—

In Burma, Myingyan, Meiktila and Pokakku are considered to be the best cotton growing districts. In Myingyan city there are three big ginning factories. Just before the season begins these three firms form a union and cover their sales in foreign markets. They fix a price to purchase the seed cotton which price will allow a margin after deducting cost of production. At the end of the season we always find that they have done well. Once it so happened that one of these firms came out of the union and did business on its own. It was a loser. It learnt an experience and rejoined the union.

120. Not much.
121. Yes. It would be better if certain mills specialised in certain counts of yarn and some varieties of cloth.
122. I do not know.
123. Yes. I think so. I am sure the industry would be benefited by it.
124. Not yet.
125. I would attribute the cause for this depression to the items mentioned in answer to question 41.
1. Bad and unskillful management by people who have very little knowledge of details—which if cared for would benefit the industry.
 2. Ignorance of the workmen, i.e., they are illiterate, old fashioned and obstinate.
 3. Too much favouritism and many mills having incapable officers at the head.
 4. Bad system of buying and selling and controlling the firms' money.
 5. Speculation in shares.
126. If the industry is to improve the following suggestions are helpful :—
1. Greater co-operation.
 2. Standardization of materials.
 3. Better legislation safeguarding the industry.
 4. Ample facilities for technical education both for officers and workmen.

For officers :—

- (a) Specialization.
- (b) Higher standard of education.
- (c) Employment of teachers in the institutes who have worked actually in mills in responsible posts. The present system of instruction from those who have not been a success in mills and are defective in the practical aspects is to be condemned.
- (d) Better facilities for practical training in mills for pupils during their term at the institute.
- (e) A better recognition of technical training by the mill people—masters and owners.

The present institutes are defective in providing such training as will benefit the pupils. Both the systems of training and the recruitment of the staff are useless. Consequently we find the majority of the boys after completing training fail to get jobs unless they have God-fathers and they leave the line.

For workmen :—

- (a) Instruction in night classes comprising (1) Reading and Writing, (2) Elementary calculations, (3) Simple applied mechanics and simple mechanics.
 - (b) Demonstration classes out of mill hours. The best system will be to provide one such school in a place where there are a group of mills, and conduct classes in the morning for boys who generally work as half timers and at night for workmen.
5. Better welfare works, such as hospitals, provident funds, long service benefits, better living accommodation, facilities for education and training in the industry.
 6. Encouraging co-operation of workmen, officers and owners by starting association and labour unions, conducted on a sound basis for the welfare of the workmen and the industry in particular.
 6. Avoiding unnecessary competition from importers by the imposition of a tax on all imports of yarn and cloth that can be produced in India and on cotton exported to other countries.
 7. Better supervision of auditors when certifying accounts in which there is much irregularity at present.
 8. Share holders must have a voice.

Witness No. 71

Mr. G. N. IYER

Oral Evidence recorded at Bombay on the 27th August, 1926

President.—The first question I should like to ask is about your personal experience. How long have you been connected with the cotton textile industry, and in what capacity?

- A. I have been in this industry for the last fifteen years.
 Q. Where did you obtain your experience?
 A. I obtained my experience at Madras, at Ahmedabad, Burma and Bombay.
 Q. What mills were you in Madras?
 A. I was in the Buckingham Mills.
 Q. How long?
 A. About three years.
 Q. And after that?
 A. Then I went to Ahmedabad, to the Saraspur mill. I was there for three years and then I was in various other mills for a space of about seven years.
 Q. Which were they?
 A. I was in the Kalol Spinning and Weaving Company and then I was in the Ahmedabad Waste Cotton Mills and then I was in the Ahmedabad Guzerat Ginning and Spinning Co. Of course, I was deputed from the big mills to other mills to go and do some work there, but it is not very necessary to mention them just now.
 Q. What were you doing in Burma.
 A. I was in the Burma Spinning and Weaving Co.
 Q. Where?
 A. In Myingyan. I was there for two years.
 Q. Then you came to Bombay?
 A. Yes.
 Q. How long have you been connected with the Victoria Mills?
 A. For the last year.
 Q. Are the managing agents of the Victoria Mills in Ahmedabad?
 A. No, they are partners. Mr. Mehta is in Bombay and Mr. Mangaldas is in Ahmedabad.
 Q. The name of the managing agency is?
 A. Mangaldas Mehta & Co.
 Q. They have their headquarters in Ahmedabad?
 A. No, in Bombay.
 Q. How many looms and spindles are there in the Victoria Mills?
 A. We have got 30 thousand spindles and 550 looms.
 Q. You are in charge of the spinning department?
 A. Yes, Sir.
 Q. What is your salary?
 A. I am getting Rs. 450.
 Q. You say that the working hours in the Native States are 12 and 14, and in some upcountry mills also. What are your grounds for that statement?
 A. There is a clear proof. In Indore perhaps after the recent strikes they have reduced the hours to 10.
 Q. Indore is only one State?
 A. I was in Kalol which is in Baroda State. There we are allowed to work for 14 hours and the ginning factories are working for about 16 hours.
 Q. I am not referring to ginning.
 A. I am only speaking about the Factories Act in general.
 Q. How many years ago was that?
 A. It was in 1922.
 Q. I understood that Baroda had the same Factory Act as is in force in the British territory. Is that not so?
 A. No.
 Q. Is there a Factory Act in force in Baroda?
 A. There is a Factory Act in force, but it is not enforced strictly as it is in Bombay and Ahmedabad.
 Q. What do you mean by 'some parts of upcountry' ?
 A. Take for instance Jubbulpore where there are mills. There they are allowed to work more hours.

Q. Why?

A. The mills work for their own benefit. Under the Factory Act, the hours are limited to 60 hours a week, but they do not show in the report that they are working for more than 10 hours. It is only when they are caught that there is trouble.

Q. So the question is one of the administration of the Factory Act?

A. Yes.

Q. You do not mean that they are allowed by law to work for so many hours?

A. No, I do not mean that.

Q. How do you know that they are working those hours? Have you been in Jubbulpore?

A. No.

Q. Where did you get your information from?

A. I heard it from a reliable source.

Q. A 'reliable source' is hardly sufficient evidence?

A. What sort of 'reliable' will satisfy you?

Q. I should be satisfied if you had been there yourself.

A. No. Suppose our men are working there, some people whom we send there.

If they say so, is not that enough proof?

Q. Not unless they come here and state that it is their experience.

A. Then the Board will not take anything.

Q. They are not here to take hearsay evidence.

A. All right, please yourself. I have no objection.

Q. In answer to Question 8 you say the price of cloth is 200 per cent. less than during 1922. In that case the price of cloth would be less than nothing? What do you mean by saying that the price of cloth is 200 per cent. less than it was in 1922?

A. The price of cloth at which we were selling has dropped. I will give you one instance. Now, we are selling cloth at about 11 annas a pound. It was costing Re. 1-8-0 and Rs. 2 during the war time...

Q. I know the cost of cloth then and now. I am only disputing the correctness of your arithmetic. You say the price of cloth is 200 per cent. less than in 1922. If the price of cloth has dropped 100 per cent. that reduces it to nothing.

Mr. Subba Rao.—You mean it has fallen by two-thirds?

A.—Yes.

President.—We are trying to discuss this on the basis of the English language, and if the price of cloth has fallen by 200 per cent., it must be nothing. What you mean is that it has dropped 66 per cent.?

A. Yes.

Q. Do you make your calculations in your mill on this basis, on this sort of arithmetic?

A. No. Take for instance this number I have given you. It was fetching Rs. 2 per pound. Now it is not fetching even about 11 annas.

Q. That is not a fall of 200 per cent.?

A. It may be a mistake.

Q. You wish to answer Question 11 orally? What further remark do you wish to make?

A. I mentioned a few points there in Question 11. Now, if you want any points here I will speak about those points. That is why I say I want to speak orally.

Q. Do so.

A. The first point is the ignorance of the millowners to details inside the mills. In many cases you will find that after the old agents they leave the young sons of the millowners in charge.

Q. Are you referring to Bombay or to Ahmedabad?

A. I am referring to Ahmedabad, Bombay and other places where I have worked, and not only Bombay or Ahmedabad.

Q. It is not much use making this general statement. Are you prepared to give specific instances of individual cases? It is no use making general statements of this kind. We have a number of such statements already on record. We have received a number of such charges against the millowners from various persons. General statements like this are of no use. We want definite instances in each case. Are you prepared to mention the mills to which you refer in all cases?

A. Well, I will do it. Keep it out of the press.

Q. You can write the names of the mills and hand them over to me.

A. If these go to the notice of the public we shall get into trouble.

(A list of names of mills was then handed over to the President.)

Take the first mill. There was a very able man in Ahmedabad managing this mill. After his death his son succeeded. He was also a good man, but after his death the wife was managing the firm. She had a son and to-day he has taken up the agency. What has he done? He has managed it for about two years and found it has been a loss and consequently it has been given over on a certain commission basis to a third person who is not interested in the firm. Now, had he not given over this firm, had he managed it in his own family, or if the son was trained in the steps of his father and grand-father this firm would not have been in the state it is in to-day. So I put it down to ignorance of mills. I put it down to untrained sons coming up and the ignorance of millowners. What other point do you want?

Q. Is there any other point on which you are in a position to give us information?

A. Do you want any special mills to be mentioned?

Q. I understand that your remarks in reply to Question 11 apply to the three mills the names of which you have just given me.

A. But every mill does not come under all these accusations. Many a time it has occurred like that. You can take it from my experience, from the mills I have worked in. The millowners in many cases do not know the internal difficulties. They are only catering for the markets and they want us to spin a certain count which the mill is not meant to spin, and they will make use of a certain amount of cotton that may not be fit for the counts required, and consequently the mill suffers a great loss. Now, what is that due to? It is due to the ignorance of the millowners. If they had known the details in the mills from the bottom to the top as they do in England this thing would never have occurred.

Q. Does the managing director in England know everything from top to bottom?

A. Yes, they have been brought up in the industry. The same thing in regard to the third item. That is too much interference. This is specially common in Ahmedabad. The agents do not trust their masters. Even if there is a certain amount of machinery or whatever it may be, they want to know the technical details inside. They want to know everything you do. Your practical ability is of no benefit. They ask us to keep the draft so much and to give a certain amount of fuse, to spin so many counts to make up a bundle, etc. It is too much interference.

Q. The first complaint you make is ignorance of details, and now the second is that the managing agent endeavours to find out the details and that it involves unnecessary interference?

A. Yes. It is in this way. I have no objection to an agent interfering in the details of the mill if he knows what he is doing. Whereas, if he does not know what he is doing and unnecessarily interferes it is ruining the whole thing. Of course the third thing is technical training.....

Q. What was your own technical training, the training you received in the mill or elsewhere?

A. In the Technical Institute at Ahmedabad, Ranchodlal Chotalal Technical Institute, and above that I have passed the City and Guilds London Institute Examination through the International Correspondence School course and I have also been a member of the Textile Institute at Manchester.

Q. You had some training in England?

A. No. I had to pass certain examinations of the Institute and then I was enrolled as a member.

Q. Do they hold these examinations in this country?

A. Yes. Then, the Board of Directors have no power and the agents do everything. In England the Board of Directors consists of various people who know the various mills and those who know the internal details, and they do everything, whereas in India it is quite the reverse. You will see in many a mill that the Director of one mill will never visit that mill even for one year. The fifth item is favourites being brought into responsible positions and maintained at high salaries. That is common. Specially in Ahmedabad you will find that the officers drawing big salaries are relations of the agents in one way or the other. Those people might not have worked in any other mill or have had any experience. They are maintained there because they are relations and not because they are competent. And in Burma there is the national feeling.

Q. How does that affect the industry?

A. I am going to tell you how that affects the industry. There is only one mill in Burma. In that mill the directors want to engage only Burmans and they do not want to give any preference to Indians, and we have come to know

that Burmans cannot work this industry. This industry in Burma is in an infant stage and you find a report sent to the head office every day in which there are two volumes containing the number of Indians employed and the number of Burmans employed, and if there is a vacancy they try their best to get in Burmans. Whether they are competent or not does not matter.

Q. That is a very small matter. There is only one small mill in Burma. That has nothing to do with the general depression in the industry.

A. No. That is the first mill started in Burma. If that mill had done very well it would have given hopes to other people to start some other mills also.

Raja Hari Kishan Kaul.—There are a certain number of Indians in this mill?

A. Yes.

Q. They are trying to put in Burmans where they can?

A. Not where they can. Suppose one Indian goes away. He was doing a certain job, as a jobber or fitter. He had been brought from India. Now they want a Burman in his place. Well, many a time you have found that he is not capable of doing that work, because a man who is required for that job must have some experience, must have worked in some mills before. They must have worked in mills for 10 or 15 years before they can take up that responsibility.

Q. If he is unfit, I suppose they will turn him out?

A. They do not do that.

Q. They will suffer?

A. They do suffer. They have suffered.

Q. It is a very small proportion?

A. That is why I am going to say that. That is only in Burma. I am not going to say that of India. The next point is non-confidence in responsible officers, specially in upcountry mills. In Bombay it is in many ways better. They take our opinion. They pay us high salaries. In Ahmedabad and upcountry mills that is not the case. The officers are kept because the agents cannot do the internal work; they do not know much about machinery. But they do not place the least amount of confidence in their staff. Suppose there is a spinning master or a carding master who is mixing cotton. Unless you give him the cotton prices and yarn prices at which you are selling—he does not know whether the firm is losing or gaining—how can he do the thing right? Suppose they give us information—that their cotton costs are so much, labour we can calculate very easily, but if we know what the cotton was costing or what they would sell their yarn for we would know whether the mill is going to make a profit or not. Perhaps you may ask how we are interested. Of course I do not like that the mill should go down. Certainly then the agent will say that his master is not a good man. But if they show us how they stand every month then we can do something, we can try to help them.

President.—Your remarks under this head apply to Ahmedabad and to upcountry mills rather than to Bombay?

A. More of it applies to Ahmedabad than to upcountry mills.

Q. Your remarks, as I said, apply more to Ahmedabad and upcountry mills than they do to Bombay?

A. Yes.

Raja Hari Kishan Kaul.—How does it affect your ability to improve your outturn or to effect economies in the cost of production if you are not told what the cost of the raw material or the selling price is. You have to try your best to improve the production?

A. No, Sir. I will give you one general example which you can understand very easily. Suppose there is a certain amount of coal which can mix with a certain amount of some that you purchased at a different price. Suppose by burning that coal you get a certain percentage of power. You do not know at what price the coal was purchased at.....

Q. But you are not responsible for producing steam. You want steam at a certain pressure. You tell the Manager or the Agent.

A. I am not going to speak of my section. Suppose there is a cotton which is producing about 17 per cent. loss in the whole mill, and there is another quality of cotton which will produce in the mill say 15 per cent. loss and it gives us better texture and other things. Suppose I knew the price of these two kinds of cotton—because we have to make these mixings. We use five or six kinds of cotton and make mixings. We want that mixing to be as cheap as possible. It must spin a certain amount of good yarn. If I knew the value of cotton, to get beneficial results I can adjust this mixing, to cost me less as well as to give me better results.

Q. Is it not the business of the Manager or the Agent to see to these things?

A. The Manager's position is no better. I have also worked as an Assistant Manager. The Manager's position is not different in Ahmedabad. Invariably a

cotton spinner will be a manager or a weaver will be a manager. A manager there knows as little as a cotton spinner. The power of a manager in Bombay is quite different from what it is there. The managers in Ahmedabad are only managers for the Factory Act and other things.

Q. Really the Managing Agent is the manager?

A. Yes.

Q. Then it is his business?

A. They are responsible for working. You should compare what material you get and what you turn out. The agents do not calculate all that. Whatever is the kind of cotton they want a certain production.

Q. I won't press that point further. 'The ryot does not now-a-days purchase to such an extent as he was doing before. He only meets his bare necessities'. Have you got any figures to go upon?

A. No, I cannot provide you with facts and figures.

Mr. Majmudar.—Mr. Iyer, you have been saying that Ahmedabad millowners interfere to a very great extent in the internal working of the mills.

A. Yes.

Q. It is however the Ahmedabad mills that are making profits and the Bombay mills are not. The Ahmedabad millowners claim that it is because of their personal supervision that they are making profits and Bombay mills are not making profits because the managing agents are not exercising personal supervision. What explanation have you to offer for this?

A. As I proceed further you can know by the answers that I give to your questions. Ahmedabad mills make profits not because they give personal supervision. There is a main feature why the Ahmedabad mills are making profits and it is, their cost of labour there is too cheap.

Q. To what extent the costs of labour affect the matter we shall discuss later. We can leave that for the present.

A. I cannot say that because of their interference the Ahmedabad millowners are making profits. Making profits does not mean that it is the result of interference.

Q. It is said that in Ahmedabad also there are certain mills where the managing agents do not go into the details of the working of the mills; that they do not attend the mills and therefore the mills are losing. Whereas in the case of those mills where the managing agents give personal attention to the internal working of the mills, they are doing very well.

A. I do not believe it.

Q. These are hard facts. May I know in what capacity you were working at the Buckingham Mill?

A. As an assistant carder, and spinner.

Q. And at the Saraspur Mills?

A. Carder and spinner.

Q. In full charge of the Department?

A. Yes.

Q. At Kalol?

A. Carder and spinner.

Q. And it was during your time that the Factory Act was violated at Kalol?

A. I cannot say it was violated. It may be or may not be.

Q. Did the mills you were working in, work the longer hours?

A. They were working and we were getting holidays once in a fortnight and once in 60 hours. On new moon and full moon days we were getting holidays.

President.—There is a Factory Act in force in Baroda. If you were actually working in that State, you must have been aware of the existence of the Act. Were you not?

A. I do not know what Acts they have got.

Q. Surely if you were in charge of the spinning department of the mill you must know whether the Factory Act was in force in Baroda State.

A. It is not necessary.

Q. It seems curious.

Mr. Majmudar.—The spinning master is expected to know it. The weaving master, the engineer and all heads of departments are expected to know that the Factory Act is in force. If any prosecution takes place against the manager, the manager will cite the spinning master as the man responsible for the violation of the Act.

A. Suppose you want the mill to work on a certain day. Do you mean to say that the spinning master will work his own department without the consent of the managing agents?

President.—The point is that you, as a responsible officer of that mill, must have known what the Factory Act in force in Baroda was.

A. I do not know, but we were working, that is a fact.

Q. You were quite unaware whether there was a Factory Act in force in Baroda or not.

A. Yes, I was quite unaware of it.

Mr. Majmudar.—As regards the managing directors in England what sort of knowledge do they possess? Are they practical men or financial men or both?

A. The Board of Directors consist of all sorts of men.

Q. Can you give me any names?

A. I have heard from people who have come from there. I have worked with European managers and they have told me this.

Q. You know that in England spinning and weaving mills are separate from one another?

A. I know that.

Q. Whereas in India it is a different thing altogether?

A. Yes, it is different.

Q. And as a consequence if a managing director is to be kept, he will have to be an all-round man who knows spinning, weaving, dyeing and everything.

A. No, I do not mean to say that. I am not going to criticise the managing agent as he is. I do not think he can be master of all. What I mean to say is why should not the Board of Directors represent all these people?

Q. There is a Board of Directors.

A. It is only a nominal Board. What action does it take?

President.—Where are you going to get your directors from?

A. It is an internal concern between the agents.

Q. You say that the Board of Directors should have the qualifications you mention. Where are you going to get directors from with these qualifications?

A. We can get them. How do they get them in England? Suppose a man has been a manager in a mill for about 20 or 25 years and if the mill pays a certain remuneration to him do you mean to say he is going to refuse that job on the Board? His advice is certainly available.

Mr. Majmudar.—Would not the manager be consulted by the Board of Directors as it is constituted at present, on all technical details?

A. He can be consulted. But only in rare cases he is consulted.

Q. So far as I know, it is the practice to consult the managers.

A. Do you mean to say that the Board of Directors consults the manager?

Q. Yes, the agents consult the managers and, if necessary, the managers are called to attend the meetings of the Board.

A. In how many mills have you seen this?

Q. Out of the 300 odd mills that exist in India may I know how many meetings of the Board of Directors you have attended?

A. I have attended none.

Q. Then how can you say anything without practical knowledge? What is the use of criticising when I know from personal experience that the managers are called by the Board of Directors for personal consultation whenever technical matters are discussed.

A. The managing agents call them.

Q. The managing agents and if necessary the Board of Directors.

A. I am not referring to managing agents. How many Board of Directors call them? That is what I want to know.

President.—It is not worth while pressing that point.

Mr. Majmudar.—Do you do the mixing according to the quality of the cotton or the price of cotton? One cotton may have been purchased at a high cost and still the quality may be low and *vice versa*. If prices are given to you it may happen that you think that because a certain cotton is low in price you will use it only as a lower cotton. As you are a responsible officer knowing and distinguishing the qualities of cotton, I do not see the necessity of your knowing the price of cotton. It is for you to find out the grades of cotton and grade them up as you receive them and then use them in the proper mixings.

A. Yes. Take the other side of the question. Suppose in a mill there are eight or nine varieties of cotton which are practically the same in staple and they are going to cost differently. Then?

Q. You say you do not know the price of cotton. -So far as you are concerned the agents are putting down the mixings for you.....

A. No, no. The agents are not putting down the mixings.

Q. So long as they are not putting them down for you and they allow you a free hand in putting down the mixings according to the staple, I do not see where your objection comes in.

A. If there are seven varieties of cotton costing differently and practically equal in staple and I use in a certain month all bales without knowing the cost, in one mixing that is, on only one sort, then the production cost jumps up.

Q. Are you referring to Ahmedabad practice or Bombay practice?

A. Both practices.

Q. In Ahmedabad do not the agents themselves put down the proportion of the mixings?

A. In some they do and in some they do not.

Q. If my information is correct, in 80 per cent. of the mills it is the practice to do so.

A. Yours is only information. I have worked there practically.

Q. In the mills you served that was not the practice?

A. No, in some mills it was not, specially in Saraswat mills.

Q. Who were the agents?

A. At that time, Manibhoy, Ichakabhoy and others.

President.—In answer to Question 15, you say that medium counts imported from 16s to 40s compete directly with the production of Indian mills. Were any of the mills in which you were working manufacturing 40s counts?

A. Yes, I am doing it in my mill now.

Q. What cotton are you using?

A. I am using African cotton.

Q. Did you use Indian cotton in any of these mills for counts over 30s?

A. For counts about 36s I have used it.

Q. Indian cotton?

A. Yes.

Q. Which cotton?

A. Tinnevellics and Cambodia.

Q. In answer to Questions 20, 21 and 22 you say you accept the figures there given.

A. Yes.

Q. What grounds have you got for accepting them? Have you worked them yourself?

A. No, but the Millowners have worked them out.

Q. They did not work them out.

A. Then how did they get these figures?

Q. They did not supply these figures at all. They were given in the questionnaire.

A. I accept them.

Q. What are your grounds for accepting them?

A. My grounds are, that I think that it is so. That is all.

Q. Have you the slightest knowledge of the subject at all? Have you any authority whatever for accepting those figures?

A. The only authority that I can give is that I have read some journals and other books and from them I think I can accept them.

Q. But does that make your opinion on the subject worth anything?

A. Then omit it.

Q. Your information is merely based on the fact that the figures are mentioned here. What the Board wanted was some definite information from somebody who is in a position to give it.

A. I cannot give you any definite information about it.

Q. Then you say in answer to Question 31 that the 'the foreigners study our market and supply our needs better.' If they do it, do they not deserve to succeed?

A. Yes, that is one thing; then what about our industry?

Q. Is it not the business of your industry to wake up and study the market and supply the need better?

A. It is quite true, we can wake up, but if we are going to wait till we wake up, we are going to sleep for ever.

Q. In answer to Question 33 you say 'Take for instance unbleached jin'. What do you mean by 'unbleached jin'?

A. It is thick coating cloth, something like drill.

Raja Hari Kishan Kaul.—I presume you have got no rates in reply to Question 17. You say such and such counts especially the following counts. You say they are selling below cost price. Can you give the rates?

A. Yes, I will give you the rates. 20s single at the present market rate, we can get at Re. 0-10-6 a lb. of the Japanese yarn.

Mr. Majmudar.—Since when?

A. Since about a month. We can produce it at this cost.

Q. What do they quote per bale?

A. I do not know that.

Q. Their quotations are generally in bales.

A. But I know in the market we can purchase it at so much per lb.

Q. That is not what the Japanese sell at?

A. That is the Japanese yarn.

Q. Do the merchants quote that price for Japanese yarn?

A. Yes.

Raja Hari Kishan Kaul.—And for Indian yarn?

A. Indian yarn we have to sell at that price. But we cannot afford to sell at that price.

Q. What is your cost?

A. It is not worth while to sell anything below 12 annas.

Q. Twelve annas includes your profit?

A. Yes, half an anna profit per lb.

Q. That is your cost is 0-11-6?

A. Yes.

Q. A difference of one anna per lb.

A. Yes.

Q. Assuming that the price is 0-10-6, you say that is what the merchants quote. It is not based on any quotation of the Japanese.

A. No.

Q. And what is the rate for 40s?

A. 1-0-0 per lb.

Q. That is the Japanese quotation?

A. Yes.

Q. And for Indian yarn?

A. It does not pay us to spin 40s from American cotton, but we are doing it for less than Rs. 1-2-0.

Q. And double 40s?

A. I think we can get Japanese for Rs. 1-5-6.

Q. And Indian?

A. We can get this for Rs. 1-3-0.

Q. You can make it?

A. We cannot make it.

Q. You are selling it at Rs. 1-3-0?

A. Yes, but we cannot afford to sell.

Q. Are you selling at a loss?

A. Yes, if it is Rs. 1-5-6 it meets our cost.

Q. But you cannot compete at that price?

A. No, we cannot compete.

Mr. Subba Rao.—Is your quality lower?

A. Yes, a bit lower.

Mr. Majmudar.—In answer to Question 15 you say "I am not very well acquainted with the particular varieties of cloth." And in answer to Question 24 you say "the imported Japanese goods do not compete with English goods as they are of a different variety." If you are not acquainted with the particular varieties of cloth, how can you pronounce an opinion about the competition?

A. In Question 15, the Board wants me to state the different counts in which there is competition and the varieties of cloth in which there is competition. I have got figures for the cotton, that is for yarn. But I do not know about cloth.

Q. And in Question 24 what do you refer to? Do you refer to cloth or yarn?

A. Piecegoods.

Q. Therefore you give your opinion about competition in piecegoods although you say in reply to Question 15 that you know nothing about it. Once you say that you are not acquainted with the particular varieties of cloth and here you pronounce an opinion about the competition of the very cloth about which you say, you do not know very much.

A. No, it is quite different. There they want me to mention specially about some cloth. Here they want a general opinion.

President.—But your general opinion must be based on your acquaintance with the varieties of cloth. How can you say that imported Japanese goods do not compete with English goods when you know nothing about either of them? You say in reply to Question 15 that you are not well acquainted with the particular varieties

of cloth. If you know nothing about the cloth, how can you say what competition there is between them.

A. I have stated here that I am not very well acquainted with the particular varieties of cloth. As it is I have given in answer to this question something in general from 20s to 40s. That would be a general answer. I have said here that I cannot quote for particular varieties definitely but certainly even as a laymen you can very well find out whether the Japanese goods are there or English goods are there and whether one competes with the other. That does not want you to have special knowledge. I am saying technically particular varieties, jean or drill or dhoties.

Mr. Majmudar.—You know the costings of cloth.

A.—No.

Q. You do not know the particular quality of cloth, you do not know the costings of cloth and still you say, you can say immediately as to whether Japanese cloth will oust the Indian cloth or not.

A. But I know generally at what prices we are selling cloth in our mill.

President.—In reply to Section III, Question 35, you say "the following vices exist :—(6) Ruination of industry by deceiving customers." Do you mean that the mills deceive their customers or the customers deceive the mill?

A. The mills deceive their customers.

Q. In what way?

A. Suppose we have got an order for preparing 32s of certain amount of bales. Instead of preparing 32s supposing an agent gives you an order to prepare only 30s and make it 32s, it is deceiving customers. And once the merchants find it out, it is ruinous to your business.

Q. I quite agree. But is this practice common?

A. They must not do it.

Q. I quite agree, but is it common?

A. Yes, it is common.

Q. In Ahmedabad or Bombay?

A. In Ahmedabad in cloth the specification is so many picks and reeds. In many a mill you will find as the variety goes out and is consumed in the market they reduce it one pick. Also when you use a certain count in a cloth—generally the price is based on that instead of 18s or 26s they will tell the spinner to go two counts finer in weft, and they want to catch up this loss in size. That is bad for the customer and once the customer knows it he will not purchase it again.

Q. He goes to some other mill I presume?

A. Or buys some foreign imports.

Q. In your answer to Question 33, you say "I do not fear the competition of the handloom industry in India provided they give up using foreign yarn." But why should they give up foreign yarn? If they can get the yarn they want at the prices at which they want it why should they give up using it?

A. Well, to encourage our own industry they must give up.

Q. Are you prepared to give up all European goods?

A. Yes, if our industries are helped, I would give up.

Raja Harikishan Kaul.—In answer to Question 35, you have given various items—long hours, ruination of machinery, etc. Do you mind explaining them? You say there is the ruination of the machinery. What is the reason for the ruination of the machinery?

A. Ruination of the machinery comes from one main thing; the non-supply of spare parts. Now generally that is the case in Ahmedabad. It is very common especially now-a-days in Indian mills.

Q. You are making a general insinuation against all upcountry mills.

A. Yes.

Q. Do you mean to say that in all upcountry mills they do not supply spare parts?

A. The majority of the mills. I am not going to say they do not supply them, but not to the extent required.

Q. Are your remarks confined to Ahmedabad or do they apply to upcountry mills as well?

A. Upcountry and Ahmedabad and some of the Bombay mills also.

President.—Which Bombay mills are you referring to? Please write them down.

Raja Harikishan Kaul.—Leaving the Bombay mills, alone there were 250 mills in India and you say the majority of these mills do not provide sufficient spare parts and consequently the machinery goes to ruin?

A. Yes.

Q. About how many mills does your experience cover? About how many mills do you actually know?

A. As far as Ahmedabad is concerned, I have seen not less than about 40 mills.

Q. When was that?

A. When I was there. Even during the war time.

Q. Four or five years ago.

A. Yes.

Q. How about to-day?

A. To-day, I know because I have been there twice.

Q. I just want to know what the value of your statement is, what value we are to attach to it. How many mills have you seen recently?

A. I have seen about 8 mills. I could only visit that much when I was in Ahmedabad last year.

Q. Eight in Ahmedabad?

A. And two in Indore and one in Jubbulpore. Three in Calcutta, one at Jalgaon,—all these I know personally.

Q. About 15 mills you know personally?

A. Yes.

Q. Out of 250?

A. Yes.

Q. And on the basis of that you say the "majority of the mills"?

A. No, you cannot calculate at all on that basis. I mean to say majority of the mills, because we have got friends who are working in other mills.

Q. The rest of your information is based on hearsay?

A. Yes.

Q. Then you talk of waste of energy in working?

A. Supposing these millowners could use some machinery in places where they are necessary, where we could reduce the number of workmen, well, they can save so much money.

Q. Can you give some examples?

A. Specially in the mixing room for instance where there are seven to eight men employed in every mill, generally where hand mixing is done; whereas if you put a machinery there you need employ only two men.

Q. What does the installation cost?

A. It may cost about 3,000 to 4,000 rupees.

Q. Have you worked out the comparative cost?

A. Yes. I think it is very much cheaper if capital is available.

Q. It is not a question of capital being available.

A. In the long run they would be the losers. They did not do it till to-day when capital was available.

Q. You say that if these upcountry mills do not get over these vices that you mention, they will have very soon to shut up?

A. Yes.

Q. You advise them therefore to do it now when they are making very little profits or no profits?

A. Yes. Here is a statement I have made from the balance sheet. There were times when this mill made high amounts of profit, and you will find the stores consumed there are practically the same. Even in the boom they did not spend. After the boom also they do not spend.

Q. I thought we were talking of the mixing machinery?

A. Yes, Sir, it is the same thing.

Q. Next you come to production. You want as much production as possible.

A. Yes.

Q. Is that a defect?

A. Yes, suppose your machinery is doing a certain production in certain counts. You have found it out that it will stay for about six months. Now that means to show that for working six months you can give a good allowance for various things. Now, you want more production in the machinery. You cannot increase it in any other way

Q. You cannot increase the production by mixing?

A. It is not a question of mixing. Then they tell us to speed it up. Speeding up the machinery means its ruin.

Q. You mean to say that the upcountry mills have a certain amount of advantage but it is a temporary one and they are going to lose it. You say under Question 35 "though the extension of mills in upcountry centres has affected the prosperity of mills in Bombay I am glad that this has facilitated the industry in general" but it must at the same time be remembered that if certain quick alterations are

not made in upcountry mills the industry is sure to deteriorate." It is a sort of disadvantage?

A. The advantages overweight the disadvantages they get.

Q. Those which the upcountry mills have got are only temporary, and they are losing them?

A. Yes, generally losing.

Mr. Majmudar.—Mr. Iyer could you give us a specification of the mixing machinery that you are referring to? also an idea of the initial cost, of the horse-power that it would consume, and, the saving that could be effected in men?

A. If you want I shall calculate and send it.

Q. Yes, because that will enable us to find out how far the various mills have neglected to put in the necessary machinery.

A. I have got in my mill a machinery like that and I will give you the particulars.

Q. And the saving you can make in labour.

A. Yes I will send it to you.

Q. Also please mention the power needed for running the machinery.

A. Do you want the general horse-power?

Q. Yes, we shall be able to calculate from that what it costs to run a machine for the whole month.

A. But practically you can take the horse-power as negligible in a big mill.

Q. If everything is taken as negligible no engine will be necessary. What do you mean by "greediness for production"?

A. There are many people who want much more than the machinery can produce under normal conditions.

Q. You mean that when the production of the spindle should be 100 they want 110.

A. Yes, they want it.

Q. Then you mention that they sell yarn as 32s and actually spin 30s. But for 32s they have to give 32 knots. How do they manage it? By short reeling.

A. Yes, short reeling.

Q. Is that the Bombay practice also?

A. Very small in Bombay. It applies to the major portion of the mills in Ahmedabad.

President.—Coming to Section IV, Mill Management, you say as far as I can gather, Mr. Iyer, that all the systems under which the mills obtain their remuneration are defective. What system do you advocate?

A. Except this.

Q. Except which?

A. A, B and C are defective.

Q. You object to a percentage commission on purchase and sales; you object to a percentage on production and you object to a percentage on profit. What system of remuneration do you advocate?

A. A, B and E are defective.

Q. Your evidence has been sent up in such a way that it is difficult to avoid making mistakes. If you go before another committee, I hope you will send in a properly typed copy which will not give so much trouble. You advocate a commission on profits?

A. Yes.

Q. It is the usual system in Bombay.

• A. No, it is not the usual system.

Q. Not the usual system in Bombay?

Mr. Subba Rao.—Barring seven mills.

A. You were told so?

President.—The information is available from any balance sheet. The balance sheets of 82 mills can be examined.

A. Instead of that examination if you had examined the contracts of the mill-owners with the mills then you could have known it much better. Every millowner has got a contract with the firm giving out the terms on which he is going to manage the mill. If you had just seen that, it would have told you all about it.

Q. What do you mean?

A. Before an agent takes up a concern or starts it he makes a contract with the Board of Directors. There it is specified that he has to get so much commission. If you had seen it would have given you a different idea. Balance sheets will not give you that information.

Q. This statement is made by the millowners. Do you think they would give us a wrong information on such a point?

A. If you want to believe them I have no objection.

Q. It is not a question of our wanting to believe. It is a question of probability. I can have the managing agency agreements examined and find out exactly what the terms are. The millowners know that. They will be quite prepared to send the whole of the 82 agreements and they know that I can examine them. And if they make a statement of that kind, and the examination does not bear it out, well the results are obvious.

A. You are to judge. If you say it satisfies you, I do not say anything more.

Q. If you say that that is not the system prevalent in Bombay will you furnish me with the names of 42 mills in which it is not the system. You say the majority of the mills in Bombay do not adopt the system of commission on profits.

A. I am not going to say only about Bombay.

Q. We were talking about Bombay.

A. I do not say for Bombay. The majority of the mills. You may have misunderstood me.

Q. But that was what you said a few minutes ago. However if it is a mistake, well and good. If that statement was made in the hurry of the moment well and good. The point was that the system of commission on profits is the most common in Bombay. Do you agree to that?

A. Yes, I agree to that.

Q. In regard to Ahmedabad, I understand that commission on sales is the more common, in fact almost universal. Is that so as far as your experience goes?

A. That is of course common. They also get a certain percentage on purchases and sales say 1/8th per cent.

Q. On all purchases?

A. Yes.

Q. That is common in Ahmedabad?

A. Yes, and in some mills they got a certain amount for travelling allowances, etc.

Mr. Subba Rao.—What are the monopolies you speak of?

A. What I can say about monopoly is this: For instance take purchase. Now they may purchase it from people that they may favour and pay a better rate than what they can get it for in the market. If you can examine all the agreements they have got with the firms you will know what are these items.

President.—In answer to Question 44, you say it is common for the resources of one firm to be invested in another.

A. Yes.

Q. Are you referring to Bombay or Ahmedabad?

A. Both.

Q. Can you give any instances in Bombay?

A. Yes.

Q. Write it down please.

(The witness then wrote down a name and handed it over to the President).

Q. Thank you, Mr. Iyer; but this is only one instance.

A. In Bombay I cannot quote more.

Q. You said in Ahmedabad and Bombay it is common. But this is only one instance. Can you call that common? It is no good bringing these reckless allegations if you cannot substantiate them. If you can only give one instance you cannot call that common. There are 82 mills in Bombay. You give me only one instance. Can you call that a common practice? Can you give more instances?

A. I will write them down.

(The witness handed over a list of names to the President).

Q. That only brings the total number to four, and I do not know whether all of them come within our definition. But I will have the matter looked into.

Raja Harikishan Kaul.—Do you consider the suggestion made in the last paragraph of your answer to Question 41 practical? You suggest that the Board should meet once a week and discuss and decide all matters concerning the firm, and that the agents power must be limited and that nothing must be done without their approval. What about finance?

A. The managing agents as well as the shareholders finance the mill industry now.

President.—But have not the shareholders power to elect the Board of Directors?

A. The agent acts as he pleases without consulting the Board. Take for instance the Board meetings. How many Board meetings do they have and what are all the subjects brought up and discussed at their meetings.

Mr. Majmudar.—Can't the shareholders appoint new directors at the next election?

A. But they will have to wait for one year more.

Q. Whose mistake is it? Do you know in certain cases the agents find it difficult to form a quorum? If the shareholders do not take interest, is it the mistake of the agents or of the shareholders? If the shareholders take interests in their own concerns, is it not possible for them to put in any director they like?

A. There is a law no doubt that they can do it. But they do not do it.

President.—Whose fault is it then?

A. Why do they do it in other concerns? What about these banks. How can they get a quorum and a mill cannot get it?

Q. If the shareholders take an interest in the concern, a sufficient number of them turn up to form a quorum.

Raja Harikishan Kaul.—Is your suggestion practical?

A. Yes.

Q. Will a mill agent agree to finance a mill on the understanding that he will have absolutely no power and he cannot do anything without the Board?

A. The fact is this. These experiments had not been tried. In one case it has been tried and it has been proved practical. That was in Burma. This experiment was tried. It was a certain managing agent who financed but the Board had to decide everything.

Q. You must give the example of a mill which is working properly.

A. There are no mills in Bombay and Ahmedabad.

Q. Not one working properly.

A. Working properly, but not on this basis. But as for the system being possible, it is possible.

Q. It has not been tried anywhere?

A. No, in one place it was tried and it succeeded,

Q. But the mill failed?

A. The mill failed for some other reasons, not for this.

Mr. Majmudar.—In reply to Question 40, you say that further economies are possible. Which mills are you referring to?

A. I can say generally of the mills, or you can take for example the mills where I have worked.

Q. How many mills have you worked in during the last three years?

A. Three mills.

Q. One year in each mill?

A. No, I have been over two years in Bombay and just before that I was in a mill.

Q. In all the mills that you have gone to, you have made economies?

A. Yes.

Q. To what extent did you economise there?

A. You want the percentage?

Q. A rough idea.

A. About 10 per cent.

Q. In what?

A. In the use of stores and labour.

President.—We would like to have full details as to how economies can be effected to the extent of 10 per cent. in the spinning department. If this could be done, our labours would come to a successful conclusion.

A. I will write to you later.

Mr. Majmudar.—With reference to the Board of Directors you are saying that it must be a representative body of shareholders, capitalists and workers. Do you mean that the workers must be put in as Directors?

A. Yes, certainly; they must have a representative there.

Q. The people who you say are incompetent? In one place you say they are incompetent and in another you want them to go on the Board of Directors.

A. Yes, they will have to represent their interests.

Q. I see, it is from that point of view you want them.

A. Yes, suppose the Board of Directors decides on doing something. That is, cutting down wages or lessening the number of workmen. From the workmen's point of view they must have a say in it, before the Board comes to a decision.

President.—Can they not have their say without being represented on the Board of Directors?

A. The Board's decision will be carried out and they can have their say only when there is a strike. If there is no strike no one will consider their grievances.

Mr. Majmudar.—Is it the only purpose for which you want the workers on the Board? I thought you wanted them also for giving advice or guidance to the Board.

A. Yes.

Q. In answer to Question 43 you say 'I came to know that the chairman of the Directors was touring apparently collecting shares.....' Will you please give us the name of the mill, and the name of the Director if you can?

A. When I give you the name of the mill you can know the name of the Director. I will give you.

(The name of the mill and the Director was written and handed over to the Board).

President.—With regard to your answer to Question 51, what do you mean by saying 'many bogus firms being started.' Are you referring to bogus mills or bogus firms?

A. Mills as well as some firms.

Q. What bogus mills have been started in recent years?

A. Mills have been started. Certain mills have been started and shareholders' capital has been involved and after a certain amount of time they did not work and they have had to wind up. Consequently shareholders do not want to invest money on mills that are newly started.

Q. Can you give us some instances?

A. Just now I cannot do so but I will send them later on.

Q. You say in India money is borrowed from 9 to 20 per cent. But surely no mills have to pay 20 per cent. for their money.

A. They were borrowing in Burma at that rate.

Q. If you were to leave Burma entirely out of the question, we might get on a little faster. Experience of mills in Burma is of no use to us whatever. We are here to deal with 336 mills in India. We cannot draw any inference from what happened in one mill in Burma.

A. If you want instances of money being borrowed at the rate of from 9 to 12 per cent., I can give them for India.

Raja Harikishan Kaul.—In what respects are Bombay mills at a disadvantage in respect of fuel? They are using electric power. Most of them.

A. The electric cost comes to much more than the cost of the coal consumed. In Bombay if you will take a mill which is working with coal and a mill which is using electricity you will find that in the mill where they are using coal the cost is less than what it is for power, oil, fuel, crude oil and electricity.

Q. Can you give us the figures for the three?

A. I will send them, if you want them.

President.—Why have the mills gone over to electricity if it is dearer than coal?

A. They do not go now. They went for it before thinking that it would pay them.

Raja Harikishan Kaul.—In answer to Question 59, you say that 'In upcountry mills where it is hot, the humidifiers can maintain a low temperature at a very slight cost'. Can you give some idea of the cost?

A. I shall send it to you.

Mr. Majmudar.—When you say that those mills which are burning fuel are better than those using electricity, are you comparing a mill in Ahmedabad with a mill in Bombay.

A. A mill in Bombay and a mill in Bombay; two mills in Bombay.

Q. Are you making a comparison with the cost in a mill where a new engine is installed or where the old engine is running? Have you taken into account the interest and depreciation charges due to the cost of replacing the engine at present cost?

A. With an old engine and not a new engine.

Q. Have you got complete details of the costs?

A. Yes, I will give them you.

President.—Then in answer to Question 62 you say that 'the mills pay about Rs. 10 to Rs. 20 a bale more for cotton than the Japanese do.' The Millowners' Association said that they were unaware that they were paying more.

A. It is not a very common practice in Bombay. But it is common in up-country and in Ahmedabad.

Raja Harikishan Kaul.—I thought they were paying less being nearer the cotton market.

A. What I say is this. The cotton that is purchased in the mill is debited to the mill account. That is what is prevailing in the market in that country. Suppose I am speaking of Jubbulpore. They pay 10 to 12 rupees more and they debit this to the mill account, what they purchase in the market.

Q. At Jubbulpore, where there is an upcountry mill it purchases cotton in the local villages or in the local market and the cost of landing that cotton at the mill is greater than the cost of cotton purchased upcountry and railed down to Bombay ready for shipment to foreign countries? Do you mean to say that the price in the latter case is less? What is the margin?

A. The margin I am speaking of is between that at which you can get it ready on that date in the market and that at which it is booked to the firm.

Q. If a purchase is made and 10 to 20 rupees are added to the price, it may not be profitable at all. But the question is different?

President.—You say the continuity of work in Bombay is much more satisfactory. But we have been told that there is a much more permanent labour population in Ahmedabad than there is in Bombay. Is that not your experience?

A. No.

Q. You say that labour comes and goes more frequently in Ahmedabad than in Bombay.

A. Yes.

Q. If that is so how is it that the percentage of absenteeism is so much less? You do not agree with the Labour Office figures?

A. No, I do not agree with the labour figures supplied for Ahmedabad.

Q. You do not accept those for Bombay either?

A. No.

Q. Why do you disagree. What are your figures based on?

A. My figures are based on the number of workmen employed and the absentees daily.

Q. The absenteeism in your mill is only 5 to 10 per cent. That is very much lower than the average for Bombay generally?

A. Yes.

Q. This is based on the experience of your mill and the mills in which you worked?

A. Yes.

Q. The Labour Office figures are based on the detailed returns supplied by all the mills.

A. Perhaps those figures may give a better idea than what an individual mill can do.

Raja Harikishan Kaul.—Is that 35 per cent. also based on figures of one individual mill? Which mill is it? Is it in Burma or Jubbulpore?

A. It is in Kalol.

President.—You say you want to say something more about technical education. If you let us have your views very shortly as time is getting on, we shall be glad. What do you wish to say?

A. Technical education as it exists in India at present in the textile industry is not on a sound basis. I want to say two things. That is in regard to the system adopted in the textile institutes as well as the recruitment of officers. With regard to the recruitment of teachers in Technical Institute, I may say that all the teachers are men who have just come fresh from the Institute and not men who have worked in any mills for a long time or even in any decent capacity. Consequently we find that they cannot impart practical education so well as theoretical education and when these students go out of the Institute they find they cannot get any good employment in mills. So what I would advise is, to recruit teachers who have got long experience in the industries as well as those who have had technical education rather than taking teachers from their own staff. And I would also say that more Technical Institutes should be started than are available in India. And also the education itself that is imparted in the Institute is defective. In the Victoria Jubilee Institute which is one of the best Technical Institutes, they give only 6 months' training at the end of 3½ years. Instead of that if in each year they devoted a portion or at least three months to the practical side of it and made their students work in the mills, then they would get better education. What happens in this case is in the first year they have got a certain course, in the second year a certain course, in the third year a certain course. It is taken as if it is University education. They study according to the syllabus in the first year and in the next year generally they forget what they

have studied in the first year and in the third year it is the same thing. Consequently when the students come out, even if they get employment, it takes them a very long time to pick up all these things.

Raja Harikishan Kaul.—Did you introduce the bonus system in your mills? It is an improvement.

A. Yes.
Q. Can you give us some idea of the improvement? Some figures?
A. Yes, you can compare it. As the President has said, the general absenteeism in Bombay is greater than what I have in my mill.

Q. We cannot base our conclusions on the figures of one mill.

A. That is what I say. I have made this improvement.

Q. What was the absenteeism before the introduction of the improvement and what is the figure after introduction?

A. I will send you the figure.

Q. Can you give the figures of wages of other industries in Bombay?

A. I cannot give them.

Q. With regard to Question 77, you say you "accept this opinion as far as upcountry and Ahmedabad mills are concerned but not Bombay."

A. No.

Q. Why?

A. Because in Bombay other industries pay as much as the textile industry.

Q. How much do they pay? How did you arrive at that conclusion?

A. Generally speaking the pay of a mill hand is Rs. 27. I am speaking of the spinning department. In Bombay even domestic servants get their food and Rs. 15.

Q. It does not come to Rs. 27.

A. What about food?

Q. Food does not come to Rs. 12.

A. It comes to Rs. 12. A man cannot get his food for less than Rs. 10.

Q. Still it is less than Rs. 27.

A. It may be a rupee or two less.

Q. What about the weavers?

A. Of course the weavers get a better wage. They get about Rs. 40 to 45.

Q. Can you give any definite figures?

A. No.

Q. As for household servants, that is not a regular industry.

A. You can gauge from what even municipal coolies are paid.

Q. What are they paid?

A. I do not think they are paid less than Rs. 23. Even the scavengers get Rs. 18 plus Rs. 5.

Q. It is less than Rs. 27.

A. What work do they do and what work do the mill people do?

Q. We pay chaprasis Rs. 20.

A. What is the kind of work they do?

Mr. Subba Rao.—You say in Madras the bonus system has been found successful. You say again in Madras the daily absenteeism comes to 10 to 15 per cent. That is more than Bombay. It does not look as though the bonus system has been helpful.

A. The bonus system has helped much. In Bombay there is a more permanent population of labour than there is in Madras. So if we had no bonus system in Madras then it would have been worse than 15 per cent.

Q. In answer to Question 73, I suspect you have not quite understood the question. You say the turnover is 75 to 85 per cent. What do you mean thereby? You mean the number of people to turn out a certain amount of work?

A. Yes.

Q. The question is how many people remain in the factory and how many leave and so on.

A. Yes I have misunderstood the question.

Mr. Majmudar.—Are there many mills round about your mill?

A. Yes.

Q. How many?

A. About six.

Q. Is it not due to location that the attendance is good in your factory?

A. No.

Q. Since when did you introduce the bonus system in your mill?

A. For over eight months.

Q. Before that the attendance was poor.

A. Yes, poor.

Q. To what extent did the improvement take place? Can you send the figures afterwards?

A. Yes.

President.—You say that labour in Ahmedabad is much cheaper than in Bombay. Can you give us some figures in regard to that? According to the Labour Office there is very little difference between them.

A. I will give you figures—the wages we pay here and the wages we pay there for a mill of 30,000 spindles. I will give figures showing our wages amount to and what their wages amount to.

Q. And also wages per head so that we can see what difference there is.

A. The cost of production for 100 lbs. in my mill comes to Rs. 10-8-0 whereas in Ahmedabad it comes to Rs. 7-8-0. Where they have the same counts in the same mill the difference is about Rs. 2 to 3 per 100 lbs. But of course in Ahmedabad they may engage a few more men. They engage generally more men than what we do here. Of course they may pay a little more wages there. But generally speaking the cost of production there is much less than what it is in Bombay.

Mr. Majmudar.—Do they engage more men?

A. Not to such an extent. If one workman in Bombay is paid Rs. 30, in Ahmedabad they pay Rs. 20. There is a saving.

President.—The only question I want to ask you about remedial measures is in regard to Question 115. You say that you are in favour of an import duty of 25 per cent.?

A. Any amount up to 25 per cent.

Q. "Provided the millowners promise to utilise the benefit thus arising to the benefit of the industry"? In what way?

A. That is, they must have depreciation funds enough and also they must not declare big dividends.

Q. How is that to be stopped? You want to have an Act?

A. Yes, have an Act.

Q. I do not know whether the millowners would relish more legislation from what they told us yesterday.

Raja Hari Kishan Kaul.—In answer to Question 103 you say "as I think that India can very well consume its mill produce one need not care so much for overseas." Is this not why you have not the foreign market, trying to be self-sufficient and not looking after foreign markets?

A. Why should we care for foreign markets when our markets themselves can consume the yarn?

Q. You want to confine your attention to this country and not pay attention to foreign markets?

A.—When we can supply our own markets better why should we care for other markets?

Q. That is the policy which you advocate?

A. Yes, Sir.

Q. In regard to Question 106 you say "certainly prices will rise on the goods on which duty is imposed to such an extent that foreign goods will be able to sell in the market. You mean to say that the prices will rise to the level at which the foreign importers will be able to sell cloth?"

A. No, if the import duty goes up the foreign cloth will have to be sold at a certain price. It will be higher.

Q. Up to the limit of 13 per cent.?

A. Yes. The consumer does not like to pay that price and then he will buy the Indian cloth.

Q. The price of Indian cloth may rise?

A. It may not rise. It may remain what it is. Yes, it will rise to a certain extent and we shall be benefited.

Q. Up to the limit at which would become profitable for the foreign importers to sell cloth in spite of the duty. That is what you mean?

A. Yes.

President.—In your reply to Question 116 you say "the income of the cotton growers will not be affected but on the other hand an export duty will make them grow better cotton." Would an export duty force them to grow better cotton?

A. It is just like this. By growing a certain kind of cotton he can get only so many candies of cotton. If he can improve the cotton he can get a better amount. That will benefit him.

Q. If you put tax on the cotton he is growing, do you consider it is likely to make him grow better cotton when he is not doing it now?

A. As the price of cotton goes up the English people will not purchase it, whereas if he can grow a better cotton, a long staple cotton they will purchase it.

Q. But the export duty has nothing to do with it.

A. Why not?

Q. He can always grow better cotton if he wants it.

A. Now, this Tariff Board would not have been appointed unless the industry was in depression. Because the industry was in depression the Bombay Millowners fought for it and the committee was appointed.

Raja Hari Kishan Kaul.—You say he will realise less prices. That is, the duty will have to be paid by him?

A. No, by the foreigner who is going to purchase the cotton.

Q. Unless he grows better cotton the foreign purchaser will not purchase at the same price?

A. Yes.

Q. Then, the price of the cotton he now grows will come down?

A. Yes, in foreign markets.

Mr. Majmudar.—Have you any idea of the cost of production of different kinds of cotton to the agriculturist?

A. Yes.

Q. Does it pay the cultivator to grow short staple cotton or long staple cotton?

A. It will pay the cultivator to grow longer staple cotton.

Q. That is not the experience of the cultivators.

A. Because the cultivators are keeping whatever market they have got. The case with the longer staple cotton is this. It does not produce as much as the short staple cotton produces.

Q. And therefore he does not realise the same amount?

A. The ratio you must remember.

Q. The total amount realised from short staple cotton is more than in the case of the longer staple cotton. That is said to be the general experience. Is your experience different?

A. It is different from that.

Q. What is the authority for that statement?

A. No authority. It is my experience.

Raja Hari Kishan Kaul.—Do you know that long staple cotton is more delicate? On account of bad weather conditions it may yield less.

A. It yields less in India simply because the climate is not suitable for it and the cultivators do not take the interest that they should take.

Q. What I mean is the climate is less reliable, and in some years it may fail altogether.

A. It may fail, but it fetches a better price, and if the mill gets it we can utilise it better.

Witness No. 72

Mr. C. I. PAREKH, BOMBAY*Written Statement dated 1st September 1926*

I am neither at present interested as a mill agent nor am I an owner of mills but being in touch with the mill business I wish to express my views on the management of the mill industry. Honest, economical and efficient management is required.

The word "Mill Owners' Association" is a very misleading word as hardly two per cent. "millowners" will be found representing the Association. Therefore it ought to be called "Mill Agents' Association". The mill agents are the trustees of the concerns they manage and, therefore they ought to manage them as trustees; but they are lacking in their duties, considering that no one can raise any question against their actions.

Depression

At present there is a world-wide depression due to the after-effects of the last war. The depression is great in the cotton textile industry. Bombay is largely interested in the industry. There was never any better prosperity in the trade than in war time. The ordinary profits in the industry were about a quarter anna per lb. in cotton twist, and about half to one anna in cloth, in past years before the war time and in those times those who managed the mills recklessly had to shut up the concerns. The mill agents and other public having taken advantage of the war designed to loot the Government by supplying war materials, at higher prices, and made enormous profits, whereby the mill agents along with the investing public entered into speculation of different kinds including the extension of mills, declaring high dividends enhancing prices in shares artificially and spending extravagantly all their profits.

Under the aforesaid circumstances they themselves brought about chaos and found it difficult to manage their affairs economically in normal times. Those who have managed the concerns efficiently have not felt it even now when we talk about depression. Depression will continue until all over-capitalised mills arrive at a normal stage.

Under wide speculative fluctuations in cotton rates there will never be a corresponding rise in cloth and therefore those mills which have a capital debt will be always suffering. In the past there was not much fluctuation in cotton prices as speculation in cotton was very limited then. There should now be a legislation for stopping any forward transactions in cotton which will save speculative fluctuations and will be a help to adjust the price of cotton with cloth prices and thus it will improve the Indian textile industry to a certain extent.

Japanese competition

Japan has been competing since 1895 when the Bombay plague commenced in India. They found their purchases of cotton cheap as Bombay mills could not work. They were cheated at many places in purchasing the proper quality of cotton and they had to suffer in the shape of "baksheeah" paid by the vendor of cotton to the muddadam of the purchasing firms. The Japanese were ignorant that they had paid Broach prices for machine ginned fine Etawa cotton. In spite of this, they stood first in China, in competition with the Indian yarn in China, and since then Indian yarn has lost its position. Indian yarn of coarser counts also lost its position in Germany, as the quality of yarn shipped was heavier than the yarn sample of the quality sold. The same thing happened in cloth in India. At the time of the Bengal partition everyone used to buy Indian made cloth.

Our wise mill agents supplied the cloth from England and Japan without the stamp and marked in Bombay as made in India. The secret was known to the public and they thus lost the confidence of the public and the mills had to suffer. It shows the lack of integrity of the mill agents. This is the reason why the Japanese are enjoying advantages in selling their cloth, though the price depends always upon the supply and demand.

Cotton purchases

In Bombay very few agents know the quality of cotton, and they have to rely upon the cotton selector and muddadam. If there is proper supervision of the purchase of cotton and the sale of cloth, mills, without entering into any speculative transactions are bound to earn sufficient to declare a dividend but they can't earn extravagant agency commission.

Coal

Hardly any mill gets the pure quality of coal purchased. Coal mucedadums can never deliver the quantity of 100 tons coal taken from the steamer or wagon at the mill's premises without loss in transit. But the mill clerk will always give a 100 tons receipt even though less may have been delivered. There is a great mystery about this. Now several mills are equipped with electric power but the cost will be much more than the coal price calculated on the present basis.

Stores

This is a third item in which mischief is being done. The relatives of the mill agents supply stores; some mills clerks have passed empty oil cases and payments were made. The less said the better.

Cotton, Coal, Stores and Waste

These are the four items where strict supervision is required and as long as there is no proper control no bounty nor subsidy nor duty nor exchange will help them.

Banking facilities

The method in England is quite different and if the same be adopted in Bombay the result will still be bad owing to low business morality in India. I presume that the Imperial Bank which used to advance on the cash credit system on the security of stock and stocks in process of lien to the bank has lost a large sum in such advances. This is one of the reasons why banks ask guarantees of managing agents of the mills. Mill agents have also gone in for speculation in mill shares and the public (who used to deposit in the mills even at a lesser rate of interest than the local banks can offer) lost confidence in them and started investing in Government securities. It is due to the fault of managing agents.

Those mills which have gone into liquidation have done so because of mismanagement and not because of trade depression. All over capitalised mills even now are bound to go into liquidation sooner or later.

Wages

No doubt there has been a good rise in wages but it can't be helped unless the cost of living is reduced and this can only be done by stopping entirely the export of cotton and wheat. I am of opinion that thereby all food prices will go down and then normal conditions will be established in the whole of India. Exchange will also be adjusted automatically owing to suppression of export.

Directors

Sir N. N. Wadia says that the directors are not black sheep and dummies. I would, agree not to say black sheep. They are really "black sheep" without any black spots.

To my knowledge they are mere puppets in the hands of agents and only care for fees; some directors may not have any knowledge of the mills; most of the directors on the board are partners in the firm of the managing agency with one or two extra titled persons. I would say further that some directors attend meetings to take their fee and go away to attend other meetings. How can we expect any independent management in such a board of directors?

Balance Sheets

There is always "gotals" in showing the price of stock in mills and profit or loss are shown as the managing agents choose.

Audit

The present audit is a humbug so far as the system is concerned. If there was any proper and careful audit, mills would not have gone into liquidation. The Tata Banks would not have been absorbed in another bank; no "gotals" would have been found in the Imperial Bank.

Shareholders

The poor shareholders do not know law; and having no voice in the supervision of accounts suffer much.

Meeting of shareholders

Any individual shareholder can do nothing except express his views at the meeting as the managing agents, having a majority of votes consisting of office clerks, muccadums, brokers and store dealers and coal brokers, who attend meetings, vote for the agents, and thus even incorrect balance sheets are sometimes allowed to pass.

A change in the Indian Companies Act is suggested as follows :—

1. The words ' wilful negligence ' should be deleted from the act.
2. Voters in the ordinary and extraordinary general meetings should be held responsible if they voted on the side which may have been proved wrong and fraudulent in the common interest.
3. A committee of shareholders should be empowered to inspect every paper of the company.
4. Only one director from the members of the agency firm should be allowed to be a director.
5. Practical persons who worked as accountants and managers or with a general knowledges of accounts should also be allowed to be auditors and more responsibility is to be thrust on auditors.

I believe if the suggestion made above are put into practice no mill agents nor agents of joint stock companies will ask for any legislation nor bounty nor subsidy and depression will cease automatically.

Witness No. 72

Mr. C. I. PAREKH, BOMBAY

Oral Evidence recorded at Bombay on the 10th September 1926

President.—You say “I am neither at present interested as a mill agent nor am I an owner of mills.” Can you tell us in what capacity you are giving evidence?

A. I am holding shares in several companies.

Q. Have you any other connection with the mill industry? Have you any practical experience of the internal working of a mill?

A. Yes. I was the partial managing agent of a spinning mill several years before.

Q. Which mill was it?

A. Sun Mill.

Q. Is that still in existence?

A. Its name is changed. It is now the Madhao Rao Scindia Mill.

Q. And you were formerly a partner in the firm of the managing agents?

A. Yes, from 1894 to 1900.

Q. Do you consider that the managing agency which you criticise here so strongly was more efficient in those days than it is now?

A. I think it was more honest at that time.

Q. You say that the mill agents took advantage of the war to loot the Government by supplying war materials at higher prices. How much war material did the Bombay mills supply?

A. Almost all the mills supplied the Government directly or indirectly. The middlemen also supplied the Government.

Q. I do not think that the Bombay mills had very large contracts?

A. Some of the mills may have had large contracts. They supplied khaki drill. Others supplied tent cloth and all other cloth which was supplied to the Government was at very high prices. If the Government would not have bought there would have been no inflated prices.

Q. You say that the mill agents supplied cloth from England and Japan at the time of the Swadeshi movement. Was that common?

A. It was supplied at the time, in 1906-07 when the Swadeshi movement was in full swing. Practically several mills imported cloth from Japan. They got it bleached here and sold it in the market as the Bombay make.

Mr. Majmudar.—Which mills did that? Was it one mill?

A. It may have been one, two or more.

President.—There is a great deal of difference whether it is one or two mills or 82 mills. The trouble ever since we have started taking evidence in Bombay is that anybody who knows anything to the disfavour of one mill seems to consider from that fact that every mill adopts the same practice.

A. The question is, one mill's name is out. Other mills' names are not out. So nobody can find out what others have done.

Q. You say that shows a lack of integrity on the part of the mill agent. A few years ago, when I was Controller of Cotton Cloth, complaints were made very frequently in Bombay that Japanese goods were not up to sample. Do you consider that the Bombay mill agents are the only people who are “up to the tricks of the trade”?

A. No; the Japanese also. They have also supplied inferior stuff.

Q. I see your cure for all the present evils of the mill industry is to stop export of cotton and wheat.

A. Yes.

Q. What about all the millions of cultivators up-country who live by exporting their cotton and wheat?

A. By stopping export of cotton, the cost of living will be greatly reduced.

Q. And so will the income of many cultivators be?

A. It does not make any difference to the income of the cultivators. We do not require more cotton than a certain quantity. Whatever surplus there is can be curtailed. I have suggested this alternative that if the Government, under the Convention, cannot levy any export duty then this is the best remedy to stop export of cotton and wheat. Thereby our export which is always more than the import will be curtailed and the exchange also will be automatically adjusted then.

Q. But why should you expect the cultivators who make profits out of growing cotton and wheat to have their income reduced for the benefit of the rest of the people who do not grow cotton and wheat ?

A. Thereby the cultivator is not getting any less income.

Q. The cultivator who grows cotton and wheat must be getting a less amount. You are making him pay for the benefit of the cultivator who grows rice, sugar-cane or jute. Why should he ?

A. They will get equal money in either sugar-cane or jowari or other crops. Another disadvantage is that by growing cotton the land becomes unfertile. The other day we heard in the Punjab also that they have reduced the cotton crop.

Q. Would it not be a better plan, Mr. Parekh, to stop all exports ? Would not that have the same effect ?

A. No. Oil-seeds we do not require in our mills.

Q. You do not require all the cotton that is grown.

A. Therefore if we stop the cotton export, the cotton cultivation will be reduced and then the cultivation will go to jowari and other commodities, whereby the jowari and other commodities will be cheaper in the markets and then the labourers' living will be cheaper. That is my argument.

Q. Why should you not stop the export of jute ?

A. I am not concerned with it.

Q. Are you concerned with the export of wheat ?

A. Because it is our staple food. If the price of wheat is reduced, then the price of jowari and millet will be reduced, automatically.

Raja Hari Kishan Kaul.—You say that the cultivation of cotton is reduced in the Punjab.

A. I read it from the weather report.

Q. Compared with the last year it may be short but it does not mean that they have reduced the cultivation.

A. That is what I read in the weather report.

Q. Irrigated cotton is not reduced. Unirrigated cotton depends upon rainfall.

A. It may be anything.

Q. I do not quite follow how you mean to make up the cultivator's income ? You stop the cotton export ; the price of cotton falls.

A. The price will not fall. Now, to-day suppose the cotton crop is 4 million bales ; when the export is stopped the farmers will turn their minds to other commodities.

Q. It will take several years. Till then ?

A. It may take one year.

Q. What will happen to the crop of the current year which will remain on hand ?

A. In the current year the crop will suffer. It will bring down the prices temporarily. If the price of cotton comes down, then the price of cloth will also go down side by side. That is what India wants now.

Q. That is a separate question. But if the export is stopped the prices of wheat and cotton will both fall and the income of the cultivator will be materially reduced.

A. Temporarily. Again everything goes with the supply and demand.

Mr. Subba Rao.—In talking of the balance sheets you use a word which I have not seen before, "gotala." What is it ?

A. That is window dressing or manipulation.

President.—What do you mean when you say that the present audit is a humbug ? Do you refer to audit in general or in particular ?

A. Audits generally.

Q. There are some very big firms of auditors in Bombay. Would you call their audit humbug and if so, why ?

A. Yes, because it is not the proper way in which the present method of audit is adopted. It is most defective.

Q. In what way ?

A. The auditor is checking what is written in the book under the stamped signature—that the payment is made to X or Y or Z or whoever he may be. Why the payment is made, what he has supplied to the company or to whatever concern it is, it is not mentioned there. It is not his duty to find it out under the present method of audit.

Q. What is your system under which it would be his duty to find it out ?

A. There must be a strong audit. He must go into details. They must be paid more than what they are being paid now and there must be regular audit.

Q. Under your system it will be necessary for the auditor to go into the *bona fides* of every entry. There may be thousands of entries; and he will have to examine the position from a technical point of view. What capacity has he for doing it?

A. Then what is the meaning of audit? Is it only a signature to be made on the paper.

Q. It is to see that the accounts represent the true state of affairs.

A. If you take particular cases, they do not take the stock which is the main thing, where the window dressing or the manipulation is made. They simply say on the agents' certifying the stock they sign it. How can you rely on that audit?

Mr. Majmudar.—Were you connected with a Banking Corporation?

A. Yes.

Q. Did the auditors enter into the investigation of each item?

A. Yes.

President.—Do you mean to say you gave your auditor greater power than is usual to give or that you asked him to conduct a special audit?

A. It is ordinary audit according to the law.

Mr. Majmudar.—You suggest curtailment of area under cotton and wheat. What about oil seeds? Are all the oil seeds required in India?

A. We do not require so much. It is required in India but not to such an extent as wheat and other commodities.

Q. The same argument will hold good as regards oil seed cultivation. If you stop the oil seeds the same land will be utilised for growing jowari and barley.

A. Whatever land we can save by the curtailment of cotton and wheat is quite sufficient for our requirements.

Q. Then in that case the best way would be to reduce a percentage of all rather than penalise the wheat growers and cotton growers.

A. That depends upon the Government.

Q. Are you looking at it from the point of view of cheapening the cost of living?

A. Exactly so. I should like to make one suggestion. I am sorry that some of the questions with regard to stores, waste and cotton are not put to meat all.

President.—We can only examine you on the basis of what you sent us.

A. I have said about cotton, I have said about coal, I have said about stores and I am sorry that no question is put to me about those points. However, I should like to explain.

Q. If you have anything further to say, do so by all means.

A. Of course there is a complaint about the wages and the depression. Now depression is generally due to so many things. Then what remedy can be adopted to get rid of the depression in mills. It is natural that after the good activity, depression must follow and it has followed like that. And as long as people are not upright people, the depression will continue. Now what can be done for that depression? I would suggest that cotton, coal, stores, waste, and to a certain percentage wages—in all these we can make reduction without disturbing the workmen.

Q. How can you make reduction of wages without disturbing the workmen?

A. I am coming to the point. Now I am taking first the item of cotton. Cotton is generally purchased by the cotton selector or cotton mukkadam and it is shown then to the managing agents, whoever they may be. According to my knowledge and my experience, the cotton broker is not required to buy the cotton when the mukkadam is there and the cotton selector is there. There is no necessity to pay brokerage to the cotton broker. The mill can get the advantage of that cotton brokerage. That means they can save that amount out of the 77 mills in Bombay. If you take it on the average Rs. 15,000 or 20,000 a year, the total will be the saving.

Q. How much can they save?

A. Taking the average of about 50 bales for brokerage, say yearly Rs. 15,000 or Rs. 20,000, multiply 77 mills by this amount and that is the minimum figure that will be saved to the mills. I am talking of all these mills. Now take the stores. At least there will be a saving of 30 per cent. if the system I suggest is adopted. On the co-operative system each mill should go in for a share of Rs. 10,000 or Rs. 15,000. First to take the example of Bombay, all the 77 mills should join. The advantage under the co-operative system of stores is, that store has personally no benefits or anything and there will be no dishonesty practised. The real genuine quality will be supplied and the stock will be purchased in a large quantity from England or America or any other place and they will get it at the cheapest rate. If there is any saving or surplus under that co-operative system, the benefit will be taken by the mills, which benefit under the present system of buying

goes to the different relatives of the managing agents or to the different store-dealers and suppliers. So there will be very good saving of more than 30 per cent. Similarly coal.

Q. There is not much use of coal now.

A. Whoever are not using coal, sooner or later they must use coal if the rates go down. Under the agreement for electricity, there is no chance of getting a reduction and most of the mills will regret it later on because the coal prices are going down, while the power is calculated at the price when coal was at Rs. 30. Then the item of insurance comes which I forgot to say. Each and every mill has to insure and they are now paying about Rs. 20,000 to Rs. 30,000 as premium on an average. Now in insurance whether they allow privately or publicly, some rebate and that rebate goes either to the relatives of the managing agents or the sons of the managing agents or whoever it may be who is acting as an insurance agent. Thus at least 30 per cent. can be saved from the insurance income. Now there is a scheme which I want to suggest. Under that scheme the insurance can be saved in a large amount within five years. I will supply the details of it later on. Then waste. Of course there is a system in the mills to ask for the tenders. Then people give the tenders and the highest man possibly gets the tender for the cotton. The result is that the *bona fide* man who is acting *bona fide* and who sends the tender according to the market rate does not get that tender passed because his rate is less than another tender.

Q. Rate for what ?

A. Rate for cotton waste ; all kinds of waste cotton twist and other waste. The practice is that in oily cotton which is sold at Rs. 3 a cwt. in the oily waste regularly good cotton is passed from the mills. That means the mill is suffering at least 15 to 20 per cent. loss. Now if proper supervision is kept over those departments then there will be no complaint that the mills are making losses.

Q. The waste does not amount to very much.

A. To a decent amount because in the waste good cotton is taken away and from the gate-keeper to the manager, some dishonesty is going on.

Mr. Subba Rao.—Is it not a very sweeping condemnation that you are making ?

A. This is the way it is practised.

Q. Is it practised on a large scale ?

A. Yes.

President.—Do you maintain that this goes on in every mill in Bombay ?

A. I cannot say that. Of course if you had got evidence from a cotton waste merchant, he would have been able to tell you confidentially.

Q. But do you maintain that this practice is common in the majority of mills ?

A. It may be in a majority.

Q. How many have you experience of yourself ? Only the Sun ?

A. That is old.

Q. This is merely what has been told you ?

A. Not at all. Recently a relative of mine was dealing in that trade and I had to stop that trade because I saw that there was a practice of the system mentioned above.

Mr. Subba Rao.—Did he get the waste contract or was he himself doing it ?

A. Another man was getting the contract. And he saw good cotton in bad cotton against the contract of bad cotton.

President.—Then about wages ?

A. Now wages. Of course in wages we have to pay more and more. That is what people believe—that the more the food and the better the housing system, the more efficient work is got from the workmen. That is my view. Now in the mill if proper management be kept on the workmen, the wasting of time by the workman when he goes to drink water or to smoke—when he wastes at least about half an hour or three-fourths of an hour—may be saved. Practically if you calculate this sitting in the mill compound, you will find that in the majority we lose fully more than one hour for each and every workman. So if we have proper supervision we will get at least over one hour's production more. That means we have not to pay more in wages. The budli system should be stopped. They should not admit any workman from outside unless he produces a certificate from another mill, whether there is shortage of workmen or not. He should not be allowed without a certificate. Thus these untrained people will learn and they will not leave one place and go to another place. Budli means another loss to the mill, because the budli man will not give the same amount of work as the old man will give.

Q. Where do they get men from unless they take them ?

A. The jobber brings them and puts them in.

Q. Where are the mills to get the men from ?

A. They cannot get them.

Q. How are they to get on without them ?

A. They must stop budli working for certain days and if they stop this budli system, The work will be more efficient and the mal-practice of extra payments will be put an end to. Budli means workman of one mill going to another mill, Then there will be no spare man as far as I understand.

Mr. Subba Rao.—We have been told that a number of people are not finding work and are unemployed and these men are taking the budli work. You suggest that people actually working are taken from one mill to another.

A. Yes. My view is this, that if they complain there is not sufficient work I do not admit that. If there is no work in one mill there is work in another mill. There are not workmen lying idle because there is no work. Men are lying idle because they do not like to work.

Mr. Majmudar.—What data have you to make this statement ?

A. Personal experience. The experience that I had when I was looking after the mills.

Q. That was 20 years ago !

A. That is what I am telling you. If we stop that system of budli, then there will be regular even work. The quality also will be improved. There will be no disturbance and therefore without disturbing the wages we can extract more work from the workmen. If these suggestions are carried out by the mills I am sure that there will be less complaint. They are now complaining that they must have some protective duty or they must have some bounty. I do not see any necessity why the consumer should suffer for the mismanagement of the mills. As to directors, if you will refer to several balance sheets you will find father and sons and their relatives are directors and partners of the managing agency firm. How can you then expect any independent balance sheet ? Therefore there must be a change in the Indian Companies Act by which these limited concerns are governed. In the Act where it is mentioned 'the wilful negligence . . . ' the word 'wilful' should be removed and 'negligence' should be kept. Then there should be a committee of the shareholders who must have access to check the accounts and inspect every paper of the company.

President.—Are not the directors a committee of the shareholders ?

A. So far of course they are committees of shareholders, but they are the people of the managing agents.

Q. That may be so, but if the shareholders have a voice to change a committee they will vote exactly in the same manner ?

A. That is only theory. Practically of course shareholders have no voice at all.

Q. My point is that the shareholders would have just as much voice in the election of the committee of shareholders which you advocate as they have at present to elect the directors, and therefore the committee of shareholders would be to all intents and purposes the present boards of directors, and therefore they will be of no more use than the board of directors.

A. Of course on paper it looks that the appointment is by the shareholders, but practically speaking the appointment is only from the side of the managing agents.

Q. Who is going to elect the committee of shareholders ?

A. The shareholders.

Q. Then, why should they elect a different committee ?

A. Because there are two separate interests—the interests of the directors and the interests of the shareholders.

Mr. Subba Rao.—If shareholders have any power at all why can't they now elect the directors they want ? Why should they have a new committee ?

A. The difficulty is that these directors do not give any convenience to inspect accounts. The shareholders have got no power, no voice, no majority when the directors and the managing agents are in full power. I have got personal experience that whenever anything is asked of the directors or chairman in the general meetings they do not reply properly. The Bombay Steam Navigation Company appointed a committee when the shareholders demanded it and the committee inspected the accounts. Practically no independent shareholders will appoint a father and two sons and the same are partners in the agency, as directors in the same company. Now I will show you one balance sheet,

Here is the one for the Kilachand mill. Kilachand Devchand is *ex-officio* Director. Nandalal, his son, is a Director. Then Chotalal Kilachand, his son, is a Director; and Lallubhai Samaldas, a Director, is a partner in another business with Kilachand. Kikabhai Premchand, a Director, is a partner of the firm of Kilachand. Chandulal V. Diwan, the Solicitor, is an independent man. Sir Purushotamdas Thakurdas is the Chairman of the company, but he is a flying bird. I do not think he can attend all meetings punctually. Now, under this management how can we expect any good result, and how can shareholders get any voice in the management? Then at a meeting the shareholders consist practically of office clerks, Directors, coal brokers, stock brokers and store dealers. So, practically it is all nothing but a show of meeting and therefore if my suggestions are carried out I think there will be no complaints at all from the mills.

Witness No. 73

Mr. J. ADDYMAN, BOMBAY

Written Statement dated the 29th November 1926

In connection with the Cotton Textile Industry Enquiry, there does not appear to have been any serious attempt on the part of those examined to throw any light on the subject of discipline and efficiency, or rather the very serious lack of these obtaining in most Bombay mills, nor does there appear to have been any serious attempt on the part of witnesses examined to suggest ways and means by which discipline could be improved and efficiency increased.

All who possess a practical knowledge of mill management no doubt fully realise that these factors have a direct and very important bearing on costs of production and the standard of material produced; factors which enter largely into the whole question of foreign competition from which the Bombay mills are suffering to a very serious extent.

I am prompted, as a result of press reports of evidence given, to make a few practical suggestions which, if adopted by the Bombay millowners would certainly result in reducing costs of production and in improvement in the standard of goods manufactured.

(1) It is a common practice in the Bombay mills for operatives to take a morning meal during working hours and at any time they like, and the time taken in this connection appears to rest with the operatives themselves. This system incurs a very considerable amount of loitering about the mill compounds and it is no uncommon sight to see a large percentage of operatives 'killing time' in this manner between 7 a.m. and 12 noon.

In no foreign textile centre are these conditions permitted, but on the other hand operatives have fixed hours for meals, etc., and under no circumstances are they permitted to trespass on their employers' time.

There is one mill in Bombay which introduced the system of a fixed time for the morning meal a good many years ago, and neither the management nor the operatives would care to go back to the undisciplined system which previously obtained there and still obtains, I believe, in every other Bombay mill.

The mill referred to commences work at 6-30 a.m. five minutes being allowed to late arrivals. At 6-35 the gates are closed and no male operative can enter after that time until 10 a.m. From 9-30 a.m. to 10 a.m. is the recess half hour and all who take a morning meal must do so during this period, no operative being permitted to take his meal or loiter about the compound between 6-30 and 9-30 a.m. or between 10 a.m. and 1 p.m.

From 2 p.m. to 6 p.m. the same conditions are adhered to with the result that the wastage of power is reduced to a minimum; cost of production is also reduced; a better standard of workmanship is maintained; and last but not least, there are increased earnings to the operatives.

(2) *Absenteeism.*—It is characteristic of the Indian mill operative not to work a day longer in any given month than is necessary to meet his monthly obligations if the matter is left in his hands and, unfortunately, in most mills it is left entirely to the operative to decide how many days he shall work.

I believe the average of daily absentees in most mills is not less than 15 per cent. From the standpoint of spinning, and especially from the standpoint of weaving, also economical running, this is a serious state of affairs which should not be permitted to continue if the Bombay mills are to recover the markets they have lost, partly due to the production of goods inferior in workmanship and faulty in construction when compared with goods of foreign manufacture, including those of Japanese manufacture.

In my opinion there is nothing which retards the progress of the Bombay textile industry more than the constant and daily changing of labour.

The management of the mill to which I have referred in connection with meal hours also decided to reduce the percentage of absentees and break the "budli" system.

This object was obtained in a very short space of time by the following method:—

An operative absenting himself from work for one or more days, unless he can satisfy the management that his absence is due to sickness or for domestic reasons which justify his absence, is usually asked to take a further leave for a number of days, which

brings his earnings down to a figure below what he considers to be necessary for his monthly maintenance. When the operative realises that a few days' absence per month will cost him considerably more it is surprising how his attendance improves.

By this method the mill referred to brought down the percentage of absentees from approximately 15 per cent. to 1 per cent., thereby disposing almost entirely of the "budli" system. The remedy, I submit, for the unfortunately heavy daily absence list obtaining in the Bombay mills, lies not in the hands of the operatives but with the employers.

I suggest the Bombay millowners tackle this problem, which is not by far so difficult as they appear to think. A little more authority and power placed in the hands of the mill manager by the mill agents would certainly considerably assist in bringing about the much needed improvement in discipline and efficiency.

If the Bombay millowners would adopt these suggestions a great step forward will have been taken to put their own house in order.

Within six months' time, I venture to predict, mills would find a reduced wage item due to the decreased number of operatives against the number at present on the muster roll and increased production resulting in higher earnings to the operatives; and with constant and regular labour a higher standard of workmanship would be attained.

Witness No. 74

Mr. Y. S. THACKERAY, DADAR, BOMBAY

Written Statement, dated Bombay, the 19th August, 1926

SECTION I

General

1. The present depression in the cotton textile industry is not confined to Bombay alone but extends all over India. However, the severity of it is felt more in Bombay than in Ahmedabad and upcountry centres. All mills in the same centre are not affected to the same extent. The balance sheets of some 65 leading mills in Bombay prove that nearly 50 per cent. are showing debit balances and the rest are just making both ends meet. This was the condition in the year 1924-25 but the situation has become still worse in the year 1925-26.

2. It is not possible to state in exact manner and proportion the causes leading to the present depression; they can very well be imagined by a general survey of the world factors. The fall in the general price level after the boom period, economic improvements of Continental customers of India, political unrest combined with the growth of the local industry in China and such other world factors have a combined effect on the present depression. Besides these, some factors operating in India itself such as Government's exchange policy since the year 1893, and the artificial raising of the rupee value has much to do with the loss of the export trade with China in the first decade of the present century as well as to the encouragement of imports from the United Kingdom specially by raising the sterling exchange to 2 shillings and at present to 1s. 6d. Further, there are factors specially operating in Bombay, viz., increase of municipal taxation, labour disputes and strikes combined with overcapitalization of some of the mills, and speculation mania which encouraged paying of proportionately high dividends. These and other causes have aggravated the situation in Bombay.

3. (i) Some are temporary and some are of a permanent character.

Temporary causes.—So far as the competition from Japan and Italy due to depreciated currencies is taken into consideration it is bound to disappear in due course as it is an economical axiom that no country can resort to artificial depreciation without its concomitant harmful effects. Germany and France did try it but now Germany has put a stop to it.

Political Unrest.—Economic interests of nations are so closely dependent on each other that each one would be compelled in its own interest to make peace with others. Professor Keynes has dealt with this economical aspect in an elaborate way and proves this fact. France has been obliged to enter into commercial treaties with her enemy, Germany, only on this economic principle.

Permanent causes.—The Indian cotton industry is hopelessly organised for economical production for marketing of its own product when compared with her competitors—Japan and the United Kingdom.

(ii) The exchange policy of the Government of India directed as it is towards encouraging imports into India is one of the main cause of depression.

(iii) The Indian grower is deprived of getting the full return of his produce by the raising of the value of the rupee thus restricting his purchasing power.

4. Yes.

5. Yes. Mills generally in Bombay are at present realising no profits and many of them are working at a loss even without taking depreciation into consideration.

6. A further gradual fall in the price of raw cotton might have a stimulating effect on consumption, but a continually falling market will have a very detrimental effect on the extent of purchases made by dealers in the various consuming centres. A further fall below the present prices of raw cotton would unfavourably affect mills which possess unsold stocks of cloth owing to the lower prices which would be realised for future contracts. A further fall in prices of raw cotton would also cause the lowering of the ratio of cotton to total cost of production and would encourage competitors from nations with depreciated exchanges.

7. To some extent the present depression in the industry may be attributed to the lack of confidence in the stability of the present level of prices of raw cotton, yarn and piece-goods. For the last three years cotton has been constantly dropping and with it the prices of yarn and cloth which has as a consequence made piece-goods merchants sustain losses. The merchants not being financially strong have adopted a "hand to mouth" policy in their purchases and this has also adversely affected the industry.

8. To some extent the depression can be attributed to the fact that the fall in the price of cloth has not corresponded with the fall in the price of cotton and that of other commodities.

9. There has been a fall in the purchasing power of the ryot since the war. The rise in the value of agricultural product is now 40 per cent. above the year 1914 whereas the prices of cloth are as yet 100 per cent. over the pre-war rate. This has caused the ryot to cut his cloth requirements which factor has contributed to the depression in the mill industry.

10. The masses are a highly indebted class and it is a myth to suppose that they prefer to invest their savings in the precious metals and to restrict their purchase of cloth to a minimum. The purchasing power of the ryot has been decreased owing to the exchange policy of the Government of India. Mere large imports of gold and silver do not mean that these were or are being bought by the masses who form the large proportion.

12. The depression in Bombay is reflected in

(a) *Mills which have changed hand.*—Planet, Gold Mohur, Diamond, Industrial, Hongkong, Assur Veerjee and New China.

(b) *Mills which have closed down since 1922.*—Jivraj Baloo, Pitty Mills, Dinshaw Petit, Industrial, Hongkong, Edward, Diamond.

(c) *Mills which have gone into liquidation.*—Jivraj Baloo, Hongkong, Planet, Diamond, Gold Mohur.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. The present depression cannot be directly attributed to the loss of the Chinese market for yarn as the Indian mills had a clear anticipation of the loss of this market since the closing decade of the last century and had accordingly changed their working policy by adding more looms. The rapid growth of the Chinese industry was due to the ousting of the Indian yarn. Japan's close proximity to the market and the facilities to export yarn to China from that country adversely affected the Indian market. The difficulties of securing freights to Hongkong was also responsible for the fall in the Indian export trade with China.

14. The present depression is largely due to the increasing Japanese competition. As for the competition from other countries the industry has not been seriously affected.

15. Yarn of counts under 40s. competes with the production of Indian mills.

Piece-goods, such as coarse and medium counts dyed and bleached goods, drills, sheetings and chadars compete directly with the production of Indian mills.

17. As a matter of experience the yarn and piece-goods imported from Japan are frequently placed on the Indian markets at prices which do not cover their cost of manufacture in India. There is no evidence to show that these imported goods are placed in the Indian markets at prices which, after deducting freight and incidental expenses, would not cover the cost of production in the exporting country.

18. It is not possible to say whether yarn or piece-goods exported from Japan or other countries are placed on any foreign markets at prices which are lower than the cost of production of similar Indian goods *plus* freight and import duty. Owing, however, to the special advantages which the Japanese textile industry enjoys, their goods cannot be competed against in any foreign market by the Indian mills. Even in the Indian market the import duty is not a handicap to the Japanese goods to compete with the Indian.

The export of grey piece-goods to foreign countries as compared with the exports of the year 1913-14 will show how far the Indian mill industry has suffered from the Japanese competition in the foreign markets.

Countries	Percentage of decrease in Indian exports
Egypt	80 per cent.
Aden and Dependencies	66 "
Siam	66 "
Straits Settlements	50 "
French Somaliland	66 "
Mauritius and Dependencies	60 "

19. As a matter of fact to obtain the exact idea as to the extent of Japanese competition comparison must be made with counts under 40s. and not under 30s. as held in the question. The bulk of yarns imported by Japan and the United Kingdom are of 32s. The Indian mills can readily make yarns up to 40s. with ease but it is the underselling policy of the Japan that hinders the progress of the Indian mills.

20. From the statistics of piece-goods compiled by the Government of India it is impossible to ascertain the percentage of imports from United Kingdom that directly compete with the Indian goods. There is strong ground to believe that the competition is not on the declining side since the war.

21. The estimate that 70 per cent. of the imports of piece-goods from Japan compete directly with the production of Indian mills as suggested in the question cannot be vouched for with accuracy.

22. The estimated percentage cannot be vouched for with accuracy.

23. The findings of the Currency Commission in fixing the rupee at 1s. 6d. will tend to give a stimulus to the imports of piece-goods from the United Kingdom, Japan and Italy or any other textile manufacturing country as the price of foreign goods in rupee value has been lowered by this exchange-fixing policy by 12½ per cent. Any depreciation in lira or yen will further encourage the tendency to import.

24. The imported piece-goods from Japan compete directly with the Indian goods. Some of the Japanese finer qualities may have been competing with the goods from the United Kingdom. Statistical comparison of the imports of both these countries will not induce one to express emphatically whether the competition will increase or decrease.

26. Excepting Italy, the competition from imported goods has not been accentuated by fluctuations in exchange. In case the French and Belgian francs remain at their present level, there is a great possibility of these two countries making extensive imports into India.

30. Information is not available to show what special credit facilities are obtained by exporting houses in foreign countries or are offered by them to their buyers in India.

33. The very qualities of yarn and piece-goods that are competing in India are also being rivalled in foreign countries by the Japanese.

34. There does not seem to be any general preference on the part of Indian consumers for finer qualities of piece-goods and yarn.

SECTION III

Internal Competition

35. Many new mills are being erected in cotton producing districts and Native States. There has been no doubt a great increase of looms and spindles in Bombay and Ahmedabad but it is not so great as in the rest of India. The erection of mills at cotton centres and Native States has so far tended to increase the internal competition with the Bombay and Ahmedabad mills.

36. As regards labour the Bombay mills have the advantage of sufficient and efficient labour over Ahmedabad and other up-country mills. As regards machinery the Bombay mills have a slight advantage in cheaper cost. Also owing to Bombay being a chief port its mills have an advantage in export trade.

37. It is impossible to draw up an exact estimate as to the relative advantages the mills at Ahmedabad and up-country centres have over Bombay owing to (a) proximity

to large up-country markets, (b) proximity to coal fields, and (c) proximity to sources of supply of raw materials.

38. It is very difficult to frame any estimate with exact accuracy as to what extent the hand-loom industry competes with the mill-industry.

SECTION IV

Mill Management

40. There are mills in Bombay, in Ahmedabad, Sholapur, Cawnpore, Madura and Madras who could satisfy this criterion but it cannot be said with confidence that the industry as a whole is carried on with reasonable efficiency and economy.

41. The big industrial concerns in India are with few exceptions controlled and managed by managing agencies and the Indian cotton textile industry cannot be an exception to this rule. These agency firms have played a great part in the industrial progress of India.

The Industrial Commission has appreciated the importance of these firms, being impressed as they record "by the strong evidence of high prestige possessed by the better class of agency firms of efficient management, cautious finance and watchful attention to the interests of their clients' enterprises."

42. In Bombay—excepting in a few mills—and in most of the up-country mills a very large proportion of mill agents receive commission on profits.

The managing agents of mills in the City and Island of Bombay get commission on profits on the basis of 10 per cent. to 12½ per cent. on the gross profits earned before deducting depreciation, income tax and supertax paid by mills. This system may have been found preferable by the Mill-owners' Association and others interested but to some extent it may be said to be faulty. This system encourages the agents with selfish motives of profit to go on with the production without caring to reduce the cost of production. Under the system of commission on production the mill agents only go on producing coarse and heavily sized cloth.

43. The managing agents in almost all cases do charge and receive office allowance which they very rarely do not spend on office expenditure, etc. Though by direct ways the bulk of the managing agents in Bombay and up-country do not receive any commission on the purchase of cotton, mill-stores, machinery and coal or on the sales of yarn and cloth or on insurance, etc., indirectly all these profit-securing concerns are managed through the departments or firms in which the managing agents, their friends or relatives are financially interested. This procedure may not be technically and legally wrong but it leads to undue partiality, favouritism and direct or indirect loss to the mills as a consequence. There may have been upright agents but I say from my own experience that there are many commission agents who work in a dual capacity.

SECTION V

Mill Finance

45. As regards Bombay, the following mills with nearly 336,000 spindles and 8,895 looms were over-capitalised during the boom period.

(1) The E. D. Sassoon group consisting of (a) Meyer, (b) Rachel, (c) Jacob, (d) Sassoon, (e) Turkey Red Dye Works.

These mills were changed from proprietary concerns to a limited company at boom prices of machinery and construction owing to higher general rates of profits earned on capital and the rates of interest were also high. Capital of two crores out of six crores was issued in the form of preference shares carrying 7½ per cent. cumulative interest.

(2) The Tata Mills went in for the Bombay United Mills at an inflated price of Rs. 1,51,00,000 and the old share-holders obtained nearly ten times the original face value. These very mills are now sold to the Swadeshi Mills Co. at a price of Rs. 36,00,000 involving a capital loss of Rs. 1,15,00,000. To meet this the Tata Mills raised a debenture loan at 7½ per cent. interest.

(3) The Hongkong and China Mills, Kilachand Mills, Diamond Mills, Elphinstone and Apollo were capitalised on the basis of high prices ruling in the boom period. These represent nearly a lac and a half spindles and a thousand looms. The working of these mills shows that they are hard-hit owing to the fall in profits and the natural and inevitable reaction after the boom period.

46. The present depression cannot be attributed to extension of mills and machinery when prices were at their highest. The following mills extended their machinery when the market was at its highest without providing for the necessary provision of capital:—

	Spindles	Looms
1. Kastoorchand Mills	85,000	913
2. Gold Mohur	38,000	1,050
3. Planet	35,000	913
4. Madhaojee Dharamsey	37,000	863
5. Shapurjee Bharucha	97,000	671
6. Assur Veerji	39,000	600

47. It is a recognised fact that share-holders deserve good dividends when the mills make good profits and when the mills make no profit the share-holders receive no return on their investments. The Millowners' Association has made a candid statement that "In the boom years dividends were large, very large amounts were also set as reserves and invested in Government loans." The question then arises why these fat reserves were not utilised to avert the depression by the millowners in bad times. I quote here figures which will show that the mill management had engineered heavy speculation and distributed proportionately heavy dividends without foresight:—

Bombay Mills

No. of mills	Year	Net profit after allowing for depreciation and Income-tax	Dividends Per cent.
66	1917	302 Lacs	56
63	1918	228 "	83
66	1919	615 "	61
77	1920	1,010 "	59
77	1921	846 "	63
77	1922	387 "	72

49. So far as Bombay mills are concerned the system of obtaining working capital by means of short loans (six months or yearly) is very general. These loans are obtained from individual depositors or from banks for short terms on hypothecation of their assets.

These methods of loaning are open to serious objections.

As regards bank loans the mills who have taken loans from the banks are at the tender mercy of the banks and are put to unnecessarily great inconvenience and interference more so in the present times of depression. Banks advance the amounts which can be recalled at once. The policy followed by the Muir Mills, Cawnpore, Madura Mills Coimbatore and Binny Mills and Laxmi and Vishnoo of Shola, ur is well worth imitating.

50. It is not the common practice of the mills to invest funds in allied concerns.

51. Mills which have no reserves are experiencing greater difficulty in securing finance than in pre-war years. In pre-war years mills could borrow money at comparatively cheaper rates than at present. Even first-class mills now pay one to one and half per cent. more than they used to pay in pre-war years. The public do not deposit their money in the industries which are passing through a stage of peril and consequently greater difficulties are experienced for mill finance.

SECTION VI

Costs of Production—A. General

60. Most of the mills in Bombay buy their requirements from the cotton depôt at Sewree. Some mills do buy their requirements in the cotton growing districts through their agents. Mills which buy in the upcountry markets and want good cotton have to make the purchase of the whole of their yearly requirements in January to May and stock these in their mills till the time of their actual requirement. This procedure entails extra expenses including interest if the cotton future market is not favourable and such a purchase system eventually becomes a speculative bargain instead of a profitable one. Some of the mills which buy their requirements in Bombay Jaithas adopt a policy

of day to day buying which is advantageous in declining markets. As a matter of fact very few mills take advantage of futures. Lancashire and Japanese spinners take advantage of futures. No sooner do they accept orders for yarn or cloth than they cover their sales by future contracts at a later date. Generally sellers have a wide range of selection which they can offer; but the spinner requiring a particular description of cotton only buys cotton on sample for actual use and immediately disposes of the futures which served him as an insurance against rise of prices. The mills in India are as a matter of fact handicapped to a great extent owing to the existence of five hedge contracts; the narrowness of which renders them liable to manipulation by speculators. The Japanese make use of the sampan market, but the method of such transactions is not known to me.

61. As far as I am aware of affairs it can be said that speculative purchases of either spot or hedge are rarely indulged in by the Bombay and up-country mills. It is therefore very difficult to say to what extent the speculative purchases of spot or futures in cotton are responsible for the present depression. The element of risk in purchases by mills could, however, be reduced by resorting to the practice of hedging as is done by the Lancashire or Japan spinners.

62. The statement that the Indian mills have to pay higher prices for cotton than the prices paid by the export houses is incorrect and malicious.

63. Not at all.

C. Labour

64. The statement made by the Mill-owners' Association about labour costs being the main factor in the increased cost of manufacture is—it seems—a bold statement and it cannot be swallowed without reservation. It is a known fact that at the time of the last strike in September 1925 consequent upon the then wage-cut, the advanced type of mill agents were not in favour of this wage-cut. This wage-cut was only suggested to help the mills which could not be said to be managed with reasonable efficiency. It seems that the Mill-owners' Association is confident of their statement; it is therefore for the mill-owners to prove this fact with facts and figures stating that (i) efficiency has remained the same (ii) wages before the war were equal to the rise in the cost of living since 1914. Certainly the whole fault cannot be laid at the doors of the labour remuneration alone unless they prove that the wages are higher and the unit of work smaller. I do not accept the views expressed by the Association.

65. There was no unduly liberal distribution of bonuses to the operatives between 1918 and 1923 as will be seen from the following figures:—

Year	Mills	Profits		Dividend		Bonus	
		Lacs Rs.	Per cent.	Per cent.	Per cent.		
1917	66	302	56	Nil.			
1918	63	228	83	Nil.			
1919	66	615	61	2.4			
1920	77	1,010	59	2.8			
1921	77	846	63	4.8			
1922	77	387	72	12.0			

These figures go to prove that the percentage of bonuses distributed to labour were comparatively meagre when compared with the large dividends paid to the shareholders as a birth-right of theirs as stated by the Mill-owners' Association whereas it seems that they do not place any value on the encouragement of labour. This ideal of the Association is greatly responsible for the present state. When considered with the number of additional hands employed by the industry (approximately 40,000) the percentage of bonus distributed by the mill-owners still goes down. I do not consider that the depression was responsible for the liberal distribution of bonuses to operatives.

76. There are practically no available facilities for technical education for ordinary operatives in Bombay or Ahmedabad. An ordinary full time course in spinning and weaving is given by the Victoria Jubilee Technical Institute in Bombay and also a special course of two hours in a week for theoretical education, but this is quite inadequate in comparison to the vast population of the operatives in Bombay. For the supervising staff the technical educational facilities are quite inadequate and the standard for such admission is very high and difficult.

The absence of such technical educational facilities in the textile centres like Bombay and Ahmedabad is a great hindrance to the growth of efficiency among the mill operatives.

77. Attention is invited to the comparative wages given in the Government publication "Prices and Wages in India" which show that higher wages are paid in the cotton textile industry in comparison with any other industry in India. The reason for such high wage payment is due to the industry being of a more complicated nature. This wage payment on a high scale is not restricted to India alone but is prevalent in all the textile manufacturing countries of the world.

80. Unless adequate technical educational facilities on practical lines are made available to the mill operatives either by Government or the Mill-owners Association there is no prospect of operatives attending more spindles and looms.

82. Apparently it would seem to a layman that double-shift working in mills might reduce the cost of production, but taking into account the aversion to night-work and the legislated prohibition of the employment of women for night-work it is impossible to introduce the double shift system in mills. Assuming that there was plenty of labour for day and night, the adverse factor of production of inferior quality of work at night-time as a natural result would be disastrous.

D. Overhead charges

85. Insurance is effected against risks of damage to stocks, buildings and machinery by fire, riot or civil commotion and in some cases against loss of profits during enforced stoppages. Risks under the Workmen's Compensation Act are also insured against by mills. These insurances are at present put through the sub-agencies secured by the mill agents themselves in almost all cases. If the Mill-owners' Association undertakes this branch of business the industry will surely save a good deal collectively. Even with the present system a large percentage can be saved if the rebates given to the mills is given to the mills themselves and not pocketed by the agents in their capacity as insurance agents or brokers.

Insurance companies are known to give a rebate of 35 to 40 per cent. of the premiums. Mills are known to be receiving 25 per cent. whereas 10 to 15 per cent. goes into the pockets of the managing agents. This is really a very high percentage secured by the managing agents for the mere performance of the duties of a broker without taking upon themselves the slightest risk. The mills should receive nearly 12½ per cent. of this rebate and the Agents should get 2½ per cent. for their brokerage.

86. Depreciation should be reckoned as a charge on production and not on profits. Depreciation should be considered as a matter of fact a rental value of machinery and building in the same way as interest chargeable on capital borrowed.

When the machinery or building gets old or out of date there should be a provision to replace it and this is the real function of the depreciation fund.

As a common rule mills do not conform to this sound system.

Witness No. 75

Mr. K. S. DESHPANDE, DADAR, BOMBAY

Written Statement dated August 1926

SECTION I

General

1. The depression in the cotton textile industry is not confined to Bombay alone, but extends all over India, but the severity of it is felt more in Bombay than in Ahmedabad or in upcountry centres. On going through the balance sheets of 65 leading mills of Bombay one finds that nearly 50 per cent. are showing debit balances; whereas the rest are just making both ends meet. This was for the year 1924-25. The situation has become more dismal for the year ended 1926.

2. It is not quite possible to state the exact proportion of the causes leading to the present depression, but we can very well imagine the nature of the causes (i) The fall in the general prices after the boom, (ii) economic impoverishment of India's best European customers and (iii) political unrest combined with the growth of the local industry in China have all combined to bring about the depression; besides this there are the special factors operating in India (i) Government's exchange policy since 1893 and artificial raising of the rupee has not a little to do with the loss of the export trade with China in the early part of the present century and (ii) to the encouragement of imports from the United Kingdom specially by raising the sterling exchange to 2 shillings and now to 1s. 6d. Again there are factors specially operating in Bombay (i) Increase of Municipal taxation, (ii) labour disputes, (iii) overcapitalisation of some of the mills and (iv) speculation-mania, which encouraged paying of proportionately high dividends, have aggravated the situation in Bombay.

3. (i) *Temporary causes of depression.*—So far as the competition from Japan and Italy due to depreciated currencies is concerned it is bound to disappear soon; because no country can resort to artificial depreciation without its harmful effects. Germany and France tried it but now the former has stopped it.

(ii) *Political unrest.*—Economic interests of the nations are so dependent that each one would be compelled in its own interest to make peace with others. In this connection Professor Keynes book on 'Economic effects of war' is worth perusal. France has been obliged to enter into commercial treaties with her up till now hated enemy—Germany.

(1) *Permanent causes.*—The Indian cotton industry is hopelessly organised for economical production for marketing of its own product as compared with its competitors, viz., U. K. and Japan.

(2) *The Government of India's exchange policy* directed as it is towards encouraging imports in India, is a serious cause of depression.

(3) The Indian agriculturist is deprived of getting the full return of his produce by the raising of the value of the rupee, thus restricting his purchasing power.

4 and 5. Yes.

6. The gradual fall in the value of cotton may help the cotton industry but this may react unfavourably on the buying power of the ryot since he may receive proportionately lower values for his product—cotton.

7. For the last three years owing to the large output of American cotton prices have been falling. This has effected the yarn and piece-goods market. The merchants have adopted a hand to mouth policy in their purchases and this has also reacted on the industry unfavourably.

8. The rise in the value of the agricultural produce is now 40 per cent. above the year 1914 whereas the prices of cloth are still 100 per cent. over the prewar rate. And accordingly the ryot has "to cut his cloth" (ref. *Bombay Labour Gazette*.)

The masses are a highly indebted class and it is a myth to suppose that they invest their savings in gold or silver to any appreciably large extent and to the extent that they do it, it is the Government currency policy that is to be blamed. Large imports of gold and silver do not mean that these are bought by the masses who form the large proportion.

12. Please see Appendix No. 1.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. The present depression in the textile industry cannot be directly attributed to the loss of the Chinese market for yarn because the Indian mills had anticipated the loss of this market in the early part of the century and had accordingly changed their policy by putting up more looms.

The rapid growth of the Chinese local industry—has been largely responsible for the ousting of the Indian yarn. Japan's nearness to the market and the easy facilities to export yarn to China affected the Indian trade. The difficulty of securing freights to Hongkong was also responsible for the fall in the trade but if we look to the production of woven goods in the Indian mills which has gone up in the year 1924 to 1,970 million yards from 1,614 million yards in the year 1917, we may say that yarn was being more profitably woven in Indian mills.

14. Japanese competition so far as grey goods is concerned is real; for instance taking the production of grey goods in India we find that the production of T cloths, domestics and sheetings has gone down from 137 million yards in the year 1917-18 to 77 million yards in 1924-25, Japanese imports have ousted even the United Kingdom whose imports in India have fallen from 833 million yards to 727 million yards. So far as depression is due to foreign imports, United Kingdom competition has a lot to do with it for, the total imports from the United Kingdom increased to 1,598 million yards in the year 1924-25 as compared with 1,440 million in 1922-23. On account of this and increased imports from Japan by nearly 48 million yards the increased production of Indian mills could not be marketed in India.

As regards imports of yarn we find the production of yarn in India in 31s. to 40s. which was 24 million lbs. in 1917-18 has gone down to 19 million in the year 1924-25. This can only be explained by increased imports from Japan. In counts up to 20s. there is no appreciable foreign competition. Between 21s. and 30s. foreign competition is dwindling. The real competition occurs in counts where the Indian mills production over 30s. though small is slightly on the increase and requires special legislative encouragement.

Though total imports from Japan represent only 6 per cent. of the total Indian mill production this percentage is much higher in the case of greys and long cloths, and it is an economic axiom that the prices are governed (everything also remaining the same) by the marginal quantities. If the Japanese goods sell cheaper the reaction in the prices of similar goods is direct and other sorts indirect.

Japanese Government aids to cotton industry :—

- (1) It has fostered and encouraged technical and commercial education most extensively over the last 30 years.
- (2) It has encouraged and fostered the shipping industry by reserving the coastal trade to its own nationals and encouragement to the building of a mercantile marine. It is due to this that Japan can secure raw materials from America and India in her own bottoms at special rates and also can export manufactured goods.
- (3) It has appointed consuls in all the principal centres of trade.
- (4) It has encouraged a general policy of establishing new industries by various state aids which has increased the general wealth of Japan. It has also passed a special act giving rebates to export guilds and long term loans are given to exporters. Competition from Japan is likely to increase because from the census report we find that the population in that country is rapidly increasing. Since 1914 there is an increase of 1 crore and to give work to this population intensive industrial policy will have to be followed.

Competition from the United Kingdom.—Though the imports of piece-goods are not directly competing with those produced in Indian mills, still there is every reason to believe from the experience of past history that the United Kingdom will not sit with folded hands and will recapture her best market, viz., India, either by producing coarser goods if necessary as was prophesied in the lecture by Sir W. Clare Lees, an ex-President of Manchester Chamber of Commerce, or by reorganising the industry for imports into India by all possible methods. There is a discernible tendency among the consumers in India to favour finer goods and the Indian mills some of which are now directing their attention, legitimately, to this line, will find in Lancashire a formidable rival to their progress.

Imports of African cotton into India

Year.	Tons.
1917-18	1,192
1918-19	2,821
1919-20	2,052
1920-21	2,797

Further, so long as India has not the full control over her currency and general economic policy Government's assistance to keep cotton industry will not be very appreciable.

SECTION III

Internal Competition

The extensions of existing upcountry mills and erection of new mills are not of great importance, because still out of the total looms and spindles nearly half are located in Bombay and nearly $\frac{2}{3}$ between Bombay and Ahmedabad and the percentage to total production is as under :—

Total for 1924-25.	Percentage to total.			
	Bombay.	Ahmedabad.	Native States.	Other Centres
1,970 million yards.	50 per cent.	22 per cent.	8 per cent.	20 per cent.
1924-25, Bombay percentage to total 986 million yards or 50 per cent.				
Ahmedabad mills percentage to total 446 million yards, 21 per cent.				

It is only in case of Native States, where perhaps the industry receives special facilities that the total production has increased but the total per cent. is still only about 9 per cent.

Therefore it cannot be said that Bombay has more disadvantages as compared with other centres.

"It cannot be said that there is much internal competition. Bombay mills have few advantages such as the following over the up-country mills and Ahmedabad :—

- (1) They can get machinery supplies and stores at cheaper rates.
- (2) They can save in interest charges, as they have not to stock the above supplies.
- (3) They can get better financial facilities at cheaper rates.
- (4) They can now get cheap electric power supply.
- (5) They can find support from the organised piecegoods traders.
- (6) They can get cheaper rates so far as these are quoted by railway companies to encourage imports.

Set out against these are the following Disadvantages as compared with Ahmedabad and upcountry mills in general :—

- (1) Direct competition from imported foreign goods.
- (2) Labour disputes (Ahmedabad is not immune) and comparatively higher cost due to climate.
- (3) Comparatively higher local taxation.
- (4) Double railway freights for getting the raw materials and railing manufactured goods back to the consuming centres.

Special advantages and disadvantages Ahmedabad Mills have over Bombay

(1) Bombay mills have to pay something like Rs. 14 to 16 per candy by way of freight on cotton. Ahmedabad mills have nearly two-thirds on this account only, as they could buy their supplies from the Viramgaon and Broach districts. But this advantage is largely set off by the increased freight charges which Ahmedabad mills have to pay for coal. Besides they have to pay railway freight on the supplies of machinery, stores, etc. —

(2) As regards proximity to large upcountry centres Bombay is more advantageously situated in the matter of railway freights. Mr. S. C. Ghose in his monograph on railway rates in India has made the point that railways generally quote more favourable rates

to the ports than for upcountry centres (page 388). The rate for cotton from Multan to Karachi, 575 miles, is Rs. 1-0-9 per maund, whereas rate from same place to Delhi is Rs. 2-3-2 the distance being 454 miles.

Competition of the Handloom Industry

It cannot be said that handlooms are in any way competing with the mill industry but are likely to help it.

Handlooms have on the contrary suffered much owing to mill competition and had to take to special lines. Handlooms have now turned their attention to weaving of special kinds of fabrics with special designs in mercerised and silk yarn. The members of the last Industrial Commission reported that "handlooms are consuming increased amounts of yarn and they believe the weaving from coarse yarn is declining while medium and fine yarns are on the increase". If therefore the mills turn their attention to supplying the requirements of handlooms in yarn direct to weavers and also help them in marketing their products they will find in them a great source of strength.

A large amount of yarn is consumed in sarees (Deccanee) manufactured on the handlooms in Baroda, Ahmedabad, Indore and Sholapur also at such centres as Madura and other centres in Madras and elsewhere. At present handlooms are using imported yarns, as very little yarn for counts 40 and above is supplied by the mills.

Comparing the consumption of yarn in the year 1905-06 in mills in the balance available for handlooms we find the position as under :—

	Total amount of available for consumption.	Mill consumption.	Balance available for handlooms.
In 1905-06 ..	43 million lbs.	14 million lbs.	29 million lbs.
1920-21 ..	62 million lbs.	33 million lbs.	29 million lbs.

This shows that the rapidity of increase of woven goods is greater in the mills than by handlooms though the latter have maintained their position.

SECTION IV

Mill Management

40. There are mills in Bombay as well as in Ahmedabad, in Sholapur, Cawnpore, Madura and Madras, who could satisfy this criterion, but it cannot be said that the industry as a whole is carried on 'with reasonable efficiency and economy'.

41. Almost all the big industrial concerns in India are controlled and managed by agency firms and the cotton textile industry is no exception to this rule. These firms have played a great part in whatever industrial progress we see in India.

The Industrial Commission expressed their views on the system and it being a correct representation it is reproduced :— "We are much impressed by the strong evidence of high prestige possessed by the better class of agency firms..... of efficient management, cautious finance and watchful attention to the interests of the clients enterprises."

42. In Bombay and most of the upcountry centres a very large proportion of mill agents receive commission on profits. Certainly by payment on production mill agents may go on producing stock and receive commission without caring to reduce the cost of production. Under the system of commission on production the mill agents only go on producing coarse and heavily sized cloth as is evident in Ahmedabad where the system prevails. Very few enlightened mill agents of the type of Messrs. Morarji Goculdas & Co. could be found who would encourage production of finer quality goods in a mill under their management though they receive commission on production.

43. Managing agents in most of the cases do charge and receive office allowance which sum they do not spend fully on office expenditure, etc. Barring a few exceptions of upright agents purchases and sale of cotton purchases of machinery and stores, effecting insurances for the mills and sales of cloth, are done through the departments or firms in which the managing agents or their friends or relatives are financially interested. Though there is nothing illegal still this leads to undue partiality and consequent loss to their mills.

In very few cases the minimum commission is provided where it is charged on production irrespective of profits.

But they also observe in their remarks that these firms are more inclined to develop commerce rather than industries and it is in this that the weakness of the system lies. They are apt to take a narrow view of industry, whereas industrial concerns require a long and broad outlook.

On theoretical grounds the system could be criticised from various points; but in business one has to look to practical results. One must admit that under the managing agency system the cotton industry has been steered through many a critical period and in the face of hostile Government legislation and complete apathy. The cotton industry of Bombay is at present managed by the following well known firms:—

- (1) Tata Sons.
- (2) Currimbhoy's.
- (3) E. D. Sassoon.
- (4) W. H. Brady.
- (5) James Finlay.
- (6) Petits.
- (7) Morarji Goculdass.

Can it not be said that they are firms where dealings are above suspicion?

Now there is one line of argument against the system, in which there is some truth. The system is open to criticism in that it is hereditary and it leads to a very unequal distribution of wealth. A few wealthy men come to control the industry and the large number of workers have no voice in the management. This can be remedied by giving employees shares in the mills by co-partnership schemes which are now being successfully tried in the United States Steel Trust, Lever Bros. in Great Britain and many other works.

Agency firms are still on account of their high financial strength able to secure finance for the industry from the public by way of deposits or from the banks on the promote signed in their personal capacity at much lower rates of interest.

SECTION V

Mill Finance

Over Capitalisation

45. As regards Bombay the following mills representing nearly spindles 3,36,000 and looms 8,895 were over capitalised during the boom period.

- (1) E. D. Sassoon Group consisting of (i) Meyer (ii) Rachel (iii) Jacob (iv) Sassoon (v) Turkey Red Dye Works.

These mills were changed from proprietary concerns to a limited company at boom prices of machinery and construction owing to higher general rates of profits earned on capital and high rates of interest. The capital of 2 crores out of 6 crores was issued in the form of preference shares carrying 7½ per cent. cumulative interest.

(2) The Tata Mills purchased the Bombay United Mills (Mangaldas) at an inflated price of Rs. 1,51,00,000 and the old shareholders obtained nearly 10 times the original face value. These very mills are now sold to the Swadeshi Mills Co. at Rs. 36,00,000 thus involving a capital loss of Rs. 1,15,00,000. To meet this the Tata Mills raised a debenture loan at 7½ per cent. interest.

(3) Hongkong and China Mills; Kilachand Mills, Diamond Mills, Elphinstone, Apollo all these were capitalised on the basis of high prices ruling in the boom. These represent nearly 1½ lacs of spindles and 1,000 looms. We see from the results of the working of these that these mills are hard hit owing to fall in profits and natural reaction after the boom.

Under Capitalisation and extension during the boom

46. The following mills in Bombay extended their mills without providing for the necessary of capital.

	Spindles	Looms
(1) Planet	35,000	913
(2) Assurveerjee	39,000	600
(3) Gold Mohur	38,000	1,050
(4) Madhavji Dharamsey	37,000	863
(5) Kastoorchand	82,000	913
(6) Shapurjee Bharucha	97,000	671
	3,28,000	5,010

47. The following figures go to prove that those responsible for management of the industry engineered heavy speculation and distributed proportionately liberal dividends without much foresight :—

Bombay Mills

Number of Mills	Year	Net profit after allowing for depreciation Income Tax	Dividend per cent
		Lacs of Rs.	
66 ..	1917	302	56
63 ..	1918	228	83
66 ..	1919	615	61
77 ..	1920	1,010	59
77 ..	1921	846	63
77 ..	1922	387	72

48. *Capitalisation of Bombay and other mills in India.*—If we go through the balance sheets of most of the cotton mills the following facts with regard to the way in which mills obtain their capital are visible :—

- (1) *Ordinary Capital.*—In proportion to the block account paid up capital is much less, this leads to borrowing at a proportionately high rates in the time of dull trade. This is visible in the present state of our mill industry. The figures of interest on borrowings are large. Bank overdrafts seem to be common in most of the concerns.
- (2) *Preference Shares.*—These are not so popular in India owing to the very unsatisfactory state of the industry now and previous to the war. This method is also not popular in Lancashire.
- (3) *Debentures.*—These seem to be resorted to as an ultimate resource and do not seem to be a popular method of borrowings by the mills.
- (4) *Loans and Deposit.*—Many good concerns borrow heavy amounts as short period deposits from the public no doubt at lower rates where the credit of the concern is sound. This is rather due to paucity of banking facilities or confidence in the banks. In the ordinary times this method of borrowing has a great advantage as it enables the mills to keep capital low relative to their assets and consequently to productive and profit earning capacity and as the rates of interest are fixed at a relatively low rates the profits available to shareholders enabled these mills to pay higher dividends than if the whole of these monies were to be in the form of capital.

The disadvantage of this form of borrowing is that during the times of depression such as are prevailing now profits are low and interest has to be met, whereas had it been share capital the principal would have been fixed and there would have been no liability to pay interest.

(e) *Reserve and Depreciation and other funds.*—It is the common practice of the mills to employ these in the business. The practice seems to be followed because it adds to

the capital resources of the concerns and in good times its earning capacity is on doubt greater than it would be if the same were invested outside. Although this may be a strong point in the favour of the funds being employed in the business of their own the method has great disadvantages.

The object of such funds is to provide for resources at the time of dull trade. Depreciation funds against machinery, building, etc., are meant to provide sums which will be sufficient to replace machinery or to displace worn out and out-of-date plant. The funds which are invested in the business it would be difficult, if not impossible to use for the purchase of machinery, etc. If the funds had been invested outside they would more readily be available to meet the depression.

49. So far as Bombay mills are concerned they are too dependent upon the short term loans from individual depositors or from the banks for short terms on hypothecation of their assets.

These methods are open to serious disadvantages.

In the case of public deposits we found that one mill, Assurvirjee, had to close its doors on account of the run from the depositors.

As regards Bank loans those mills who have taken loans from the banks are at the mercy of the banks and are put to unnecessary interference, more so in the present times of depression. Banks advance the amounts which could be recalled at once. The policy followed by the Muir Mills of Cawnpore, Madura Mills of Coimbatore and Binny Mills is well worth imitation by other concerns.

50. The practise of investing the funds is not very common.

51. In pre-war times mills could borrow money at comparatively cheaper rates than now. Even first class mills are now paying 1 to 1½ per cent. more than they used to pay in pre-war times.

SECTION VI

C. Labour

64. The Association's statement about the labour cost being the main factor in the increased cost of manufacture is rather too sweeping. It is common knowledge that at the time of the labour strike in the year 1924-25 all the mill-owners were not in favour of a wage cut. It was only meant to help the weak mills, which cannot be said to have been capitalised or financed and managed with efficiency.

Mill-owners should prove two things to show that they are now paying more for a given unit of work than in the year 1914 :

- (1) That wages before the war were adequate and kept pace with the rise in the cost of living.
- (2) That the efficiency of labour has remained stationary.

If labour has not improved in efficiency, the blame cannot be repudiated by Government for not having provided free primary and compulsory education and also by the mill agents, who failed to provide labour with sanitary dwellings or such amenities of life as would compensate for the hardships and fatigue of factory life in an overcrowded city like Bombay. The management also cannot be credited with a liberal and enlightened policy if they fail to invoke in their employees a feeling of community of interest in the work. If labour were to feel that loss due to the concern is a personal loss, it will surely waste less time in loitering and will look after machines so that these may give their utmost.

Such a feeling in the workers can only be evoked by introduction of profit sharing or co-partnership schemes which are now being tried successfully on a large scale in America and other Western countries. India should try these methods and should learn by the lessons of the other industrial countries before the cleavage between labour and capital becomes wider.

In the present state of our mill industry the employers should take their employees into their confidence and show by facts and figures that all other sources of economies have been tried. By making sacrifices themselves workers will surely respond and will make the necessary sacrifice.

Bonuses distributed during the boom period cannot be said to have been liberal after looking into the following figures :—

Year	No. of Mills	Lacs of Rupees net profit after deducting depreciation and taxation	Dividends, per cent	Wages in Lacs	Bonus, per cent
1917 ..	66	302	56	258	Nil
1918 ..	63	228	83	370	Nil
1919 ..	66	615	61	382	2.4
1920 ..	77	1,010	59	624	2.9
1921 ..	77	846	63	691	4.9
1922 ..	77	387	72	718	12
1923 ..	75	—117	Not known.	706	12

Dividend per cent. is very high, whereas per cent. bonus to net profits is low and this to total wages paid in every year is barely $\frac{1}{4}$ per cent.

66. The reduction of hours since 1922 has neither affected the spinning nor weaving section of the industry as is evident from the total figures of production in Indian mills. The yarn production has gone up by nearly 26 million pounds and piecegoods by nearly 239 million yards in the year 1924-25 as compared with the year 1917. The fall in the year 1923-24 is due to strike.

F. Transport

95. The arbitrary discrimination exercised by railway companies in India in fixing rates of freight on goods traffic from one centre to another has often been a subject of wide and bitter complaint in the past. The subject has been discussed before the Railway Commission appointed from time to time as also in the press and on the platform. It received prominent attention at the sittings of the Industrial Conference which used to be held annually in conjunction with the National Congress until some years ago. Latterly, however, the larger political and economic issues have absorbed public attention to a degree previously unknown, with the result that specific disabilities have failed to receive the amount of attention to which, by their importance in the national economy, they are really entitled to.

The representation submitted by the merchants and mills of Sholapur to the Railway Board on the subject of disparity in railway freights as affecting the industrial and commercial interests of that town, gives public opinion an opportunity of expressing itself on the question and of agitating for the removal of an injustice to which not merely Sholapur but the whole country has been subjected. For, it must be remembered that the particular grievance of Sholapur is only one of the many disastrous consequences of the policy adopted by railway administrations in India actively supported by the Government of India itself. Before we proceed to examine this larger aspect of the problem, let us review as briefly as possible the specific complaint of Sholapur.

The representation, which has been signed by all the principal merchants dealing in textile goods and also by all the five cotton mills in that town, is a short, simple and matter of fact statement. Elaborate argument there is none, presumably for the simple reason that it requires none. On the face of it, the memorial is modest in scope and intention and is content with stating a fact and making a request relying on the power of facts to carry conviction. The facts mentioned in the representation may be summarised thus.

The mills and handlooms of Sholapur manufacture, on an average, 225,000 maunds of cloth and 131,000 maunds of market yarn, every year. Almost the whole of this quantity is exported out of Sholapur. Under freight, from the five mills alone, the annual earnings of the railway amount to over Rs. 10 lacs.

Sholapur has an extensive trade in piecegoods and yarn with all centres in India, especially Calcutta, Delhi, Cawnpore, Madras, Amritsar, Bombay and Bangalore.

For the export of its outturn Sholapur is solely dependent on railway transport. How exactly Sholapur is victimised on this vital necessity of transport, will be evident from the following figures :—

Bombay to Calcutta *via* Jubbulpore is 1,333 miles,
Bombay to Calcutta *via* Nagpur is 1,223 miles,
Sholapur to Calcutta *via* Nagpur is 1,323 miles,

and yet the rate from Sholapur to Calcutta is Rs. 4-7-2, i.e., fully three times the rate, viz., Re. 1-8-1 from Bombay to Calcutta. The rate from Sholapur to Calcutta via Bombay, a distance of 1,500 miles, is Rs. 3-0-1, less than the rate for Sholapur to Calcutta direct.

Further, note the distances and rates to Delhi from the undermentioned stations :—

	Distance.	Rate.
		Rs. a. p.
Bombay to Delhi	957	2 10 3
Madras to Delhi	1,569	4 0 0
Sholapur to Delhi	1,058	4 0 7
We next take Madras :—		
Bombay to Madras	794	1 0 0
Sholapur to Madras	511	1 10 7
Take Cawnpore :—		
Bombay to Cawnpore	839	2 4 2
Hubli to Cawnpore	1,158	3 8 2
Ahmedabad to Cawnpore	1,137	2 4 10
Sholapur to Cawnpore	941	3 11 7

These tell-tale figures reveal a chapter of economic injustice which it is needless to reinforce by citing numerous other instances of similar wrongs at the hands of railway companies in India. The favouritism shown to certain centres which happen to be either the principal ports of export or recognised strongholds of foreign owned industry has been described in mild language as "preferential treatment". But we daresay that this description does scant justice to the full nature of the wrong deliberately inflicted with a view to stimulating exports of India's raw products and maintain unimpaired the monopolist supremacy of what are really Indian owned but foreign controlled railways at the expense of the poor Indian tax-payer and consumer.

Under present conditions an upcountry merchant finds it cheaper to buy cloth made in Sholapur from Bombay than from Sholapur direct. If circumstances were normal, such a merchant would be promptly directed for examination by a mental expert; but when one finds that under the present railway regime the merchant is right, the quest for insanity has to be made in other quarters. If such a quest is made, it will be discovered that it is a case of insanity with a purpose. Minds unpossessed by the gospel of exploitation may find it hard to account for a grossly strange anomaly of this character, but the railway companies with the full concurrence of Government know what they are about and will continue in their course of unjust rate manipulation to the detriment of our national interests until the pressure of public opinion compels a return to justice and sanity in the objects and methods of railway administration in India.

The principal industry of Sholapur is the textile industry, which is at the moment in a bad way. The burden of unjust railway freights tells more heavily in times of such depression when the mills are forced to seek new and distant buyers for the clearance of their goods.

The signatories to the memorial, who are thoroughly representative of the commercial interests of Sholapur, have drawn attention to this question at a time when it must appeal more effectively to all right-thinking men. We hope the Railway Board will take prompt measures to remove the specific grievance of Sholapur at an early date and then proceed to eliminate at least the glaring inequalities of freight rates for all the principal centres of industry and commerce in the country.

APPENDIX No. I

- (A) *Mills which have changed hands*—
Planet, Gold Mohur, Jivraj Baloo, Diamond, Industrial, Hongkong, Elphinstone, Assur Virji and New China.
- (B) *Mills which have closed down*—
Raja Bahadur Motilal Pitty Mills, Diamond, Industrial, Jivraj Baloo, Planet, Hongkong, Dinshaw Petit, and Emperor Edward.
- (C) *Mills which have gone into liquidation*—
Planet, Gold Mohur, Jivraj Baloo, Diamond and Hongkong.

Witness No. 76

**Mr. SHRIRAM KHUSHALDAS, MOOLJI JETHA CLOTH MARKET,
BOMBAY**

Written Statement dated Bombay the 21st August 1926

I submit that the present agitation started by the Indian millowners regarding alleged competition by Japanese mills is to a great extent fictitious. To a very small extent there may be some truth in the Indian millowners complaint regarding hours of labour, etc., in Japanese mills but the present condition of the Indian mills is the aftermath of the war conditions and is chiefly due in my opinion to the below-mentioned causes :—

1. Prior to the war there was practically no textile industry in Japan. The Japanese however made big strides in the industry during the last 15 years or so. They adopted the most economical and most recent business methods and machinery to develop their industry. The Indian millowner practically adhered and still adheres to old and antiquated methods.

2. Indian labour as compared with the Japanese and other labour in the textile industry is decidedly inefficient and inferior. The Indian labouring class intellectually is far inferior and indolent. The Indian millowner has not cared to educate the Indian labourer even in spheres of activities closely connected with the textile industry. He has always worked on the principle that any intellectual betterment or education of the labouring class even in matters textile or industrious would be antagonistic to his own interests as millowner. The result is that the Indian labourer has hardly any incentive to give of his best to his master and hardly any interest in the well being of the industry. Moreover as hardly any Indian is trained by the millowner for the more responsible jobs and offices, foreign experts have to be imported on high salaries to do those jobs.

3. Nearly all the Indian mills are managed by agents who were the promoters of the company to which the mills belong. On the floating of these companies most of these agents have entered into fleecing agreements with the companies to serve their own interests and not the interests of share-holders. Some of the matters which enable or facilitate the agents filling their own pockets are :—

- (i) In addition to payment of all office and establishment charges including salaries for managurs, the agents charge a separate monthly allowance for themselves.
- (ii) They also reserve a percentage of commission on the gross value of machinery and stores purchased for the mills and also on the gross value of the buildings and erections for the mills.
- (iii) They also reserve in addition an agency commission which in former days was charged on the gross value of the outturn or sales irrespective of profits or losses. Recently some agents have commenced charging a high percentage on the net profits.
- (iv) The terms of their agency agreements with the mills are so stringent that even in case of suspected frauds and mismanagement few if any share-holders would come forward to waste time and money in proceedings for their removal.
- (v) In addition the agents have absolute control (subject to supervision of directors which is always nominal or formal) over purchases of stores, coal, cotton and machinery. These purchases are made from such firms and are so manipulated that the agents very easily pocket secret commissions. Where the agents do not make purchases they leave them to store-keepers or brokers (in most cases relatives or other connections of agents) who make secret profits. In such cases secret understandings between store-keepers or brokers and agents or their nominees are not unlikely.
- (vi) The outturn of the mills is sold through firms of selling agents in whose firms many agents keep secret shares with the result that the sales are not effected invariably through persons most competent or disinterested to do so. These selling agents being also secretly connected with the agents are given more lenient terms than could be got in open competition. They are paid an additional commission to effect the sales of the products.

4. The treatment of the piece-goods merchants by the millowners (i.e., their agents) is becoming worse and worse from day to day—

- (i) The indent or contract form of the mills is so very stringent and is now so strictly enforced that, for all practical purposes, the merchant buyer has no remedy against the mills whether the buyer's complaint be for late manufacture or delivery or regarding quality, short weight, shortage, bad packing or any damage to the goods and on the strength of these terms the millowner even if he be at fault treats the merchants and their complaints with contempt.
- (ii) As compared with the importing houses the Indian millowner gives very few facilities to merchants in matters of delivery, payment, etc.
- (iii) Even when orders are placed on samples, few Indian mills turn out goods answering in all respects the colour, shade, texture, quality, finish, weight and dimensions of the sample. This invariably leads to a dispute with the merchant and retail customer.
- (iv) After agreeing to sell certain goods on a monopoly to merchants some mills sell the same goods direct to third parties during the monopoly period.
- (v) Some mills contract to sell goods to merchants for forward deliveries extending over several months and then these mills sell the same goods direct in consuming centres for which places the merchants have to the mill agents' knowledge bought the goods.

The result of these methods employed by the mills' agents and their selling agents has been to create more and more distrust day by day between them on the one hand and the merchants on the other hand. It is true that these merchants are only the middle men but in the present conditions and organisation of the industry they are indispensable for the goods to reach consuming centres. At present they cannot be wholly eliminated.

5. The Indian mills more often than not disregard the laws of supply and demand:— for instance where there are several mills owned by different companies and also where some agents hold a group of several mills all the mills turn out the same quality and description of cloth without regard to the demand for such cloth. Differently owned mills do so as a matter of competition with one another. Competition among merchants to outdo one another in buying a particular quality or description of goods also helps the mills to turn out more than the required quantity. The mills also enter into contracts for sale of large quantities of goods to persons or merchants whose general unstable or weak condition would not justify such big contracts. The result on the whole is over production and stocks either accumulate with the mills without any buyer from them or where contracts are entered into with merchants, the latter are not able to take up the full output and both the mills and the merchants suffer and the rates have therefore eventually to come down.

6. There is no proper business organisation. The goods have to pass through a series of middlemen (who all charge their commissions or profits) before they reach the consumers whose capacity to pay for the goods is only limited. Because of these series of middlemen's charges, the consumer finds it cheaper to go in for English or Japanese goods.

7. During the war, the Indian mills could have permanently secured a big volume of the export trade to Africa, Mesopotamia and other countries. The Indian mills however neglected these permanent markets because of temporary higher profits nearer home. The inland trade has deteriorated and the foreign markets are lost because of the Indian millowners' neglect.

8. During the war several old mills changed hands at fabulous prices. Some other mills capitalised a large proportion of their war profits and invested them in extensions at war prices. The margin of war profits having disappeared, these mills obviously cannot show good results.

9. Numerous companies for the manufacture of textiles were floated in the boom period. Many of these companies commenced erecting brand new factories of their own. The capital of these companies was fixed at figures which were calculated to leave a sufficient margin for working capital after answering all other needs. The expectations of these companies were not realised partly because, as the boom period waned, it became more and more difficult and in some cases impossible to collect calls and partly because the calculations of these companies based on insufficient knowledge and data and unstable prices all went wrong. These mills are all ruined. Some of them before liquidation even contracted huge debts.

10. And lastly some of the mill agents and directors and even selling agents are blessedly ignorant of the respective jobs undertaken by them. We know of mill agents who have not during their whole life handled cotton yarn or piece-goods.

2. The Company does not guarantee, except where a particular assortment is specially stipulated, any fixed assortment in the deliveries of goods of various dimensions and patterns, and in such cases the Buyers shall take delivery of and pay as herein agreed for all bales (not exceeding the contract quantity) from time to time ready for delivery regardless of assortment.

3. The Buyers agree to accept at the price herein fixed an assortment of bales to the extent of 10 per cent. more or less than the contract quantity, but as regards such limit the Buyers shall not be obliged to take up more than 5 bales more or less of each sort, including any loose pieces of each sort.

4. In the case of goods sold at a fixed rate per pound the buyers shall not raise any objection or claim compensation for short weight so long as the average weight per bale in each lot delivered does not vary from the invoice weight by more than 2 per cent. The Company does not guarantee the weight of any goods sold by the piece.

5. The Buyers shall not be entitled to any allowance or compensation for any deficiency in the width of bleached and/or calendered goods when such deficiency does not exceed one inch.

6. In the case of a sale of ready goods, payment therefor shall be made and delivery thereof taken by the Buyers within eight days of sale.

7. In the case of a sale of goods for future delivery, the Buyers shall on the last day of each English calendar month take delivery and pay for in cash against delivery of as many bales as shall have been made ready during that month and either at the mill premises or at the godowns of the Company as the Company may direct.

8. The Company shall not be under any obligation to notify the Buyers of the number of bales ready for the delivery at the end of each English calendar month, but it shall be the duty of the Buyers to ascertain the number of bales ready for delivery from time to time and to pay for and take delivery of the bales accordingly; if the Company shall notify the Buyers of the number of bales ready for delivery at any time, such notification shall be deemed to have been given as a matter of favour only and without any obligation or undertaking on the part of the Company to give notice in future.

9. In the event of the Buyers requesting the Company to despatch the goods either by rail, road or sea, and the Company acceding to such request the goods shall be at the risk in all respects of the Buyers, from the time they leave the mill premises or godowns of the Company, as the case may be, including the risk of delay in delivery due to non-booking of the goods by the railway or shipping company for which the Company takes no responsibility.

10. Where goods are to be delivered in lots or by instalments, this contract shall be deemed and construed as a separate contract in respect of each lot or instalment, and the rights and liabilities of the Company and the Buyers respectively shall be the same as though a separate contract had been made in respect of each lot or instalment.

11. All goods of which delivery shall not be taken by the Buyers in accordance with the terms of this contract, shall as from the date on which delivery thereof ought to have been taken be deemed to have been appropriated to this contract and the Buyers shall be deemed to have assented to such appropriation without any further consent on their part than is evidenced by their being parties to and signing this contract. From the date of such appropriation the said goods shall be held by the Company for the account of the Buyers and at their sole risk as regards loss, damage, deterioration or otherwise and the price of the goods plus all charges shall carry interest in favour of the Company from due date at the rate of 9 per cent. per annum and the Company shall be entitled at its sole discretion and without any previous notice to the Buyers to sell the said goods on account and at the risk of the Buyers either by public auction and/or private sale and either together or in lots and at such time or times and on such terms and conditions as the Company may think fit. If the net sale proceeds of the goods shall be less than the amount due to the Company for the price of the goods plus interest and all charges, the Buyers shall pay the deficiency to the Company on demand.

12. The Company shall have a general lien on all goods of the Buyers for the time being in the possession of the Company (including goods already paid for but of which delivery may not have been taken by the Buyers) for the total amount due to the Company for the time being under this contract and also for any amount due to the Company under any other contract with the Buyers either alone or jointly with another or others.

13. In respect of all goods of which delivery shall not be taken by the Buyers on the due date the Buyers agree to pay to the Company on demand annas 8 per bale per month or any part of a month for godown rent and annas 4 per bale per month or any part of a month for insurance calculated from the due date for taking delivery thereof to the date on which actual delivery shall be taken by the Buyers.

14. If any goods while in the possession of the Company shall be destroyed and/or damaged from any cause whatsoever after the due date for delivery thereof to the Buyers any sum recovered from the insurance of such goods against such destruction and/or damage may be applied by the Company in satisfaction in whole or in part as the case may be of the price of the said goods *plus* interest and all charges, and if the sum so recovered shall be less than the price of the said goods *plus* interest at 9 per cent. and all charges the Buyers shall pay the deficiency to the Company on demand, and on the other hand if the sum so recovered shall be greater than the price of the said goods *plus* interest at 9 per cent. and all charges, the sellers shall pay the excess so recovered to the buyers on demand.

15. If the Company shall be unable to deliver the whole or any part of any goods sold for future delivery by the time specified for delivery thereof by reason of the mills working short time, or its being expedient to stop the mills temporarily or by reason of fire, war, stoppage or hindrance in the supply of raw materials or fuel, explosion, accident, strike, riot, lock-out or other disorganisation of labour or transport, breakdown of machinery, or any other inevitable or unforeseen event of any kind whatsoever directly or indirectly interfering with the working or the full working of the mills, the Buyers shall take delivery of such bales as the Company may be in a position to deliver (if any) and the time for completing the contract shall, as regards the bales not ready by the specified time, be extended for such time as the company may reasonably require to make up for the delay caused by stoppage, hindrance to or interference with the working of the mills or any other of the events or circumstances before mentioned PROVIDED ALWAYS that should the inability to delivery be continuous during a period of three consecutive English calendar months then the Buyers shall be entitled by notice in writing of their intention to do so, to cancel the contract in respect of any bales then remaining to be manufactured.

16. If for any other reasons than those mentioned in the last preceding clause any portion of the contract goods is not ready for delivery by the specified time, it shall be lawful for the Buyers at their option either to cancel the contract in so far as it relates to the balance of the goods not then ready for delivery, or to extend the time of delivery for such period as the company may reasonably require, not exceeding one month, PROVIDED ALWAYS that if the Buyers shall elect to cancel the contract it shall be incumbent upon them to give the Company within seven days after the due date for delivery of the goods not then ready notice in writing of their intention to cancel and in default of such notice within the time aforesaid the Buyers shall be precluded from cancelling the contract and the time for delivery shall be deemed to have been extended for such period as the Company may reasonably require, not exceeding one month, to make ready for delivery the balance of the goods then undelivered.

17. If in any of the cases provided for in the last two preceding clauses the Buyers shall not be entitled to make any claim for damages, allowance, compensation or otherwise in respect of such non-delivery or late delivery and shall pay for the goods delivered a price which shall bear the same proportion to the total price of all the goods as the goods delivered bears to all the goods agreed to be delivered, and in the event of the time for delivery being, or being deemed to have been extended, all the provisions of this contract shall apply equally to the extended time as to the time originally specified, including therein the remedies reserved to the Company for failure on the part of the Buyers to pay for and take delivery of the goods then ready within the extended period and including the liability of the Buyers for interest.

18. The Buyers shall not be entitled to make any claim for an allowance or otherwise in regard to the condition of the goods when once the goods have left the mill premises or the godowns as the case may be of the Company.

19. The Buyers shall not be entitled to make any claim for an allowance or otherwise on the ground that the goods delivered are not in accordance with the contract unless notice in writing of their intention to make such claim shall have been given to the Company within one calendar month after the date of actual delivery of the goods to the Buyers or to a carrier or other agent on behalf of the Buyers. In default of any such notice the goods delivered shall be deemed to be in all respects in accordance with the contract.

20. In the event of any goods the subject of this contract or any portion thereof being destroyed or so damaged by fire, water or other cause beyond the control of the Company as to render them unmerchantable while stored at the mills or godowns of the Company pending due date for delivery the contract in respect of such goods shall be deemed to have been cancelled by mutual consent and the Buyers shall have no claim whatsoever against the Company in respect of such goods, but if the price of such goods shall have been then paid the Buyers shall be entitled to a refund thereof.

21. All disputes and questions whatsoever which shall arise between the parties hereto out of or in connection with this agreement or as to the construction or application thereof or the respective rights, and obligations of the parties hereunder or as to any clause or thing herein contained, or any account or valuation to be made hereunder or as to any other matter in any way relating to these presents, shall be referred to arbitration in accordance with the rules of the Bombay Millowners' Association for the time being in force regulating arbitrations with respect to yarn and piece-goods.

22. Notwithstanding any such reference to arbitration as aforesaid the Buyers shall take delivery of the goods the subject of the reference and pay for the same as herein agreed, and unless the arbitration award is to the effect that the goods under dispute are "no tender" the Buyers shall be bound to accept the said goods on payment by the Company of the allowance (if any) awarded to the Buyers. If, however, the arbitration award is to the effect that the goods are "no tender" the Buyers shall be entitled to invoice back the said goods with any penalty the arbitrators may award.

23. The Company has the option to manufacture the goods sold under this contract at either of their Mills (Textile or Spring), and the Buyers cannot raise any objection to same.

24. Delivery of the said goods shall be taken by the Buyers as follows :—

**Mr. RATILAL T. THAKAR OF RATILAL & Co.,
BOMBAY**

Written statement dated the 3rd September 1926.

I, the undersigned, have been connected with the cotton trade in Bombay for several years. I was a member of the Cotton Contracts Board and am now a member of its successor the East India Cotton Association, Limited. I am also a member of the Representative Committee of the said Association elected by the Broker's Panel. The said Association has invited the members of its Representative Committee to submit to it their views pertaining to the enquiry your Board has undertaken at present, with a view to preparing a statement to be placed before your Board. I take this opportunity of submitting my views to your Board, while sending at the same time a copy of this statement to the said Association.

The city of Bombay which ranks second amongst the cities of the British Empire depends on two main activities for the maintenance of its prosperity and affluence, viz., the cotton industry and the export-import business. These two are in fact the foundation stones of the city of Bombay's prosperity and if anyone of them is imperilled the edifice is likely to crumble. It is also equally true that any danger to the prosperity of this second city of the Empire will reflect itself on the whole country and also on the Empire.

It has been noticed by those concerned for the past few years that the cotton industry of Bombay is losing ground and becoming worse day by day, and has now reached the final stage in its downfall. To tell the truth, it is lying on its death-bed at present. In my opinion there are two main causes for this state of affairs. The first of these causes is closely connected with the financial policy of our Government and the second is founded on the carelessness and want of technical skill on the part of our mill-agents.

The first cause mentioned above divides itself into two main issues; and the issue concerning raw material ranks first and demands particular attention.

At the outbreak of war in 1914, the price of cotton in other countries of the world as well as in India went down at first and the position became sufficiently bad to cause anxiety regarding the future of cotton growing and cotton industry in the country. However, the market began to improve soon after in 1915 as the demand for and scarcity of cotton in the world markets became apparent, the price of cotton began to rise, and with it the condition of the country went on improving. The climax was reached in 1917-18 and the price of cotton which was Rs. 125 per candy (784 lbs.) in 1914 rose to about Rs. 1,000 per candy in 1918. As a natural consequence of this rise in prices of the raw material crores of rupees came into the country from outside and its economic condition improved for the time being. A mere glance at the figures of the increased amounts of currency notes in circulation in the country, the Government loans floated during the past few years and the war-bonds and other securities in which the people of this country invested their surplus wealth, will amply prove the truth of my statement. In short, by the rise in price of the raw material the country was growing more prosperous every day.

However, those engaged in governing the country, evidently did not appreciate this state of affairs. Professing to act in the best interests of the country, they took the unwise step of controlling the price of cotton and appointed the Cotton Contracts Board to carry out their desired policy. The effect on the price of cotton was instantaneous. As soon as the intention of the Government concerning the appointment of the Cotton Contracts Board was known, the price went down by Rs. 150 per candy and a further fall to the same extent was registered soon after its appointment. The said Board began to function on the 1st September 1918 and the first clearing held under its auspices registered the first fall in prices by Rs. 150 per candy.

Evidently the Government were not satisfied with these results and they began to manipulate the exchange by selling Reverse Council Bills. That manipulation dealt a final blow to the price of cotton and ultimately it went down to Rs. 425 per candy. During this period the position in the United States of America was quite different. During 1918 the price of cotton ruled at about 29 cents, while it rose

to 43-75 cents in July 1920. Had our Government not interfered in the matter the price in India would also have continued to rule high and would have made the country, especially the peasant class not only prosperous but affluent. As it is, the action of our Government has resulted in a net loss of billions of rupees to the country in connection with cotton only and has ruined the peasant class entirely beyond any immediate hope of recovery.

This naturally resulted in impairing the purchasing power of the people and in decreasing the demand for cotton. This together with exchange manipulations managed to ruin the piece-goods trade of the country. The piece-goods merchants suffered heavy losses and many of them were broken. This was reflected in its turn on the world-demand for piece-goods and the vicious circle ended in greatly curtailing the world-consumption of cotton. The price of cotton in the United States of America also began to go down and in March 1921 it went below 11 cents. The price in this country at the same time ruled at about Rs. 255 per candy. The purchasing power of those concerned was affected beyond limit. The Cotton Contracts Board fixed the rate of Rs. 255 per candy on 7th March but it was not possible to get buyers for good qualities of ready cotton even at the rate of Rs. 200 per candy.

At this period, i.e., in 1920-21, the movement involving the use of country-made goods and the boycott of foreign goods had become very strong and as a result thereof the mills in India earned good profits. But a major portion of these profits remained only in books, since some of those who had contracted to buy on forward deliveries failed to pay for and take delivery of the goods. On the other hand the stock of goods at the mills began to increase and their prices went down.

If a man is slapped and boxed severely the dire effects may not be apparent soon after the thrashing. His condition will however become serious as time goes on. The cotton industry in India has also suffered similarly and the baneful effects are now apparent. If an employée becomes popular and consequently distasteful to the employer, he will have the former thrashed and when he is bed-ridden on account of that thrashing his employer will send a doctor to attend on him. Some such thing has happened in the case of our cotton industry. Our Government have thrashed the life out of it consciously or unconsciously and are now enquiring as to why it has been reduced to a skeleton. By its untoward and unwarranted interference the Government have succeeded in almost ruining the industry and are now appointing Committees and Commissions to enquire into the causes of that ruin.

The first and foremost of these patients whom the Government are now making a gesture to doctor is the Tata Steel concern, which is now being given medicine in the form of a bounty, to prevent the patient from hastening to his untimely grave. The second patient is our cotton industry and if the Government honestly desire to attend to its revival, that result in my opinion can be achieved by increasing duties on imports. The prime necessity however is of ceasing to interfere in an untoward and unwarranted manner as done hitherto. Prevention is better than cure. If the individuals concerned in managing the affairs of our Government make honest efforts and give necessary facilities for the development of the industry, as they would do in their own country, I believe our mills will revive within a few years and will make the country prosperous by becoming the best producers in the world.

Those connected with the management of the industry seem to believe that they can make big profits if they can obtain cotton at a cheap rate. However the experience of the past few years falsifies that belief. When the price of cotton goes down, it also impairs the purchasing power of the people to that extent, nearly 80 per cent. of the population being cultivators. While at the present price-level the purchasing power of the community has been reduced almost to a nullity it can easily be imagined what will happen if that level goes down still further. I do not believe the industry can ever make profits at a low price-level.

The management of the industry also believe that they can obtain cotton at cheaper rates and hence make good profits if the element of speculation prevailing in the trade is eliminated. They, however, seem to forget that if prices go down as they desire, Japan and other countries competing with them will also be able to obtain cotton for their mills at the reduced rate and will therefore, be in a better position to compete with them. They must also bear in mind that a lower price-level will result in lower purchasing and stocking power.

It is a fact that the Japanese mills obtain Indian cotton at cheaper rates than the mills in the country do. This is due to their organization. During the year

ended 31st August 1926, 18,73,836 bales were exported to Japan and China. The number of bales exported to these two countries during the year 1924-25 was 20,22,588. A major portion of this stock is purchased by the three big Japanese firms in Bombay. In fact, they almost hold a monopoly for these purchases. And being such big purchasers they are able to control the cotton market by their timely manipulations. They buy not only in Bombay but also in the mofussil. They also employ the system of double-hedging to their advantage very often. They make forward sales in Japan and make forward purchases here. When the crop is ready for ginning they buy in the mofussil and effect forward sales in the Bombay market freely. Consequently they succeed in depressing the price-level in the Bombay market which necessarily influences other markets in cotton-growing areas of the country. They also often appear to sell cotton in India against yarn purchases in Japan and *vice versa*. During the year 1921 they openly sold cotton in large quantities in the Bombay market. It is believed that by these manipulations the foreigners are able to obtain cotton at cheaper rates. On the other hand the managers of the local industry are devoid of any such monopoly or organisation and hence are unable to manipulate the market to their general advantage. They are obliged to buy in the local market and more often than not the tendency of the mill-agents being to act in the interests of the sellers, the mills obtain cotton at higher rates. Besides, for want of liquid capital the mills here are unable to stock a large quantity and hence have to pay higher rates when need arises. Under these circumstances the mills obtain cotton on an average at a higher price than the foreigners do and very often they are saddled with low quality cotton. So long as the mill-agents continue to be careless and believe that personal effort is detrimental to their prestige and dignity, they will not be able to obtain cotton for their mills at the rates as cheap as the foreigners can.

Besides there may be other defects prevailing amongst those concerned with the management of the industry but I do not profess to have any personal experience in that connection.

On the whole, I believe, that if it is considered necessary to preserve the well-being and prosperity of this second city of the Empire it is imperatively necessary to protect the industry and to gain that end I beg to make the following suggestions :—

- (1) An import duty of 12½ per cent. to be levied on piece-goods imported into the country.
- (2) From the produce of this revenue a bounty of 10 per cent. should be given to the piece-goods exported from the country.

Witness No. 78

Mr. J. H. WARDEN, BOMBAY

Written Statement dated Bombay the 25th October 1926

In my humble opinion the present depression in the cotton textile industry is more acute in Bombay mills than in upcountry centres, as Bombay is further from the cotton fields and the consuming markets in India. This is more on account of higher labour charges, higher municipal taxes, and owing to its being a sea-port and getting the full force of the foreign competition. The cotton cess and the duty in Bombay and general all-round duty of 15 per cent. on sizing material after the war and 5 per cent. on mill stores, etc., and heavy railway charges are all combined factors together with the raising of exchange to pave the way to the decline and downfall of the Indian cotton industry. I am of very strong opinion that the manipulated raising of exchange to 1s. 6d. by the Government of India is the chief cause of depression, which is just like a 12½ per cent. bounty to British goods. The depreciated Italian and Japanese exchange has also aggravated this grievance. This indirect bounty to the Japanese cotton goods has made its competition very acute for the last two years. The statistical figures up to 1924 are not the true criterion of the Japanese competition. The figures of the last two years should be closely taken into consideration together with the year 1926.

I consider the present depression a permanent one. As long as the Government of India raise the exchange by manipulation, in the words of the Finance Member a few days ago before the Burma Chamber of Commerce, "That the resources of the Government of India are ample enough to maintain the 18d. exchange ratio against all bear tactics" and declared "the 16d. ratio a dead issue." By this talk of the Finance Member I am quite emphatic that in the near future all that has been left of the indigenous industries of India will die out unless protection is given against raised exchange. I further take the liberty to bring to your notice how the masses have lost their buying power as they get 12½ per cent. less for their product in export by 18d. ratio which I consider to be another indirect effect in the cause of depression, i.e., that the masses have very little spare money to clothe themselves with.

I now come to other shortcomings in the industry. The recent change to electrical power drive adopted by most of the Bombay mills is a factor in raising the cost of the cotton production in yarn and cloth. The electric power supplied by the Tata Hydro-Electric Co., Ltd., is charged now on an average of 8 anna per unit; to this may be added steam required for sizing, calendering, insurance, pumps, maintenance charges, boiler staff, etc., which will be 15 anna per unit including capital charges for electric drive, i.e., total 95 of an anna per unit. This for a mill of 30,000 spindles and 1,000 looms indicating 1250 H.P. = 936 K.W. for 10 hours = 9360 units per day = Rs. 556 per day at 95 of an anna. Whereas the mechanical power of the present steam engines with coal at Rs. 20 per ton will be 6 anna per unit including sizing, insurance, maintenance, etc. = Rs. 351, i.e., in round sum of Rs. 200 more per day for electrical drive, i.e., $200 \times 26 =$ Rs. 5,200 per month $\times 12 =$ Rs. 62,400 per year more to be paid. I will give some practical experience of a mill that has changed to electric drive and has an increase of Rs. 5,000 per month in power bills. Another practical experience in which an electrical drive contract was broken with the Tata Hydro-Electric Co., Ltd., at the instance of my former report against electrical power being too dear, and paid Rs. 80,000 as compensation to the Tata people and borne another Rs. 20,000 (twenty thousand) for expenses, etc., by the *bona fide* millowner. Another mill has paid Rs. 40,000 to the Tata people for breaking the contract and keeping the old mechanical power.

As to the general talk and belief (1) that the mill agents are speculative and their loss transactions are transferred to mill accounts, (2) that there is inefficient and uneconomical top-heavy management and (3) no control over agency system of management on account of the defective Joint Stock Company legislation by the shareholders, I here with the greatest reluctance humbly bring before your knowledge without any reflection on any individual agency that there have been recently two or three cases in the court against some supposed-to-be dishonest agents. Generally such dishonest practice is very rare. It can be easily mitigated by amending the Company Act.

(2) I am always in doubt whether efficiency and economy can be maintained to the full satisfaction of the shareholders, by the agents as long as the directors are really

appointed by the agents themselves. The show of the shareholders appointing them at the general meetings is only eye-wash. It is an open secret that the directors are willing tools and mere puppets in the hands of the managing agents. They can have hardly any sufficient hold on the agents' buying, selling and economical working of the industry. I do hope that the Board has got enough proof so that by way of precaution against such vagaries on the part of some agents radical changes may be suggested in the rules and regulations of Joint Stock Companies when protection is given to the cotton textile industry in the form of higher import duties.

At this juncture I want to bring before the consideration of the Tariff Board the top-heavy management of some of the concerns. I state this without any prejudice to any party concerned, and I do hope and believe that the Tariff Board will consider it practically without any reflection upon my exertion to bring before them what in my humble opinion are true and hard facts. I have the honour to bring before the scrutiny of the Tariff Board the top-heavy management in the employment of Europeans as heads of departments on princely pay, who have no experience of such departments. I do admit that this question is a very delicate one, but I cannot help bringing this before the knowledge of the Tariff Board, hoping that the Board is really in earnest in finding out all the factors that have been aggravating the present depression, which can in my humble opinion be easily removed. Under such inefficient European heads of departments, the real management and responsibility as regards production, etc., have been entrusted to their assistants by the agents themselves. Your humble servant has got very bitter experience in one of the biggest firms in Bombay, that offers, cut lookers, lap carriers, 3rd year apprentices, fitters have been sent from Europe as carders, spinners, weavers, sizers, finishers, managers and engineers who have never taken any independent charge of such departments before. Such inefficient European officers as heads of the departments are at the mercy of their assistants, who manage everything for their ignorant superiors, under low pay. It is a pity that although able efficient Indian officers can be easily obtained at reasonable pay some of the agents have the weakness to appoint inefficient Europeans at the cost of the industry. I assure you that I have no prejudice against certain number of able foreigners being employed who can teach and show better management to the people of this country, but indiscriminate dumping of inefficient foreigners at fancy salaries is a great burden on the textile industry, and I do believe this is a not a small factor in raising the cost of production. The new Factory Act and the new Boiler Act are another burden on this industry. The former is very stringently applied as regards whitewashing of the factories every year, building construction and overtime of the mill-hands, which should be reasonably slackened. The new Boiler Act wants two extra boiler attendants which I consider not necessary when a qualified mechanical engineer is there to look after the boilers.

With all the *pros* and *cons* I have put before the Tariff Board both in favour of the industry and against it I have come to the conclusive opinion that the chief cause of depression is 18d. ratio per rupee which saps the very marrow of the cotton textile industry as a whole. If the Tariff Board cannot consider it in their power to suggest the lowering of the manipulated exchange to the original 16d. ratio, the Board should consider it their duty to strongly recommend the Government of India to raise the cotton textile import duty to 11 per cent. + 13 per cent. = 24 per cent. automatically adjusting itself with any further raising of exchange in future. As to the refund on re-export I suggest a refund of only 11 per cent. in justice to Indian cotton textile export. All the other depreciated exchanges of other countries should have countervailing duties levied on their textiles according to their depreciated exchange. I think this is the only true solution of the question for good, i.e., for five years; otherwise the industry has again to apply for further raising of the duties, if the Finance Member raises the exchange to even 1s. 8d., which I, in my humble opinion, do apprehend, as a smack to the Assembly vote against the fixation of exchange to 1s. 6d. recommended by him. This duty also to be applied to yarn up to 40s counts.

I further suggest that the board of directors should have at least two of them directly appointed by the shareholders only, without any proxy votes of agents or other directors, by a show of hands in the meeting by the shareholders only, who have proposed no other directors advised by agents. The board of directors' responsibilities should be to all sales and purchase by the agents, i.e., to countersign the contracts by the directors within a week of the contract. This is not as a reflection on the honesty of the agents, but as a sure precaution against all vagaries of transferring the loss contracts of anyone to the mill account. The agents and directors should be prohibited from speculating in cotton, coal, stores and their agency shares. The balance sheet and profit and loss accounts should be quite clear in detailed items for an ordinary man to understand the true position of the concern. This is simply as a precaution against any window dressing.

As to the depreciation account, I am of opinion that it should be used both for renewal of machinery and extensions, to be divided in equal proportion, and should be reckoned as a charge on production and not on profit.

I am further of opinion that the cotton duty and cotton cess in Bombay should be abolished and in return an export duty of 3 per cent. on cotton should be imposed and the proceeds should be utilised for the well being of cotton cultivators, as in giving out dole in bad seasons and tagavi for seeds, etc. This export duty will affect the cultivators like a deferred income set back for bad seasons to help them.

Witness No. 79

Mr. K. D. GORDHAN, BOMBAY

Written Statement dated the 11th September 1926

I have been carefully following the proceedings of your Board, and one thing that strikes me most is the complete absence therein regarding the views of the man most concerned—I mean the dumb man at the plough. He is the one person who will be vitally affected by the decision arrived at by your Board, but the pity is that nobody cares to speak out on his behalf.

You have heard the millowners and the hundred and one interested persons who have grown fat on the textile industry, but no one has come forward to represent the point of view of the consumer. I beg to state that he ought not to be left out of consideration.

A high tariff is alright to talk about. But who has got to pay for it? Is it fair that the population of this poor land should be penalized in order that a few rich men may grow richer?

The poor villager of this country is unable to clothe his body except for a loin cloth and a pugree. A high tariff may go to deprive him even of this luxury! I think the millowners should be told to put their house in order, instead of clamouring for a tariff wall, which may not prove an altogether unmixed blessing when granted.

Witness No. 80

Mr. G. FINDLAY SHIRRAS, PRINCIPAL, GUJARAT COLLEGE, AHMEDABAD

Written statement dated October 1926.

MEMORANDUM I -

SUMMARY OF EVIDENCE

The evidence which is given below under the orders of the Government of Bombay, deals mainly with the causes of depression in the cotton mill industry, especially in Bombay (City and Island) and connected questions. The evidence is, of course, given in my personal capacity and I wish it to be understood that, although asked to give evidence, I do not appear, in order to speak for the Government of Bombay.

CAUSES OF DEPRESSION

In section I of the Questionnaire the main causes of the depression are referred to in the queries which have been asked. In this connexion statistical tables have been compiled to show the financial results of the working of mills from 1917 to 1926. A statement has been prepared showing the fluctuation in the price of 42 cotton mill shares as compared with other industrial securities and fixed interest securities for each year from 1914. A statement has also been prepared to show the wholesale prices in food grains and oil seeds as compared with raw cotton, and cotton manufactures from 1914 to 1926. With this data it is possible to show with some degree of clearness a few of the main causes at work in regard to the depression.

It will be seen that the present depression in the cotton textile industry has been confined chiefly to Bombay (City and Island). It has to a less degree extended to other parts of India as will be seen from statement I, showing the dividends per cent. of representative mills in Bombay (City and Island), Ahmedabad, Sholapur, Indore, Bangalore, Bengal, Central Provinces, and the United Provinces (Cawnpore). In Sholapur the mills, despite the depression in Bombay City, have done well. All things considered, and at the present moment mills in Ahmedabad are as a whole earning fair profits. The statement is of interest as showing also that mills in the same centre are not all affected to an equal degree. From 1917 to 1921 the mills were earning high profits. In 1922 the boom was past, but it was not until 1925 and 1926 that the full effects of the aftermath were experienced. The millowners of Bombay (City and Island) have been the most hit by the depression. This depression has been the most difficult industrial period known since the sixties in the industry, and if general world trade conditions are included, the most difficult industrial period known for a hundred years.

The general depression of the trade after the short period of the Armistice boom was not foreseen. Many people did not comprehend how closely India was linked in her economic solidarity to the outside world, and how financial stringency, the outcome of impoverishment, due to the war and the political unrest in Europe, would restrict credit and retard schemes of development all over the world. When I was in America on study leave last year, I had an opportunity of examining at first hand the special investigations which have been undertaken by the Department of Labour and Industries of Massachusetts into the condition of the textile industry in that State, where the working hours for women and children in textile mills have been limited by law to 48 per week and 9 hours per day, while in no Southern State except South Carolina where the weekly limitation is 55 hours and Tennessee 75 hours is there a limitation of less than 60 hours per week and 10 hours per day. Moreover in Massachusetts the employment of women and children in textile manufacturing is prohibited after 6 p.m. and before 6 a.m. but in none of the Southern States is night work by women prohibited in the cotton mill industry. The official enquiry referred to this in the following terms: "As it is considered necessary to employ women in cotton mills both in the North and in the South this limitation of hours in which the work can be performed by women appears to be the most important handicap suffered by the Massachusetts mills in their competition with the mills of the South. Cotton machinery has become almost automatic and the more hours the machines are operated, the greater will be the production for the same overhead. However, the records presented later in this report show that actually, notwithstanding the limitation of the maximum hours of employment

in this State, the mills in Massachusetts are not operated any less continuously than the mills in other New England States in which the legal maximum number of hours is in no case less than 54 per week.

Evidently, therefore, the restriction which most seriously affects the manufacturer in Massachusetts is that which prohibits the employment of women after 6 p.m. and thereby renders it practically impossible to operate the textile mills in this State with a second shift of employees, even though none of these employees have been employed in excess of 9 hours in a single day or 48 in a week. As a matter of practice most of the operatives in Southern mills work 55 hours per week during the day-time, 10 hours for five days and five hours on Saturday, and then if necessary a night shift (including women) may be employed for 50 hours—10 hours each night, except Saturday and Sunday nights. Thus when occasion requires the spindles are operated (on a two-shift basis) even as many as 105 hours per week, as against a maximum of 48 hours in Massachusetts."

For some time previous to and during the greater part of the year 1922 business in the cotton mill industry in Massachusetts was not normal, and most of the mills were operated on a part-time basis or with reduced labour or with both. Strikes took place and the industrial conflict was prolonged. Similarly in 1924-25 the Lancashire cotton industry which has 39 per cent. of the world's spindles, as compared with India and Japan with one-sixth, found it impossible to do business, owing to the dearness and scarcity of raw material, the narrowness of margins, and the settled determination of customers to buy cautiously. Manufacturers were harassed by dear cotton and were faced with the prospect that if they converted it into yarn, they would be left with large stocks of dear goods when cotton fell in value. The spinning and weaving mills consistently played a very cautious game. Not since the cotton famine brought about by the American Civil War in 1861 has there been such a long spell of depression and unemployment in Lancashire and the only course has been to make the best of a bad job. The acceptance of "desperation" prices have not, therefore, been unknown and overhead charges remaining normal and production being reduced to a minimum the financing of business was unusually difficult. At the present time the ideal conditions have not yet arisen, namely an ample supply of raw cotton at reasonable prices allowing to the grower a fair reward and placing the manufacturer in a position to produce cotton cloths at prices within reach of the poorer consumers. The cost of raw cotton plays an exceptionally large part in determining the price of cotton goods, and the recent large estimates of the American crop will make for lower prices of the manufactured article. The stocks in Lancashire and in Bombay will have to be cleared before the mills see an easy market for their goods. It is not in the interest of the spinner or the manufacturer that raw cotton should be so cheap that there is little inducement to the cultivator to grow cotton. Foreign competition though not negligible does not account for the prevailing depression in Lancashire today. This can be met without difficulty when goods can be produced at a reasonable cost, and the world is in a position to buy normally.

In Bombay (City and Island) in 1923, the stocks were high and millowners intensified, often unwillingly, the depression by holding back from the market when prices were falling. On 31st January 1924, the stock of cloth was 150,000 bales as against a prewar average of from 40,000 to 50,000 bales. At the end of July 1926 the holdings were 140,000 bales and in September they may have decreased by 20,000 to 30,000 bales. Before the war it is possible that on occasions stocks were as great as today, but these were spread over between mills and merchants in Bombay and upcountry, while today the stocks are, generally speaking, carried by the mills themselves, and they have, therefore, a greater burden in arranging for finance. In Ahmedabad at this moment there may be some 60,000 bales in stock. It is not possible to give a comparative figure for Ahmedabad in regard to stocks in the prewar period as there has been a large increase in the cloth producing capacity of the mills in this centre.

Statement IV deals with the fluctuation in the prices of food grains, oil seeds, as compared with raw cotton and cotton manufactures including Indian made production. Today food grains are 41 per cent. above the prewar level. Oil seeds 40 per cent., raw cotton 44 per cent., manufactures 80 per cent., Indian made long cloth 71 per cent. and chudders 63 per cent. more than in the prewar period, July 1914. It must be added that these figures take no account of the turn over of the cultivator. For example he may be selling more owing to good harvests and his profits may be higher with the increased produce. It must also be remembered that he is not buying as much cloth as he used to do, on account of the increased prices charged to him for mill made goods. Before the war the consumption of cloth per head was about 18 yards per person. In recent years it is not more than approximately 13 yards per head. This may be partly owing to the high prices of cloth during the period of the war and for some years later the consumer here had to restrict himself to a lesser quantity, on account of the high

prices for the manufactured article. This habit continues and will continue so until prices fall considerably.

The table showing the value of cotton shares as compared with other securities year by year from 1914, which I compiled for the Stock Exchange Committee, when Director of the Labour Office, Bombay, brings out another factor which is by no means negligible in reviewing the causes of depression. The enormously high value of 1920, 1921 and 1922 followed by reaction recalls to mind the sensitiveness of the market in Bombay, especially when it is being tampered with. There are in Bombay 82 mills near each other and in a small area and the market is naturally sensitive to internal and external influences. In 1919-20 merchants in Bombay heavily bought forward and large sums were lost through the fall in prices. Many were also speculating and more than one was attempting to corner. Certain people were speculating heavily in land, gold, etc. Dealers lost large sums and the credit of merchants suffered severely. No longer was it possible for merchants to have the credit that they formerly had. It is unnecessary now to recall the speculation which led to certain mills changing hands and the effects of this on credit. In this period, as it will be seen from statement 1, the dividends were large and in some cases against the financial interests of the company.

In spite of this, not a few mills weathered the storm in a remarkable fashion as the three following balance sheets of mills marked A, B and C clearly illustrate, especially the items Reserve Funds and Liquid Assets ending 31st December, 1924, clearly show :—

						Rs.
A.	Capital	..	..	..	..	62,74,500
	Depreciation Fund	..	..	..	..	1,31,49,265
	Reserve Funds	..	..	..	..	1,35,09,184
	Other Funds	..	..	..	..	8,13,998
	Sundry liabilities	..	..	..	..	1,29,67,304
						<u>4,67,14,251</u>
	Block Expenditure	..	..	..	..	2,91,07,762
	Liquid Assets	..	..	..	..	1,74,60,465
	Profit and loss accounts	..	..	..	..	1,46,024
						<u>4,67,14,251</u>
B.	Capital	..	..	..	..	28,00,000
	Reserve Funds	..	..	..	..	22,29,348
	Other Funds	..	..	..	..	40,774
	Sundry liabilities including profit and loss accounts	..	..	..	..	23,10,904
						<u>73,81,026</u>
	Gross Block	..	..	..	..	60,20,531
	Less depreciation	..	..	..	..	21,70,613
						<u>38,49,918</u>
	Net block	..	..	..	..	35,31,108
	Liquid Assets	..	..	..	..	..
C.	Capital	..	..	..	..	18,50,000
	Reserve Funds	..	..	..	..	38,11,428
	Depreciation Funds	..	..	..	..	71,65,520
	Other Funds	..	..	..	..	17,31,028
	Sundry Liabilities	..	..	..	..	70,28,607
						<u>2,15,86,583</u>
	Block expenditure	..	..	..	..	1,27,37,911
	Liquid Assets	..	..	..	..	87,48,008
	Profit and loss accounts	..	..	..	..	1,00,664
						<u>2,15,86,583</u>

These mills are in Bombay (City and Island) and are with others ably managed. They show the strength of some mills after years of depression following the boom.

One also notices that mills situated together in Bombay and, therefore, under the same condition of trade depression, produce widely different results, owing to internal management. For example, one mill may have been successful in its sale of cloth or purchase of raw cotton, while another might have been unable to produce the same degree of success in its production, on account of less efficient management.

It is noticeable how in Bombay and Ahmedabad, several mills do not cover their purchases of cotton, generally made in the beginning of the cotton season (when cotton is cleaner and better than it is possible to obtain later) against which purchases mills have not sold cloth or yarn. It may be advantageous to sell against the actual purchase of cotton. Thus one may sell futures at 14 annas in the extent of 150,000 bales and buy 75,000 bales six months later at 12 annas and 75,000 to cover the contracts at 10 annas, thus making a gain against a loss which is credited to the mill. Where a mill has sold yarn or cloth and where it is unable to secure the actual or suitable raw material, from which it is produced, it may be advantageous to buy futures to the extent of the yarn or cloth sold. When suitable cotton comes on the market, the cotton is purchased and futures purchased sold. One transaction balances the other and the profit is secured on the sales of cloth or yarn. One group of mills in Bombay sold in New York and Liverpool American futures some time ago and covered their losses upon the holdings of raw cotton and cloth. The result was that the balance sheet shows very small losses in spite of the capacity of mills. Otherwise, these mills would have lost, it is said, something like Rs. 25 lakhs. Clever management and the avoidance of waste today are more important than they ever were in the Indian cotton industry. Mills should protect themselves to a greater extent than is customary from fluctuations in prices by adopting whichever of these measures are suitable for the business done. The "hedge" contract should be, as advocated by the Bombay millowners a single hedge contract as in Liverpool and Bombay instead of the present five hedge contracts. Speculation in futures often steadies prices. It develops the markets. As one writer says:—

"It is arguable deductively, but only on certain assumption, that speculation steadies prices, whatever plausible measure of steadiness be taken. The proof runs as follows: A developed market is constituted of experts of men who devote themselves to the studying, the foreshadowings of supply and the signs of change in demand. When an expert thinks price is going to rise he buys at once for future use. In consequence of his action, price does not rise so much in the future as it would have done otherwise, provided that the expert was right in his forecast. Now the expert bases his decisions upon a study of the facts of demand and supply after a long acquaintance with the facts. In consequence, he will more frequently be right than wrong, if he is a man of judgment. If he is not a man of judgment, and is more frequently wrong than right, he will dissipate his resources in time, and voluntarily leave the market ultimately, or be driven from it by his losses. Hence through a survival of the fittest, the majority of the experts on the market are likely to be men of judgment who study the market and are more frequently right than wrong. Hence their dealings tend to reduce the ranges of price variations and to reduce the average variation from the mean price.

This deductive proof that speculation (which is aided, be it remembered, by futures on produce exchanges) tends to steady prices rests on two assumptions. The one assumption is that the dealers are experts with knowledge of market conditions. The other is that they do not tamper with the market.

Tampering with the market, as the recent history of speculation in Bombay has shown, takes place when a man deliberately aims at altering the level of prices for his own personal profit. The man who 'corners' a commodity, i.e., gets a dominant control over its supply so that he can by having the supply in his own hands force up the price, is said to tamper with the market. Mills will protect themselves from fluctuation in prices by dealing in futures and futures are not always speculated manœuvres, but are calculations of the world's consumption on the one hand and of the existing and future harvests on the other.

In Bombay the Mathurdas Goculdas group of mills owing to the speculation of the agent in other directions were taken over by Messrs. Currimbhoy Ibrahim & Sons. The Apollo and Esplanade Mills similarly changed hands owing to the heavy losses of the agent Mr. Omar Sobani. These were taken over by Messrs. E. D. Sassoon. The David Mill changed hands similarly on account of one millowner cornering the shares and his being unable to find funds later. The Managing Agency went to Messrs. E. D. Sassoon. The Bombay United was bought by Messrs. Tata during the boom and resold later. The China Mill was closed by Mr. Mafatal Gagalbhai. This was a spinning mill and was closed by him for two years as he could afford to do so, ostensibly on account of the profits on the share transactions of the mill. The Prospect mill, the Diamond

mill, and the Planet mill were also liquidated. The Jivrajballoo mill was a very old mill and it is said, not very well managed.

In Ahmedabad several mills have changed hands, closed down or gone into liquidation. It is interesting to examine the list somewhat closely.

I.—Mills which have changed hands

The Indian Spinning Mill was a boom floatation with second hand machinery and the agent himself lost money. The Ahmedabad Cotton and Waste Mill was a prewar floatation which also contained second hand machinery. It was short of working capital. The Swadeshi Felt Cap and Hosiery Manufacturing Co., Ltd., also suffered from shortage of capital. The Hathisingh Mills were Mills of old plant. The Shrinagar Mills changed hands because the agent got into difficulties through speculation and the Mill suffered from the beginning from insufficiency of capital. The Zaveri Spinning Mill's agent got into difficulties independent of the cotton trade and absconded. The Sir Waghji Mill was a boom refloatation and from the first had insufficient working capital. Family troubles had also to do with the liquidation.

II.—Mills which have closed down

Of the four mills which closed down the Gontipur Spinning Mills and the Hathisingh Mills had old machinery. The Oriental Mill also suffered from insufficient working capital and the same remark applies to the Vishnoo Cotton Mills.

III.—Mills which have gone into liquidation

The Whittle Mills, the Asarwa Mills, the Virangam Spinning and Weaving Mills and Swadeshi Mills (in the Ahmedabad Association) have also gone into liquidation owing to speculation and in some cases to defalcation of the agents. It is commonly believed that the unfortunate position of the Whittle Mill is entirely due to mismanagement and speculation.

In the Ahmedabad Millowners' Association list of Mills which have gone into liquidation the Universal Mill was a weaving mill only and over-capitalised. The agent of the Zaveri mill as has already been mentioned absconded, while the remainder, the Gontipur, Vishnoo Cotton, and Vaso Mumbai were handicapped from the start.

What then is the conclusion? Clearly this. It is doubtful whether the mills mentioned in the list furnished by the Ahmedabad Millowners' Association could have continued to run except under boom conditions. They were in most cases short of working capital or without up-to-date machinery.

JAPANESE COMPETITION

The Bombay Millowners' Association have rightly drawn attention to the large imports of yarn and piecegoods from Japan in recent years. The statistics of yarn have in ten years increased more than 32 times, while imports of piecegoods have risen nearly 14 times. When I was Director of Statistics with the Government of India, the increase in trade with Japan was always a matter of considerable importance and interest. It was noticeable, however, that many of the increases were not really of a permanent nature. In regard to yarn and piecegoods, however, the same cannot be said, and in a sensitive market like Bombay with its 82 mills and large export and import houses the Japanese imports have given rise to serious questionings. It is this extraordinary rise "as the Bombay Millowners' Association points out," every year in Japanese imports which fills with dismay the minds of everybody who has a stake in the cotton mill industries of the country. If the Japanese imports go on increasing at the present rate, one hesitates to contemplate the plight in which the cotton mill industry of the country will find itself in about five or six years' time. It is necessary, therefore, to look a little further into the question of competition.

Great Britain with about one-third of the total world's spindles in 1925, or nearly as many as all Asia and America put together, exported to India last year 300 million yards of cloth more than Japan produced even by working overtime, and the exports were fine goods, while the Japanese were coarse. The finer the spinning the less weight of cotton to be used. More work and less production are put into the production. It is not with England that the competition lies, but with Japan and to less extent with Italy. In Ahmedabad, for example, Italian yarn was recently offered at one anna per lb. less than the Japanese. The real brunt of foreign competition at the moment is undoubtedly with Japan. In Japan as Sir Charles Innes pointed out "our information went to show that in Japanese spinning mills the proportion of women to

men was as 3 to 1 and that on an average 26 days per month, and 19 hours per day were worked. There were two shifts. The result was that in 1923 the output per spindle was more than 200 lbs. of yarn. In India in 1924-25, the output per spindle was 87 lbs. of yarn. Thus the Japanese clearly get the advantage of large scale production. Similarly certain facts have come to our knowledge about the weaving mills. The ratio of women to men was 5 to 1. Particulars of 19 big mills showed that they worked 26 days per month and an average of 14 hours per day. The output of cloth per loom was 19,000 yards a year. In India it was 13,000 yards a year.

The average daily number of operators in the spinning and weaving departments of the mills in Japan amounted approximately to 205,000 during the year 1924, of whom 78 per cent. were women and 22 per cent. men, while there is a total labour force of 368,000 in Indian mills, of whom 153,000 are employed in Bombay (City and Island). In the cotton mills in the Bombay Presidency the proportion of women to men is 1 to 4 and women are not employed as a rule in the weaving departments. The rates of wages, like the wages in Bombay have increased as will be seen from the following table published in the *Labour Gazette*, Bombay, in December 1925. The figures were converted into rupees at 1 yen equal to Rs. 1-9-0. The table is interesting as showing the extent of the increased rates since 1924 which are converted throughout it seems (but this is not clear) at 1 yen equal to Rs. 1-9-0 and not at the average rate of the yen year by year.

Year	Average daily wages			
	Spinning Departments		Weaving Departments	
	Men	Women	Men	Women
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1903 ..	0 8 3	0 5 3	0 9 3	0 6 0
1914 ..	0 12 3	0 8 0	0 14 0	0 9 6
1915 ..	0 12 6	0 8 0	0 13 3	0 9 3
1916 ..	0 12 6	0 8 3	0 13 3	0 10 3
1917 ..	0 13 9	0 9 3	0 14 6	0 11 3
1918 ..	1 1 3	0 12 0	1 2 0	0 13 3
1919 ..	1 12 0	1 5 9	1 12 3	1 6 3
1920 ..	2 7 3	1 14 0	2 7 3	1 13 3
1921 ..	2 4 6	1 12 3	2 5 3	1 12 9
1922 ..	2 6 6	1 15 0	2 7 0	1 14 9
1923 ..	2 5 0	1 13 6	2 5 0	1 13 3
1924 ..	2 6 0	1 14 3	2 6 3	1 13 3

The average wages of men in the spinning department of the Japanese mills amounted in 1923 to Rs. 2-5-0 per day and of women to Rs. 1-13-6 per day, while in Bombay and Ahmedabad, side men, and men piecers in the Ring Spinning Department earned about rupee 1 per day, while side women and women piecers earned 15 annas per day. Men spinners in Bombay earned Rs. 1-13-11 on time rates and Rs. 2-1-0 on piece rates, and in Ahmedabad Rs. 2-10-0 on time rates.

In the weaving departments in the Japanese mills in the table above, it will be seen that wages earned are similar to those in the spinning departments. In the Bombay Presidency the average daily wages in the month of August 1923, for two loom weavers in the mills amounted to Rs. 1-10-0 per day as against in Japan Rs. 1-13-3 for women and children and Rs. 2-5-0 for men. The efficiency or inefficiency of Indian labour is discussed below, but, as far as can be gathered, it seems that on balance Japanese labour is more efficient than Indian labour, but, how far, owing to lack of full and accurate statistics it is impossible to say. Further information will shortly be furnished on receipt of certain statistics asked for from the International Labour Office, Geneva. The workman is more educated in Japan than in India and the climate is more in his favour.

With reference to Japanese efficiency as compared with Indian efficiency there is not much statistical evidence of value. The character of the working force (in Japan), however, as well as the quality of the materials worked with, and the general equipment and

organisation of plants, has not made for high individual efficiency. More than three-fourths of the Japanese cotton mill workers are young girls brought to the mills from the country districts. They bring to their work no familiarity with machinery or factory routine; and show little aptitude for it. Being young and small of stature the girl workers cannot be expected to manage any large amount of machinery. Moreover, the labour force is a shifting one, the majority leaving the mill within six months or a year. As a result, they do not acquire enough experience or develop the skill to furnish the mills with anything but a bare nucleus of skilled help. The Japanese mills lack many of the labour saving devices, such as automatic looms, which make for the high efficiency of American mills, and they are not usually so economically managed as in that country. Add to these conditions the fact that they are working mainly with inferior Asiatic cottons, subject to more frequent breakage of yarns and stoppage of machinery, and therefore calling for more constant attendance, it can be understood why Japanese cotton mills require about four times as many employees to operate the same amount of basic equipment as are commonly employed in American mills. The consequent low efficiency per operative measured by output per day, goes far to counterbalance the advantage arising from the low daily wages paid to each worker. During the past five years wages in Japan have risen more sharply than in the United States. There has also been a marked increase in the indirect labour costs incurred in furnishing board and lodging to the female workers, in the customary semi-annual bonus paid in Japanese plants, and in the increased expense of recruiting and training new workers. The Japanese manufacturers have been made aware of their reduced advantage in costs of production by the increasing competition from the growing domestic industry in China, which, in producing for its own market, possesses the important advantage of the cheaper Chinese labour as well as the availability of the native grown cotton. In the important matter of improving the character of the working force and of developing a more stable and higher skilled body of workers, so essential to greater individual productiveness and the manufacture of goods of higher quality, little headway has thus far been made in Japan (United States Tariff Commission. *The Japanese Cotton Industry and Trade, 1921*).

The American Tariff Board found that while wages were about one-fifth of that being paid in the Southern mills of the United States (whose products are most similar to Japan) yet the mills have to employ four times as many workers to operate the same number of spindles or looms and accessory machinery. In costs other than labour Japanese petty and administrative expenses were lower than those in the States, but fixed charges were higher, higher business and land-taxes and higher expenditure for fuel and power. In Indian mills the number employed would be $3\frac{1}{2}$ times the number in a Lancashire mill.

The Japanese worker is better educated than the Indian. The Japanese Education Department issued in 1926 a general survey of education in Japan. The number of pupils in Japan in public institutions is nearly 11 millions as against 9,800,000 in British India with a population four times as large. In Japan all children of school-age are under instruction as against 30 per cent. in this country, and in Japan there is no difference in the proportion of boys and girls, while in India the difference is great and nearly 60 per cent. of boys of school-age are under instruction but only 6 per cent. of girls. In the Technical Continuation Schools of Japan are to be found the largest number of pupils next to that in elementary schools, viz., nearly 15,000 institutions.

Statistics illustrative of Japanese cost of production have, as already noted, been asked from the International Labour Office, Geneva, and these will be incorporated in another memorandum.

The most important fact regarding the Bombay cotton mill industry to-day is that as her conditions are approaching those in Western manufacturing countries although very slowly, the industry is losing some of the advantages that were hers in the past, viz., cheap material and cheap labour; to-day the mills must economise and improve their labour force, adopt more modern machinery and efficient methods, develop a wider range of goods and attempt to work up a more stable trade by better qualities of manufactures. Nevertheless to assist in this a safeguarding or protective tariff on the lower counts would be of advantage. It is true that the Fiscal Commission laid down that the Tariff Board in dealing with claims for protection must satisfy itself: (1) that the industry possesses actual advantages; (2) that without the help of protection it is not likely to develop at all, or not so rapidly as is desirable; and (3) that it will eventually be able to face world competition without protection. It must frankly be admitted that from the point of view of the Fiscal Commissions three requirements one (no. 3) is not complied with, but it is open to Government to consider the advisability of extending the Fiscal proposals or of imposing a safeguarding duty similar to the recent duty in Great Britain. Duties might be placed on cloths of the lower counts only, irrespective of the country of origin and perhaps also on yarns. All cloths made from counts 30s warp and 40s weft and

under would be subject to these duties. This would affect a very large percentage of imports from Japan without affecting high grade imports to any considerable extent. Further details of this and its effects are dealt with in memorandum 2.

EXCHANGE

The Bombay Millowners' Association have referred to the question of a high or low exchange as one of the causes affecting the prosperity of the industry. The fact on page 37 of the printed Memorandum of the Board of its having been put as the first of the difficulties facing the industry shows the emphasis assigned by the Association to Exchange. The Association has discussed this under two heads: (1) the effect of a fall in the gold value of the yen on Japanese exports; and (2) the effect of a high or low rate of the exchange on the Bombay mill industry, the Association favouring a rate of 1s. 4d. in place of 1s. 6d. per rupee.

The temporary effect of a fall in exchange acting as bounty to exports from Japan is of course true other things being equal. The yen has now returned to its gold value and *cadit questio!* The mill-owners have pointed out that 'during 1925 and 1926 the Japanese have not had the benefit of a falling exchange but the general level of value of the yen has been low enough in itself to enable Japanese mills to undersell Bombay mills by a very considerable margin.'

In the table prepared by the millowners showing comparative prices of Japanese cloth and Indian mill-made cloth in India it has been assumed that the average Bombay manufacturing charges have been 7½ annas per lb. since 1925 and that the yen cost of manufacture, 190 yens per candy, was constant throughout the period for a mill working single shift. The Association did not submit a statement showing the movement of prices in Japan during the period referred to and the price level in India which are important factors in estimating the effect of this temporary bounty. In Table VI appended, the prices in Tokyo in May 1926 were 177 as against 206·5 in 1924 while prices in India were 150 as against 177 in the same periods. Prices in Japan rose in 1924 as compared with 1923 but did not appreciably rise in 1925. The average for 1925 was 201·7. The depreciating exchange would have been of assistance to the industry in Japan in regard to its export trade provided prices in Japan and India did not fluctuate violently making for increased cost of production in Japan (and that prices in Bombay did not change in the same period). In regard to 1s. 4d. and 1s. 6d. exchange it is unnecessary to point out that much discussion on the effect of a high and low exchange has been going on since the Gold and Silver Commission reported. It is a question of ordinary arithmetic (and, therefore, not a question in dispute) to say that if the prices at which an exporter sells his goods in foreign markets be taken as fixed, a fall in the value of the currency relatively to the currency of another country increases his gross currency receipts by the amount of the fall. It is likely to increase his profit in a much larger proportion or as Marshall points out to turn a loss into a profit. No one disputes that fact. No one would dispute also that if the currency in India is rising in value and in Japan it is falling in value then employers in India having to pay relatively increased fixed charges, salaries and wages may be complaining of depression while Japanese employers are making good profit. The gain of the Japanese employer is not dependent on the fact that his goods are exported, and it is partly at the expense of the creditors who finance the industry that produces for export and also largely of the employees industry both of whom have an important share in the industry. Marshall stated in his evidence before the Fowler Committee on Indian Currency the proposition as follows:—

"If the statement is that a depreciating currency gives a bounty to the employer who is producing for export, I admit it; only I add, the bounty is just the same, and at the expense of just the same people, as that which he would get from a depreciating currency if he were producing for his home market, and not for export. Again it is common ground also that, when a country lends capital or returns any of its borrowings, or increases its payment of foreign dues (for example) increased its imports above their wont, then there is an increased demand for exporters' bills; that this is necessarily accompanied by a fall in the value of that country's currency relatively to foreign countries causes a stimulus to exports, and increases, for the time, the profits of exporters. But all this does not go to show that a depreciated currency is a bounty to exporters in the way of causing an increase of exports relatively to imports. On the contrary, any stimulus to exports relatively to imports which is not accompanied by lending to foreign countries, or returning loans, must necessarily be followed and compensated, by an exactly equal falling off of exports relatively to imports. For it causes an excess of exporters' bills, and that gives at once a bounty to imports. If the bounty is not sufficient the discount on exporters' bills rises, and, therefore, the bounty on imports rises, until precious metals or other goods come in.

"The question has been further dealt with in my "Indian Finance and Banking" (Macmillan & Co.) when the stimulus of a falling exchange is discussed (pp. 149-153) and in paragraphs 24 to 27 of the Fowler Currency Committee's Report (1899), and also in paragraphs 21 to 34 of the Herschell Currency Committee Report of 1893. The Hilton Young Currency Commission on Indian Currency and Finance in Part IV of their Report on the stabilisation of the rupee point out that 'the prosperity of an industry depends' on the soundness of its internal economy and its adaptability to changing conditions (Paragraph 193). 'Broadly speaking, the arguments which have been brought forward to prove that a reversion to *l. 4b.* would be beneficial, merely show that during a period of adjustment of conditions to that rate, certain sections of the community (*e.g.*, debtors, exporters, and employers of labour) would be benefited at the expense of certain other sections (*e.g.*, creditors, importers, and wage-earners); they do not show that there would be any section at the expense of another, still less to the country as a whole.' (Paragraph 205).

"The best interests of India as a whole now require that stability should be achieved without producing those disturbances which would be the inevitable consequence of adopting any rate but that which is current." (Paragraph 213).

INTERNAL COMPETITION

In order to examine internal competition it is necessary to have reliable statistics of cost of production. The collection of such statistics is next to impossible as mills are unwilling to show their costings even if individual concerns' statistics are not published. A second difficulty is that scientific statistics of costings are not kept in many mills. After much trouble the following statistics of costings in annas per lb. (24s or 24½s) in an average well established mill in Ahmedabad have been obtained. The statement is a composite statement based on representative concerns:—

Spinning Department	Annas per lb. of yarn (24½s average)
Spinning wages	87
Card and frame wages	36
Engine wages (engine includes engine-room and compound)	25
Coal	36
Stores	37
Depreciation	35
Interest charges	25
Commission	04
Ground rents	07
Water rates	05
Miscellaneous	07
	3·04

Weaving Department	Annas per lb. of yarn
Stores (including yarn purchased outside)	2·05
Wages	1·51
Coal	25
Depreciation	28
Interest charges	20
Brokerage	17
Agency Commission	52
	4·98
Total	8·02

In Ahmedabad the cotton mixing is on an average in 75 anna per lb. cheaper than the mixing used in Bombay for similar counts. The cotton is cheaper because of the proximity of the mills to the raw material. The Ahmedabad mills produce, speaking very generally, a lower quality of goods. They use more size, *i.e.*, they require less quantity of yarn to produce the same quantity of cloth. In Ahmedabad 140,000 lbs. of cloth is made from 110,000 lbs. of yarn made locally and 4,000 lbs. purchase. In a good mill like the one quoted by the Bombay Millowners' Association the costs are 8·14 annas. There is an addition of ·12 lbs. in manufacture, also ·75 for cheaper mixing and ·38 for

size equal to 1·25 anna minimum or 1·50 anna on average per lb, in favour of Ahmedabad. Lyallpur American New Cotton in Ahmedabad today, December to January delivery is selling at Rs. 16 per maund, or 6·25 annas per lb., add loss 16 per cent. 1·04 annas equal to 7·29 plus 8·02 or 15·31 annas per lb. Cloth can be sold in Ahmedabad to day Re. 1 or Rs. 1-2-0. There is at the moment a profit of 1½ annas per lb. on cloth.

The advantages which Bombay mills have over those in Ahmedabad are as follows:—

(a) Bombay has advantages over Ahmedabad owing to (1) its being at a large port. There is thus a saving in the prices of stores, and in the case of export, economy in transport; (2) a more humid climate. Humidity is all important in manufacture and the heat of Ahmedabad, especially in the hot weather, militates against good spinning.

(b) Ahmedabad on the other hand has undoubted advantages over Bombay which make production from one and a quarter to one and a half annas cheaper. These are: (1) rates and taxes are much higher in Bombay; (2) interest charges are much less; (3) warehousing charges in Bombay are costly, whereas in Ahmedabad purchases of raw cotton are made in neighbouring district and the storing charges are not so high. (4) The cotton used is cheaper and the mixing is also cheaper than that used in the same class of mills in Bombay for the same class of cloth, (5) owing to better attendance in the Ahmedabad mills it is said that the Ahmedabad worker gets more spinning production. This I have been unable to verify satisfactorily.

In regard to the extent which the hand-loom industry competes with the mill industry, I invite the attention of the Board to statistics which were prepared when I was Director of Statistics, and published in the Report of the Industrial Commission, 1918.

Appended to this memorandum are the spinning costs of a mill in Lancashire.

LABOUR

The cost of labour in production is, if the raw material be included, between 12 and 17 per cent. of the total. If raw material be excluded the percentage is, of course, considerably higher. A statement has been prepared to show the movement of the wages in the cotton industry from 1890. Detailed figures will be found in volume 3 of Mr. Datta's prices Enquiry Committee's Report (pages 4, 5, 16, 40 and 41). The increase before the war was, it will be seen, inconsiderable as compared with the rise in wages that have taken place from 1920. Paragraph 193 of the Royal Commission on Indian Currency and Finance should be read in this connection.

It is extremely difficult to get data which would show whether or not the unit of work is less than it was before the rise in wages, per employee. This was enquired into while I was Director of the Labour Office, but the results were not published, owing to technical difficulties in the compilation of the data, and rather than publish incomplete statistics, I decided not to publish them at all. This question of small unit of work has been faced both in England and the West since the reduction, by increased organization, and the conclusions which were arrived at in England and America are stated on pages 526 and 527 of the Statistical Journal, July 1925, in my paper on "Taxable capacity, the burden of taxation and Public Debt" (pages 526-27). In these countries, with the reduction of hours in a large number of occupations there has not been a corresponding reduction in output. The worker has been able to produce more in a shorter working time and the main reason is owing to the great mechanical developments and improvements in organization.

In Belfast I found that the reduction in hours has not been followed by a corresponding reduction in production. In the spinning work there was no increase. Mechanical perfection was great in the industry. The Chairman of the Linen Weaving Association informed me, that shorter hours, together with the elimination of one meal hour (the early breakfast hour) led to more production of piecework. Similarly in the cotton industry in England the efficiency of machinery and operatives was so high that reduction of hours did not produce generally an increased output per hour. Those who tended looms had no longer to take the cloth to the stores and this increased organization led to increased production, even in the cotton trade. Better organization and supervision due in some cases to methods adopted by these industries, on raw products, have still further reduced these losses.

The Indian labourer cannot be called efficient. For example the number of ring spindles per spinner is 160 as compared with 570 with Lancashire. In one mill of which I know in Ahmedabad the number is 380; but this mill is spinning 60s and 80s. Wages are in this mill, I am told, 60 per cent. higher than in most mills in Ahmedabad.

(b) The number of looms per competent weaver is 2; in Lancashire 4 to 6 and female labour, as in Japan, is able to do this work. The labourer in Lancashire, in regard to this, is much more methodical.

(c) The total operatives in the spinning department per 1,000 spindles up to and including reeling, is 20 per 1,000 spindles spinning 24s. In some mills the number is lower. In Lancashire the number is 13.

(d) The total operatives in the weaving departments per 100 looms for grey and coloured goods respectively are 85 and 90.

I was greatly struck by the efficiency of labour in Massachusetts and throughout America. The Secretary in Washington, Mr. Hoover, discussed this matter with me and emphasised the increase of production per head. One weaver using the automatic looms of the present day in the United States does work which could be done by 9,600 weavers using hand-power looms. Similarly one worker in a modern spinning mill can produce as much yarn as can be produced by 4,500 spinners employing the old spinning wheels. The inefficiency of the Indian worker is further discussed in the *Labour Gazette* (Bombay), July 1926. The inefficiency is due to various factors the more important of which are apart from heredity or nature, factors of environment or nature. With environment may be classed climate, food, education, and housing. It is impossible here to deal in detail with these factors and reference is invited to my report on Working Class Family Budgets, in Bombay, published in 1923, and to some conclusions (derived from the statistics) that have been made by the Director of the Parel Institute, the Municipal Health Officer and others. The calories amount to 2,450 per adult, as compared with 3,200 in England, and to over 4,000 in parts of the United States where much physical labour is required.

In India, of course, the calories would be less as the body surface of the worker is less the worker being small in size.

The climate is a hot one, so that the same amount of calories would not be as necessary as in the West. These medical men have pointed out but the food supply is deficient in proteins, and especially, in facts, owing to the lack of milk and there is an improper balancing of the diets. Similarly education is extremely backward and the result is that the workers do not keep up their machinery to the maximum efficiency. Workmen are careless about waste, keeping their machines far from clean and not oiling them. The worker smokes and loiters and there is little of the pride in the machine and the work, which one notices in the West. In Lancashire, weavers (usually women) keep their machines clean and, in short, they are more methodical in their work.

In Indian mills good production per loom is 78 per cent. as against 81 or 82 per cent. efficiency in Lancashire. A really good Indian weaver can get the same efficiency as is customary in Lancashire. On comparison the Bombay worker is quicker, more intelligent, and more stubborn (for example in strikes) than the Ahmedabad worker.

The Ahmedabad worker is, perhaps, not so efficient, but he attends more regularly, and in Ahmedabad, after pay-day there is not that high degree of absenteeism which one finds in Bombay. The mills in Ahmedabad give a bonus for regular attendance and wages are paid every fortnight. The following statement shows the comparative rates of wages in Ahmedabad, Bombay and Sholapur and other parts of Bombay Presidency.

Average Daily Earnings

Centre		Men		Women		Big lads and children (a)		All work-people (a)	
		Rs.	a. p.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.
Bombay City	.. ..	1	7 2	0	12 5	0	12 3	1	4 2
Ahmedabad	.. ..	1	6 2	0	12 9	0	11 4	1	3 10
Sholapur	.. ..	1	0 0	0	6 4	0	9 1	0	12 9
Baroda State	.. ..	1	0 6	0	10 10	0	8 0	0	15 3
Other centres	.. ..	1	0 1	0	8 2	0	8 8	0	14 0
Bombay Presidency		..	1 5 9	0	11 7	0	11 4	1	3 0

Statement

Until labour improves it is doubtful whether the outlay in machinery would be worth the expense of automatic looms. Labour lacks education and there are too few night schools where technical instruction might be given in the mill centres. The benefits of education are not yet appreciated as they ought to be. A good education as Marshal says confers great indirect benefits even on the ordinary workman. It stimulates his mental activity; it fosters in him a habit of wise inquisitiveness; it makes him more intelligent, more ready, more trustworthy, in his ordinary work; it raises the tone of his life in working hours and out of working hours; it is thus an important means towards the production of material wealth.

*Summary of Conclusions***I. Internal Economies.**

The root cause of depression is the lack of outlet for Indian made goods. The statistical tables show that all centres of the cotton mill industry have not been equally affected by the slump following the extraordinary boom in the years 1917-1921. Not only have the different centres been affected to a different degree, Bombay (City and Island) being the most affected, but different mills in the same centre show very wide results in their working. In Bombay even in the past year mills have made a profit but these were those efficiently run. Others working under the same conditions of depression made a small loss while others made considerable losses. The losses in Bombay from a rapidly falling market both in raw cotton, and also yarn and cloth were greatly intensified by heavy speculation among certain manufacturers and merchants connected with the textile trade in shares, bullion, exchange, and land. The slump caused many merchants to go out of business and the remainder were seriously crippled. Take, for example, the fall in cotton yarns. 50s Egyptian twist in November 1919 were quoted at 64d C. I. F. Bombay; in March 1920, 126d, in November 1920 64d, and the present price in September is about 28d. The mills which in 1925-26 have made little or no profit or losses are those chiefly whose agents originally speculated heavily in shares, raw cotton, etc. In 1925-26 certain mills such as mills in Sholapur have made satisfactory profits, and in Ahmedabad the mills as a whole are being run at a profit. These are mills which like many Japanese mills have built up liquid reserves.

The same remedies for depression are to effect internal economies in the industry and to reduce costs. This can be attained by scientific organisation, skilled management, and willing service. In this connexion the example of Vickers reconstruction in Great Britain last December affords much guidance for the weaker concerns. Mr. Reginald McKenna, Mr. Dudley Docker, and Sir William Pender made recommendations of a drastic nature. The ordinary share capital was cut down to its real value; this affected a wider circle than the sixty or seventy thousand shareholders in the company. "The prosperity of an industry" as the Royal Commission on Indian Currency and Finance recently pointed out (paragraph 193), "depends on the soundness of its internal economy and its adaptability to changing conditions; and any basic unsoundness in its economic conditions cannot be rectified by mere change in ratio of exchange". The truth of this is illustrated by references above in the American cotton textile industry. The causes of American prosperity are due to the following factors among others: (a) the productive capacity of labour seems to be capable of indefinite increase by time and trouble saving appliances; (b) it is better that labour should be rewarded in the same relation to output, than that wages should be limited or fixed; (c) there is strict adherence to the policy of promotion by merit and ability and labour is educated and therefore, keen and efficient; (d) it is more advantageous to increase profits by reducing prices to consumers than by raising them. In America since 1921 representative groups of manufacturers, distributors, and consumers, after reviewing output and sales, have reduced sizes, types, styles, and patterns which were excessively numerous under unregulated competitions. It has been said that in the American textile industry "In almost every instance the elimination of sizes and varieties which hampered the industry by keeping up the unit cost of production and tying up millions of capital in slow moving stocks has proceeded to the extent of 50 per cent. or more". Similarly in Belgium material reconstruction has been practically completed and an authority recently said that "In Belgian textiles competitive power in the world's market has been increased by the formation of co-operative associations for the various mills, providing for the large scale purchase of raw material, sale of finished products for its members and the allocation to each of specialized work. A net work of high power electrical cables now covers the country; it reaches the most isolated hamlets and farmsteads; it is responsible for the rebirth of cottage industries. In the commercial side Belgian export trade there is an increasing tendency to amalgamate for overseas sales organisation". The Director of International Labour Office, Geneva, in his recent report emphasised the importance of many of these factors and his remarks

on the elimination of waste are at the moment most apposite:—"No one who is interested in industrial problems can afford to be ignorant of the development and experience of American industry. It is distinguished, on the one hand, by Mr. Hoover's vigorous campaign for the elimination of waste; by the intensive study of the technique of management, by the elaboration of ever-widening combinations in industry for the purposes of obtaining raw materials, co-ordinating manufacture and organising sales. Moreover, the immense wealth of which American industry now disposes makes it possible for it to expend sums of money on research and the study of technical improvement with which no other country can compare. On the labour side too, developments are taking place of which the rest of the world has only an imperfect idea, but which may prove of considerable importance, in the evolution of the relations between capital and labour. Not only is trade unionism exploring new field of activity such as banking operations, in the interests of its members, but it tends to attach growing importance to the increase of output. The American Federation of Labour has definitely adopted the policy of advocating co-operation between employer and workman to promote production, and thereby the prosperity of both, if it is introduced under conditions which guarantee to the workman a full share in any benefit that may accrue and which may also afford him real voice in the determination of his conditions of employment."

The example of Germany, too, must be noted. She must long suffer the ruin resulting from her policy of inflation, but her capitalists used the cheap money of inflation to equip, on the most up-to-date lines, their reorganised industries and competition will in the future be keener than in the past. In Germany recently industrial management is making a thorough study of costs, and reorganisation and consolidation for their reduction is now the aim. The Berliner Handelsgesellschaft mentions the case of one of the largest coal companies, which with two-thirds of the workmen employed before the war has reached prewar production. The dye, coal, iron and potash industries have been almost entirely syndicalised. Similarly with America which send at least 40 per cent. of her imports to markets within the British Empire. In the recent months the cotton textile industry in the United States has been putting its house in order. Stocks of goods have been got rid of and are generally at low levels; increased demand is being reflected in increased mill-activity and a number of Southern mills have, it is reported resumed fulltime working.

A recent writer to the *Times* suggests that if representative bodies of employers and employed had devoted to joint consideration of the better organisation of their industries one-tenth of the time they have spent in strife "much of the equal discussion of a few shillings per week might have been avoided, and with it the ill-feeling and industrial loss that such discussions involve".

In this connexion I desire to put a strong plea for more information in the accounts of certain companies. Deliberate over valuation of assets, deliberate under valuation of assets, the lumping together of a mass of assets, inadequate allowances for depreciation, the avoidance of giving in detail of investments, e.g., in subsidiary companies, the avoidance of stating what percentage the income from investments bears to the value shown in the balance sheet are criticisms that can be passed on many balance sheets. As the City Editor of the *London-Times* recently pointed out (Sept. 27, 1926), in commenting on a strong criticism of the accounts of many American corporations in the September issue of the *Atlantic Monthly* "Obscurity and secretiveness can serve in the vast majority of cases no useful purpose, except to those who are fortunate enough to discover the facts, and are, therefore, in a position to take improper advantage of the proprietor's ignorance. . . . In this country (i.e., Great Britain) an opportunity for removing the abuses that exist will come when the Government takes action on the report of the Company Law Amendment Committee".

2. Tariffs.

In addition to the main question of internal economies resulting from efficient organisation within the industry itself import duties on cloth of low counts should be considered and perhaps too of yarns of certain counts, for example, of 30s warp and 40s weft or under, imported, which should be subjected to duties. A further memorandum on the details of this is submitted.

3. Statistical Information.

The Board will, without doubt, be convinced of the absolute necessity of strengthening the statistical information of an industrial and labour nature without delay. It is suggested that in the interests of the industry itself as well of Government and the general public information should be collected and kept up-to-date. The lack of much valuable matter (e.g. costs in representative mills and other data always difficult to obtain accurately) is against the best interest of all concerned. The Government of Bombay should

perhaps develop immediately this work and strengthen the direction under expert minds of this work. The work of the Labour Office and Industries with Statistics too might be put under one department. The Government of India are, it is understood, considering the strengthening of statistical work as recommended by the Indian Economic Committee. The Royal Commission on India Currency and Exchange recently recommended in paragraph 217 of their Report that "We have already taken occasion to remark on the absence of reliable and scientifically constructed statistics of prices and wages, and to recommend that these should be improved. The possession and utilisation of a reliable and reasonably complete body of statistical data is an essential of a sound currency system, and this is especially the case in a country like India where conditions vary so greatly in different parts of the country."

The two invaluable reports of the Balfour Committee on overseas markets and industrial relations are admirable examples of the statistical work that is needed. Moreover, the time loss owing to strikes has in the industry aggregated in recent years *millions* of days. Not only must a mass of valuable information on the industry be completed but legislation on industrial disputes providing for machinery to curtail this time loss should be put on the Statute Book as early as possible so that when a dispute is about to take place of has taken place the operation of this machinery may come automatically into effect.

APPENDIX

Cotton spinning costs in Lancashire

In April 1923, a leading authority estimated as below, taking as a basis an Oldham mill of 100,000 spindles, 36's cop twist and 42's cop weft. For a week of 48 hours a weekly production of 56,000 lbs. weight of yarn was assumed; also a capital of £2 10s. per spindle, *plus* 10s. per spindle for stocks and working capital.

Trading expenses were quoted as below:—

	£
Wages, salaries and health insurance	32,000
Coal	4,500
Other expenses	8,775
Depreciation	12,500
Interest on capital employed, loan money, etc.	15,000
Director's fees and tax	1,000
Insurances for fire, replacement, etc.	1,100
Local rates	2,000
Inland Revenue taxes	5,000
Total	81,975

Upon this basis it was calculated that the cost per lb. of yarn production would be 7·03d.

Brokerage, discounts, waste credits, cotton loss, and cellar gain were not included in above.

Taking "Futures" at 14·60 and paying 200 points on it was calculated that the yarn would cost 26·43 pence before adding any profit; taking mule yarn 36's cop twist and 42's cop weft.

For ring yarn on beams the Federation basis of one ring spindle to equal $1\frac{1}{2}$ mule spindles was taken.

It was assumed the capital required would be £3 15s. per spindle, and 15s. per spindle for stocks and working capital.

Taking "Futures" cotton at 14·60 pence, *plus* 250 points on, with $\frac{1}{2}$ per cent. brokerage, the cotton costs were given at 17·19 pence.

On above data it was calculated that the cost of production would be 29·01 pence per lb. for 36's ring yarn on beam.

Assuming mills to be working alternate weeks only, it was estimated that 4·4d per lb. would be added for the stopped week.

The full calculation for the mule yarn was given as below—

"Futures" 14·60, points on 200, brokerage at $\frac{1}{2}$ per cent. ·08 total, 16·68 cotton costs.

Twelve per cent, waste or cotton loss, after allowing for cellar gain on the yarn made cotton cost up to	..	..	..	18.95
Add cost of spinning as above given	..	..	..	7.03
				<hr/> 25.98
Less received for waste	..	..	..	.35
				<hr/> 25.63
Add yarn discount at 3 per cent.	..	..	..	.80
				<hr/> Cost per lb. of yarn = 26.43

(Thornley's Modern Cotton Economics, London. Scott Greenwood, 1923).

TABLE I

Cotton Mills—Dividends (Summary)

Mill	1917	1918	1919	1920	1921	1922	1923	1924	1925	26
Bombay City and Island—										
A ..	70	83	128	115	76	57	26	20	20	
B ..	60	68	128	144	120	72	26	20	20	
C ..	21	17	30	57	31	25	10	7½	6	
D ..	24	12	80	140	120	72	24	16	16	
E ..	20	28	60	80	60	42	26	8	..	
F ..	15	10	10	30	46	40	20	7½	7½	
G ..	58	46	160	120	110	80	38	34½	34½	
H ..	34	85	45	70	85	50	20	6	6	
Ahmedabad ..	20	36	36	60	60	80	50	32	24	12*
Sholapur—										
A ..	15	15	40	50	75	100	75	50	45	
B ..	5	15	40	40	60	60	40	30	30	
C ..	100	..	52	115	200	250	200	120	..	70
Indore ..	45	..	37	110	110	115	81	47	12*	
Bangalore ..	..	..	..	20	20	20	20	20	10	5*
Bengal ..	..	..	..	25	35	30	20	10	10	
Madras—										
A ..	9	20	10	50	50	75	50	20	8	
B ..	..	..	..	..	10	20	20	20	15	5*
C ..	15	15	20	50	50	40	12	12	..	
Central Provinces ..	..	..	..	40	120	90	30	20	12½	5*
Cawnpore ..	30	40	70	120	120	120	85	50	..	

*Interim dividend.

Source—The Investor's Year Book, 1925-26 and Capital.

TABLE II

Cotton Mills—Dividends per cent. (detailed table)

Names of Mills	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
<i>Bombay</i>											
Apollo Mills, Limited .. ..	..	..	..	..	..	..	..	28	..	..	..
Cotton Manufacturing Co., Limited.	..	..	8	24	6	25	40	40	20	3	..
The Bombay Dyeing and Manufacturing Co., Limited.	16	24	70	83	128	115	76	57	26	20	..
Bradbury Mills, Limited ..	5	..	28	..	20	22	80	80	42	4	..
The Century Spinning and Manufacturing Co., Ltd.,	9	25	60	68	128	144	120	72	26	20	..
Colaba Land and Mill Co., Ltd.	12	11	21	17	30	57	31	25	10	7½	..
The Coorla Spinning and Weaving Co., Ltd.	3	6	15	..	20	45	55	55	30	15	10
Crescent Mills Co., Ltd. ..	9	20	40	..	40	85	100	110	45	14	11
Currimbhoy Mills Co., Ltd.	7	14	35	..	18	42	120	88	28	4	..
The David Mills Co., Ltd. ..	13	12	21	..	49	84	62	21	..	..	..
Dawn Mills Co., Ltd. ..	8	4	24	12	80	140	120	72	24	16	..
Ebrahimbhoy P. Mills Co., Ltd.	..	..	3	..	4	30	64	72	34	6	6
Edward Sassoon Mills, Ltd.	5	5	6	10	65	50	50	30	5	..	..
D. Sassoon Mills, Ltd. (United).	..	..	..	..	..	5	..	..	..	..	..
Elphinstone Spinning and Weaving Mills Co., Ltd.	..	..	..	..	..	15	40	25	8	..	..
Emperor Edward Spinning and Manufacturing Co., Ltd.	7	12	26	23	30	35	40	28	3	..	..
Fasulbhoy Mills, Ltd. ..	12	22	50	..	52	84	168	104	60	32	18
The Finlay Mills, Ltd. ..	..	6	20	28	60	80	60	42	26	8	..
Framjee Pettit Spinning and Manufacturing Co., Ltd.	4	10	12	20	40	30	35	22	..	..	..
Globe Manufacturing Co., Ltd.	..	..	..	..	5	30	30	10	..	..	..
Gokak Mills, Ltd. ..	..	..	..	..	8	40	45	30	10	10	..
Gold Mahur Mills, Ltd. ..	6	7	20	35	40	50	25	8	..	..	..
Hindutsan Spinning and Weaving Mills Co., Ltd.	..	5	12	30	..	30	40	40	20	7	10
Indian Manufacturing Co., Ltd.	..	6	15	10	10	30	40	40	20	7	7
Jamsed Manufacturing Co., Ltd.	..	..	..	..	..	40	40	12	..	..	..
Kastoorchand Mills Co., Ltd.	7	35	44	..	20	40	25	10	..	..	..
The Khatau Makani Spinning and Weaving Co., Ltd.	8	15	34	85	45	70	85	50	20	6	..

TABLE II—contd.

Names of Mills	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
<i>Bombay—contd.</i>											
Kohinnor Mills Co., Ltd.	6	8	39	45	120	120	80	84	..	..	..
Madhavji Dharamsey Manufacturing Co., Ltd.	20	40	110	..	50	100	90	60	80	..	..
Manekjee Petit Manufacturing Co., Ltd.	5	10	17	35	50	65	70	50	10	5	..
Mathuradas Mills, Ltd. ..	..	..	..	..	25	69	20	20	7	..	..
Mayer Sassoon Mills, Ltd.	..	..	..	..	..	..	55	50	10	..	..
The Morarjee Goculdas Spinning and Weaving Co., Ltd.	8	12	25	60	30	60	85	90	45	12	..
New City of Bombay Manufacturing Co., Ltd.	12	12	31	30	100	160	100	70	10	10	..
New Great Eastern Spinning and Weaving Co., Ltd.	..	6	25	25	47	55	55	32	5	5	..
New Victoria Mills Co., Ltd.	..	..	..	..	..	..	30	15	..	..	..
Pearl Mills, Ltd.	..	5	14	30	..	32	28	36	72	44	16
Phoenix Mills, Ltd.	..	10	20	50	..	223	160	175	140	45	30
Sassoon Spinning and Weaving Co., Ltd.	..	..	12	12	20	35	15	..	..	..	..
Simplex Mills Co., Ltd. ..	10	26	50	..	..	..	14	44	6	..	..
Sir Shahpurji Broacha Mills, Ltd.	..	..	10	..	25	20	45	20	..	..	..
The Standard Mills Co., Ltd.	10	28	50	35	60	74	70	56	20	12	..
The Swadeshi Mills Co., Ltd.	19	30	58	46	160	120	110	80	38	34	..
Swan Mills, Ltd.	..	..	11	24	44	60	68	80	60	40	20
Tata Mills, Ltd.	..	..	..	3	13	20	30	2	..	..	..
Union Mills, Ltd.	..	..	6	10	20	50	50	13	..	..	..
Western India Spinning and Weaving Manufacturing Co., Ltd.	..	2	6	20	..	20	36	30	10	..	..
<i>Ahmedabad</i>											
Advance Mills, Ltd. ..	6	12	20	36	36	60	60	80	50	32	..
<i>Sholapur</i>											
Laxmi Cotton Manufacturing Co., Ltd. ..	10	10	15	15	40	50	75	100	75	50	..
Vishnu Cotton Mills, Ltd. ..	..	..	5	15	40	40	60	60	40	30	..
The Sholapur Spinning and Weaving Co., Ltd.	80	42	100	..	52	115	200	250	200	120	100
<i>Outside Bombay Presidency</i>											
Agra United Mills ..	..	..	..	..	..	..	11½	..	..	..	..
Bangalore Woollen, Cotton and Silk Mills Co., Ltd.	..	..	..	..	..	20	20	20	20	20	..*
Bengal Laxmi Cotton Mills, Ltd.	..	..	..	..	..	25	35	30	20	10	10

* Interim dividend.

TABLE II—concl'd.

Name of Mills	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
<i>Outside Bombay Presidency—concl'd.</i>											
Birla Cotton Spinning and Weaving Mills, Ltd.	..	..	..	..	..	20	10	..	..	..	..
Bensal, Cotton Mills, Ltd., Nagpur.	..	..	..	..	..	80	120	90	30	20	12½
Bowree Cotton Mills Co., Ltd.	..	..	..	..	..	425	200	140	35	10	10
The Central India Spinning and Weaving Co., Ltd.	20	30	56	74	70	160	90	101	56	38	..
The Buckingham and Carnatak Co., Ltd.	..	..	..	..	..	..	10	20	20	20	15
Cawnpore Textiles, Ltd.	..	..	..	..	..	..	..	..	..	..	..
Coimbatore Spinning and Weaving Co.	5	8	9	20	10	50	50	75	50	20	8
Dunbar Mills, Ltd.	..	..	..	..	..	120	95	57	20	7½	10
Elgin Mills Co., Ltd.	..	..	..	..	..	10	20	21	5	..	4
Indore Malwa United Mills, Ltd.	18	50	45	..	37	62	110	115	81	47	32
Jajodia Cotton Mills, Ltd.	..	..	..	..	..	..	..	..	..	..	..
Keoram Cotton Mills, Ltd.	..	..	..	..	..	20	30	5	..	..	..
Madras United Spinning and Weaving Mills Co., Ltd.	11	10	15	15	20	50	50	40	12	12	..
The Malbar Spinning and Weaving Co., Ltd.	..	..	..	..	..	50	50	40	30	20	..
Madura Mills, Co., Ltd.	..	..	..	..	..	30	100	75	20	20	22½
Mohini Mills, Ltd.	..	..	6	12	..	6	10	7	10	6	..
Muir Mills Co., Ltd.	12	15	30	40	70	120	120	120	85	50	..
The New Ring Mill Co., Ltd.	..	..	..	..	..	365	180	110	50	15	..
Ramchand Curnanajmal Cotton Mills Co., Ltd.	..	..	9	20	20	30	15	5	..	..	..
Tinnevely Mills Co., Ltd.	..	..	..	..	..	100	100	87½	30	40	40
Tinnevely Textiles, Ltd.	..	..	..	..	..	50	20	..	..	..	..

TABLE III

Profits of mills in Lakhs

	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
<i>Bombay</i>													
Apollo Mills, Limited	19	..	12	2	..	4
Cotton Manufacturing Co.	1	3	6	2	6	11	9	6	2	..
The Bombay Dyeing and Manufacturing Co., Ltd.	7	12	21	49	67	89	62	45	12	20	12½ from
Bradbury Mills, Ltd.	1	..	5	..	1	6	16	18	6	1	1
The Century Spinning and Manufacturing Co., Ltd.	3	11	22	21	48	43	25	22	5	-4	..
Colaba Land and Mill Co., Ltd.	5	3	8	6	15	23	16	10	4	2	..
The Coorla Spinning and Weaving Co., Ltd.	1	1	4	..	6	13	13	13	8	2	2
Crescent Mills Co., Ltd.	3	8	11	10	10	25	26	10	10	3	2
Currimbhoy Mills Co., Ltd...	4	5	11	..	6	22	38	25	8	2	-3
The David Mills Co., Ltd.	4	4	8	..	22	33	22	9	-5	-2	..
Dawn Mills Co., Ltd.	1	1	4	2	15	27	14	11	4	2	..
Ebrahim P. Mills Co.	1	1	2	..	3	19	28	23	11	2	2
E. D. Sassoon United Mills, Ltd.	72	18	17	14	-9	..
Edward Sassoon Mills	1	2	2	3	16	18	12	8	2	-1	..
Elphinstone Spinning and Manufacturing Co., Ltd.	6	18	11	7	2	2
Emperor Edward Spinning and Manufacturing Co., Ltd.	3	4	6	8	9	13	13	8	-1	-2	..
Farulbhoy Mills, Ltd.	5	8	17	..	16	26	37	27	16	6	4
The Finlay Mills, Ltd.	1	3	9	11	17	24	18	15	9	3	..
Framji Petit Mills, Ltd.	2	4	4	5	10	6	9	3	-5	-3	..
Globe Manufacturing Co., Ltd.	-1	1	2	1	8	11	9	2	..	2	..
Gokak Mills, Ltd.	9	20	29	20	1	6	..
Gold Mohor Mills, Ltd.	1	..	2	4	4	5	12	8	3	-4	..	..
Hindustan Spinning and Weaving Mills Co., Ltd.	1	3	7	3	6	11	10	7	2	3
Indian Manufacturing Co., Ltd.	1	4	3	3	10	10	9	4	2	3
Jamsed Manufacturing Co., Ltd.	1	-4	2	2	4	9	10	3	-1	-2	..
<i>Outside Bombay Presidency</i>													
Agra United Mills	20	13	4	13	..
Bangalore Mills, Ltd.	9	11	13	13	14	5
Bengal Laxmi Cotton Mills..	3	11	9	3	4	1
Bengal Nagpur Cotton Mills..	7	15	8	3	2	..
Birla Cotton Spinning and Weaving Mills, Ltd.	2	2	2	1	1	1

TABLE III—contd.

	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
<i>Outside Bombay Presidency—contd.</i>													
Bowteah Cotton Mills Co., Ltd.	20	16	12	8	1	..
The Buckingham and Carnatak Co., Ltd.	36	38	35	40	20
The Central India Spinning and Weaving Co., Ltd.	12	22	38	54	59	104	61	54	34	26	..
Cawnpore Textiles, Ltd.	2	2	2
Coimbatore Spinning and Weaving Co.	1	1	2	6	2	19	13	21	10	2	..
Dunbar Mills, Ltd.	16	18	10	5	3	2
Elgin Mills Co., Ltd.	5	14	12	3	3	3
Jajodia Cotton Mills, Ltd.
Keshorem Cotton Mills, Ltd.	18	26	13	9	-2	3
Indore Malwa United Mills..	8	14	11	..	11	17	20	33	26	10	12
Madras United Mills	1	1	2	2	3	6	10	7	1	..	..
Malbar Spinning Mill	7	6	4	3	3	..
Madura Mills Co.	31	68	38	24	16	9
Mohini Mills Co.	1	1	1	1	..
Muir Mills Co.	11	9	13	11	21	36	31	24	16	8	..
New Ring Mills Co., Ltd.	3	7	4	2	1	..	..
Ramchand C. Cotton Mills	1	1	1	3	1	1	1	1	..
Tinnevelly Mills Co.	12	14	17	7	6	2
Tinnevelly Textiles, Ltd.	5	4	3	..	..	..
Kastoorchand Mills Co., Ltd.	2	6	10	..	7	22	11	9	5	-3	-5
Khatau Makanji Spinning and Weaving Co., Ltd.	2	5	9	20	11	11	14	6	5	1	..
Kohinoor Mills Co., Ltd.	2	3	12	16	31	27	22	12	-1	1	..
Madhavji Dharmasey Manufacturing Co., Ltd.	6	10	21	11	31	21	15	5	2	2	..
Manekji Petit Manufacturing Co., Ltd.	7	19	33	19	47	51	52	33	3	-1	..
Mathuradas Mills, Ltd.	5	..	9	13	9	10	1	-6	-6	..
Meyer Sassoon Mills, Ltd.	11	9	3	-1	..
The Morarji Goculdas Spinning and Weaving Co., Ltd.	2	4	7	18	9	20	28	25	11	4	..
New City of Bombay Manufacturing Co., Ltd.	1	1	3	2	10	15	9	6	2	1	..
New Great Eastern Spinning and Weaving Co., Ltd.	1	2	6	6	18	15	15	11	4	2	..
New Victorial Mills Co., Ltd.	19	11	5	-2	-1
Pearl Mills, Ltd.	4	6	12	..	13	22	24	21	13	4	2
Phoenix Mills, Ltd.	2	4	11	..	9	18	26	20	16	5	3
Sassoon Spinning and Weaving Co., Ltd.	2	3	6	5	3	14	9	-4	1	-7	..
Simplex Mills Co., Ltd.	3	6	12	..	-8	-3	13	17	4	-1	1

TABLE III—concl'd.

	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
<i>Outside Bombay Presidency—concl'd.</i>													
Sir Shahpurji Broacha Mills	6	..	4	20	39	33	13	-2	-11
The Standard Mills Co., Ltd.	2	7	10	6	18	18	15	10	4	3	..
The Swadeshi Mills Co.	7	10	21	21	41	39	32	19	10	9	..
Swan Mills, Ltd.	1	2	6	9	9	13	15	11	6	2	..
Tata Mills, Ltd.	1	5	11	18	27	17	2	-13	..
Union Mills, Ltd.	5	1	5	9	8	2	-2	-7	..
Western India Spinning and Weaving Co., Ltd.	1	1	6	1	9	9	8	4	-1	3
<i>Ahmedabad</i>													
Advance Mills, Ltd.	1	3	6	9	6	15	14	15	9	5	..
<i>Sholapur</i>													
Laxmi Cotton Manufacturing Co.	4	4	7	7	16	23	28	26	12	10	..
Sholapur Spinning and Weaving Co., Ltd.	5	8	22	..	16	42	55	34	38	18	15
Vishnu Cotton Mills, Ltd.	2	4	7	9	13	17	23	19	9	10	..

TABLE IV

Wholesale market prices Bombay

	July						
	1914	1921	1922	1923	1924	1925	1926
Cereals (average of rice wheat, jowari, barley and bajri) ..	100	186	170	127	143	141	146
Pulses (average of gram and turdal)..	100	151	134	90	98	102	128
Average of food grains ..	100	191	188	119	133	133	141
Oilseeds ..	100	171	151	132	150	140	140
Cotton, Raw (average of Oomra, Broach, Dharwar, Khandesh, Bengal) ..	100	137	196	217	265	182	144
<i>Manufactures—</i>							
Average of twist grey shirting, white mulls shirting, longcloth chudders .	100	269	255	211	232	208	180
Longcloth (local made 36" × 37½ yards).	100	281	289	210	242	195	171
Chudders 54" × 6 yards ..	100	259	263	200	221	184	163

TABLE V

Index numbers of the prices of shares

	Fixed interest securities	Cotton mill shares	Cotton ginning and pressing cost	Electric undertakings	All industrial securities	General average (100 securities)
1914 July	100	100	100	100	100	100
1915 "	96	97	94	90	101	100
1916 "	87	114	102	122	130	127
1917 "	73	138	118	128	158	151
1918 "	74	212	131	139	194	184
1919 "	77	216	126	237	216	206
1920 "	65	438	168	246	313	296
1921 "	65	450	168	212	311	295
1922 "	63	406	163	175	267	253
1923 "	72	229	147	136	176	169
" August	73	216	153	138	168	161
" September	73	225	133	133	166	159
" October	72	213	133	131	163	157
" November	71	216	122	135	163	156
" December	71	215	122	131	160	154
1924 January	71	196	122	126	151	146
" February	73	192	122	127	148	143
" March	74	189	122	123	146	141
" April	74	188	119	130	145	140
" May	74	179	120	137	143	138
" June	74	180	121	137	143	138
" July	74	176	121	133	140	135
1925 July	74	169	118	140	134	130
1926 March	77	167	114	164	134	130

TABLE VI

JAPANESE EXCHANGE AND PRICES

(a) Percentage which cost of dollar is of its cost at par

(Gold parity 1 dollar 2.006 yen 49.85 cents 1 yen)

	Year Average	New York on Japan
1920	..	98.9
1921	..	102.4
1922	..	103.7
1923	..	102.6
1924	..	121.0
1925	..	121.5
" March	..	121.7
" April	..	119.4
" May	..	118.9
" June	..	122.1
" July	..	121.3
" August	..	121.6
" September	..	122.3
" October	..	121.7
" November	..	117.8
" December	..	115.4
1926 January	..	112.9
" February	..	109.8
" March	..	109.8
Week ending		
24th April 1926	..	105.5

TABLE VI—*contd.*

(b) Wholesale Index number (Bank of Japan and Calcutta)

Year					Tokyo	Indian (Calcutta)
1913	..	..	..	..	100	100
1915	..	..	..	..	96·6	112
1916	..	..	..	..	117·1	128
1917	..	..	..	..	148·5	147
1918	..	..	..	..	195·5	180
1919	..	..	..	..	235·9	198
1920	..	..	..	..	259·4	204
1921	..	..	..	..	200·4	181
1922	..	..	..	..	195·8	180
1923	..	..	..	..	199·1	176
1924	..	..	..	..	206·5	177
1925	..	..	..	..	201·7	164
..	March	..	..	..	204·3	168
..	April	..	..	..	201·7	169
..	May	..	..	..	199·4	164
..	June	..	..	..	199·9	157
..	July	..	..	..	198·3	160
..	August	..	..	..	200·1	157
..	September	..	..	..	201·1	158
..	October	..	..	..	200·4	160
..	November	..	..	..	196·8	164
..	December	..	..	..	193·7	163
1926	January	..	..	..	192·2	163
..	February	..	..	..	188·4	158
..	March	..	..	..	184	155
..	April	..	..	..	181	150
..	May	..	..	..	177	150

Source.—Monthly Bulletin of Statistics, League of Nations.

TABLE VII

Prewar wages in the Bombay cotton mill industry

Year	Monthly wages	Real wages (i.e., allowing for cost of living charges)
1890	101	105
1891	101	105
1892	101	94
1893	99	95
1894	98	101
1895	103	113
1896	103	113
1897	105	98
1898	107	107
1899	107	108
1900	107	91
1901	107	99
1902	106	101
1903	106	104
1904	104	103
1905	108	103
1906	107	98
1907	116	105
1908	118	98
1909	123	105
1910	127	105
1911	117	99
1912	124	98

Source.—Prices Enquiry Committee's Report, Vol. III, page 5 and page 206.

MEMORANDUM II

Memorandum on cotton import duties

1. The issues to which my attention was drawn in the examination before the Board was specially confined to the following points :—

- (i) The competitive situation with regard to cotton manufactured goods with special reference to Japan ;
- (ii) The question of import duties of (a) a protective nature and (b) a safeguarding nature and the best method of levying these duties ;
and
- (iii) The direct effects of these duties. I propose to summarise briefly the main points in regard to these three important questions.

2. Firstly with regard to the competitive situation. In 1913-14 and 1923-24 the competitive situation as regards yarns was as follows :—

	1913-14		1923-24	
	Production	Imports	Production	Imports
	Million	Million	Million	Million
	lbs.	lbs.	lbs.	lbs.
Cotton twist and yarn :—				
Nos. 1 to 25	616·7	2·2	527·8	7·3
Nos. 26 to 40	62·7	27·3	77·0	20·8
Above No. 40	2·7	7·9	3·3	7·7
Grey and coloured two folds (doubles) ..	..	..	..	4·0
Unspecified descriptions and waste ..	0·1	6·8	0·1	4·7
Total (all kinds) ..	682·8	44·2	608·6	44·6

Japan practically ruled the import market in counts up to 25s, in which she was a strong competitor with Indian mill made yarns. In counts 26 to 40 Great Britain and Japan shared in the same year (1922-23 the last year for which detailed figures are readily available). In counts above 40 Great Britain retained practically the whole import trade.

The following table illustrates the important fact that Great Britain had a higher proportion of the total value of the imports of yarn than of the total weight—in other words of the finer counts :—

	Percentage of total imports by weight		Percentage of total imports by value	
	Great Britain	Japan	Great Britain	Japan
	Per cent.	Per cent.	Per cent.	Per cent.
1913-14	86	2	86	3
1921-22	70	26	78	20
1922-23	52	45	62	35
1923-24	47	46	58	36

In regard to cotton piecegoods the following four tables summarise the position in a nutshell,

1. *Production in Indian mills*

	1913-14	1923-24
Grey and bleached piecegoods :—	Million yards	Million yards
Shirtings and longcloth	292·5	443·5
Chadars	69·9	58·0
Dhutis	284·8	399·2
T. cloth, domestics and sheetings	128·9	68·1
Drills and jeans	27·8	55·0
Other sorts	68·5	173·0
Total ..	872·4	1,196·8
Coloured piecegoods	291·9	503·6
Total piecegoods ..	1,164·3	1,700·4

2. *Imports of piecegoods*

	Grey (unbleached) Million yards	White (bleached) Million yards	Coloured (printed or dyed) Million yards
1913-14	1,534·2	793·3	831·8
1920-21	580·2	421·8	489·3
1921-22	635·1	306·2	138·3
1922-23	931·0	402·5	243·8
1923-24	704·0	415·4	347·5
	Rupees (lakhs)	Rupees (lakhs)	Rupees (lakhs)
1913-14	25,45	14,28	17,86
1920-21	26,45	21,90	34,57
1921-22	22,65	12,67	7,59
1922-23	30,44	15,01	12,60
1923-24	23,06	15,44	17,68
	Total yardage (million yards)		Total value (lakhs)
1913-14	3,159·3		57,59
1923-24	1,466·9		56,18
Difference ..	-1,692·4		-1,41

The great difference in total yardage and the slight difference in total values are striking. In regard to this the Balfour Committee on Industry and Trade remarks significantly as follows :—

With prices averaging over 100 per cent. above prewar rates, it is little wonder, in a poor country like India, that the quantities should be seriously reduced. The largest consumers of British textiles are the upper and shopkeeping classes of the towns and villages, the rural population being clothed mainly in the cloths woven in the Bombay mills. Our textile industry must look for its expansion principally to a higher standard of living among the urban population which will largely depend upon an expansion of Indian industries and commerce. Price, however, remains the dominating factor in the situation, and we cannot hope to recover the whole of the prewar yardage, still less to see any increase, until finishing, packing and handling charges are reduced, and far more important still, until there is a very considerable reduction in the price of the raw material.

3. Japanese competition in Cotton piecegoods

A. Percentage shares of competitors

	1913-14	1921-22	1922-23	1923-24
Great Britain	97.1	87.7	91.2	89
Japan .. .. .	.3	8.3	6.8	8.3
Italy .. .. .	..	.2	.1	.4
Holland .. .. .	.8	1.1	.8	.7
Switzerland .. .. .	..	..	.2	.5
Other Countries	1.8	2.7	.9	1.1

B. British and Japanese imports

		Cotton Piecegoods		
		Grey	White (bleached)	Coloured
1913-14				
Yards (millions) from Great Britain .. .. .	..	1,534	793	832
Japan	{	98.8 per cent. .5 per cent.	98.5 per cent.	92.6 per cent. .2 per cent.
1923-24				
Yards (millions) from Great Britain	{	704 85.2 per cent.	415 97.0 per cent.	348 87.4 per cent.
Japan .. .. .	..	13.7 per cent.	.6 per cent.	6.7 per cent.

The 8 per cent. reduction in table A above is met by a corresponding increase in the share of Japan. Italian imports in coloured cotton piecegoods increased from 1,891,000 yards in 1922-23 to 5,567,000 yards in 1923-24, a very noticeable increase.

3. The question of import duties of a protective and of a safeguarding nature must first be regarded from the practice that obtains in other countries. This will form some guide to the case before the Board.

I

Cotton Yarns

(1) Single—Grey (40s)

Country	Tariff, 1924	English Equivalent, 1924
United States of America.	8 cts. per lb. but not less than 15 per cent. <i>ad val.</i>	4.2d. per lb. but not less than 15 per cent. <i>ad val.</i>
Egypt.	8 per cent. <i>ad val.</i>	8 per cent. <i>ad val.</i>
Russia.	104 rbls. per 100 kgs.	13.2d. per lb.
Poland.	99.2 zl. per 100 kgs.	4.7d. per lb.
Germany.	18 gold mks. per 100 kgs.	1.1d. per lb.
France.	157½ frs. per 100 kgs.	2.1d. per lb.
Switzerland.	30 frs. per 100 kgs. (gross weight).	1.4d. per lb. (gross weight).
China.	3.40 h. k. tls. per picul,	1.1d. per lb.
India.	5 per cent. <i>ad val.</i>	5 per cent. <i>ad val.</i>
Canada.	Free,	Free.

(2) Single—Bleached (40s)

Country	Tariff, 1924	English equivalent, 1924
United States of America.	10 cts. per lb. but not less than 20 per cent. <i>ad val.</i>	5·3 <i>d.</i> per lb. but not less than 20 per cent. <i>ad val.</i>
Egypt.	8 per cent. <i>ad val.</i>	8 per cent. <i>ad val.</i>
France.	181·1 frs. per 100 kgs.	2·4 <i>d.</i> per lb.
Philippines.	15 per cent. <i>ad val.</i>	15 per cent. <i>ad val.</i>
Colombia.	13·2 cts. per kg.	3·2 <i>d.</i> per lb.
Brazil.	600 reis per kg.	5·5 <i>d.</i> per lb.
India.	5 per cent. <i>ad val.</i>	5 per cent. <i>ad val.</i>
Canada.	Free.	Free.

(3) Single—Dyed (40s)

Country	Tariff, 1924	English equivalent, 1924
United States of America.	10 cts. per lb. but not less than 20 per cent. <i>ad val.</i>	5·3 <i>d.</i> per lb. but not less than 20 per cent. <i>ad val.</i>
Egypt.	8 per cent. <i>ad val.</i>	8 per cent. <i>ad val.</i>
France.	292½ frs. per 100 kgs.	3·8 <i>d.</i> per lb.
Philippines.	15 per cent. <i>ad val.</i>	15 per cent. <i>ad val.</i>
Colombia.	16·5 cts. per kg.	4 <i>d.</i> per lb.
Brazil.	700 reis per kg.	6·4 <i>d.</i> per lb.
India.	5 per cent. <i>ad val.</i>	5 per cent. <i>ad val.</i>
Canada.	Free.	Free.

II

Cotton piecegoods

It is convenient to divide the import duties in force into four groups:—

- (a) Plain, unbleached, weighing 100 gms. per sq. m.
- (b) Plain, bleached, " " " "
- (c) Plain, printed, " " " "
- (d) Plain dyed (in the piece) " " " "

(a) Plain, unbleached, weighing 100 gms. per square metre

Country	Tariff duty, 1924	English equivalent, 1924
United States of America.	16 cwts. per lb. but not less than 20 per cent. <i>ad val.</i>	8·5 <i>d.</i> per lb. but not less than 20 per cent. <i>ad val.</i>
Egypt.	8 per cent. <i>ad val.</i>	8 per cent. <i>ad val.</i>
Japan.	13½ yen per 100 kin.	2·1 <i>d.</i> per lb.
China.	0·28 Hk. tls. per piece not exceeding 40" × 40 yards.	11·3 <i>d.</i> per piece not exceeding 40" × 40 yds.
Italy.	110½ lira per 100 kgs.	5·3 <i>d.</i> per lb.
Switzerland.	20 frs. per 100 kgs. (gross).	·9 <i>d.</i> per lb. (gross)
France.	499½ frs. per 100 kgs.	6·5 <i>d.</i> per lb.
Germany.	50 mks. (gold) per 100 kgs.	3·0 <i>d.</i> per lb.
India.	11 per cent. <i>ad val.</i>	11 per cent. <i>ad val.</i>
Canada.	12½ per cent. <i>ad val.</i>	12½ per cent. <i>ad val.</i>

(b) Plain, bleached, weighing 100 gms. per square metre

Country	Tariff, 1924	English equivalent, 1924
United States of America.	18 cts. per lb. but not less than 23 per cent. <i>ad val.</i>	9·5 <i>d.</i> per lb. but not less than 23 per cent. <i>ad val.</i>
Japan.	16½ yen per 100 kin.	2·6 <i>d.</i> per lb.
China.	0·33 Hk. tls. per piece (not exceeding 37" × 42 yards).	13·4 <i>d.</i> per piece (not exceeding 37" × 42 yds.).
Germany.	70 mks. (gold) per 100 kgs.	4·1 <i>d.</i> per lb.
India.	11 per cent. <i>ad val.</i>	11 per cent. <i>ad val.</i>
Canada.	15 per cent. <i>ad val.</i>	15 per cent. <i>ad val.</i>
Union of S. Africa.	12 per cent. <i>ad val.</i>	12 per cent. <i>ad val.</i>

(c) Plain, printed, weighing 100 gms. per square metre

Country	Tariff, 1924	English equivalent, 1924
United States of America.	22 cts. per lb. but not less than 40 per cent. <i>ad val.</i> (4 per cent. <i>ad val.</i> extra if printed with vat dyes).	11·7d. per lb. but not less than 40 per cent. <i>ad val.</i> (4 per cent. <i>ad val.</i> extra if printed with vat dyes).
China.	19 Hk. tls. per piece (20 to 31" wide × 30 yds. long).	7·7d. per piece (20 to 31" wide × 30 yds. long).
Germany.	100 mks. (gold) per 100 kgs.	5·9d. per lb.
India.	11 per cent. <i>ad val.</i>	11 per cent. <i>ad val.</i>
Canada.	20½ per cent. <i>ad val.</i>	20½ per cent. <i>ad val.</i>

(d) Plain, dyed (in the piece), weighing 100 gms. per square metre

Country	Tariff, 1924	English equivalent, 1924
United States of America.	22 cts. per lb. but not less than 40 per cent. <i>ad val.</i> (4 per cent. extra if dyed with vat dyes).	11·7d. per lb. but not less than 40 per cent. <i>ad val.</i>
Japan.	20½ yen per 100 kin.	3·2d. per lb.
China.	·35 Hk. tls. per piece (not exceeding 36" × 43 yds.).	14·2d. per piece (not exceeding 36" × 43 yds.).
Germany.	100 mks. (gold) per 100 kgs.	5·9d. per lb.
France.	705 frs. per 100 kgs.	9·2d. per lb.
Italy.	146½ lira (gold) per 100 kgs.	7·0d. per lb.
India.	11 per cent. <i>ad val.</i>	11 per cent. <i>ad val.</i>
Canada.	20½ per cent. <i>ad val.</i>	20½ per cent. <i>ad val.</i>

There are several noticeable features in these tables. Among these may be mentioned—

- (1) the high rate in protective countries such as the United States of America, Poland and Russia on single grey (40s) yarns. This rate is higher for single bleached 40s and higher still, e.g., in United States of America for single dyed (40s).
- (2) the still higher rate in these countries on cotton piecegoods. This rate is higher for plain bleached than for plain unbleached and higher for plain printed and still higher for plain dyed (in the piece).
- (3) Even countries like Canada have a 20½ per cent. *ad valorem* against 11 per cent. *ad valorem* in India. The rates in the United States of America, Japan, Italy France and Germany are specially noticeable.
- (4) The total imports of yarn from Great Britain in 1923-24 were 21,790,000 lbs. compared with 37,836,000 lbs. in 1913-14. In 1913-14 imports from Japan amounted to only 1,000,000 lbs. while in 1923-24 they had reached 20,430,000 lbs. In 1922-23, the last year for which detailed figures are readily available, Japan dominated the market up to 25s, and she was a strong competitor with Indian made yarns. In counts 26 to 40, Great Britain and Japan shared the import market in almost equal proportions. Out of Rs. 794 lakhs imported in 1923-24 Great Britain had 58 per cent. and Japan 36 while of the total imports by weight these countries had 47 and 46 per cent. respectively, as against 86 and 3 per cent. by value and 86 and 2 per cent. by weight in the prewar year.

As explained in Memorandum I to protect Indian manufacturers would be an extension of the Fiscal Commissions three postulates (1) that the industry possesses natural advantages; (2) that without the help of protection it is not likely to develop at all, or not so rapidly as is desirable, and (3) that it will eventually be able to face world competition without protection. It is this third postulate that is important but the Government of India and the Legislature can always extend these. In the case of yarns it is true as shown above that some protectionist countries have high duties, e.g., the United States imposes on yarns a minimum *ad valorem* duty of 15 per cent. on single greys, 20 per cent. on bleached singles and dyed singles. In India, however, there is a considerable handloom industry such as is perhaps in no other country of the world (*vide* Appendix I on Statistical evidence regarding the development of handloom weaving in India). The Industrial Commission pointed out (page 10 of their Report) that 'In India a far greater degree of resistance has been offered by the handloom to the aggressions of the factory than in England. This is attributable to the great number of specialised types of cloth of which slow moving Indian custom decrease the use to the fact that the

demand for many of these is on so small a scale, while the types themselves are so special, as to render it difficult for the powerloom to produce them at a profit; to the faithfulness of the weavers as a caste of their hereditary trade, and their unwillingness, especially in the smaller towns, to take up factory work; and to a less extent, to the money locked up, on a vicious system it is true, in the financing of the weaver by his patron and incubus the money-lending cloth merchant.

The handloom weaver prefers the imported yarn in many cases because he is sure of getting the counts and at the same time of obtaining a much better yarn. In view of the large handloom industry in India I am not in favour of increasing at the moment the import duty on yarns. An increase of this duty could, on revenue considerations alone, be justified and with the growing wave of protectionism among the educated classes in this country may be a suitable means of bringing theory into practice. At the present time, all things considered the duty on yarns should not be increased. With regard to cloth it is otherwise. Here the mills in Bombay and elsewhere feel severely in cloths between 24s and 40s outside competition and a duty is advisable. Canada imposes a 15 per cent. *ad valorem* duty on plain unbleached and bleached (weighing 100 gms. per sq. metre), 20½ per cent. on printed and dyed. High protectionist countries like the United States have much heavier rates, e.g., a minimum *ad valorem* rate of 20 per cent. on unbleached, 23 per cent. on bleached, 40 per cent. on printed and dyed goods with an extra 4 per cent. if dyed with vat dyes. The exact rate on cloth of low counts will have to be much higher than 11 per cent. as may be seen by taking the selling price of Japanese cloths of counts within the range specified above and comparing the costs of identical goods in Indian mills, costs of production for representative mills in the form of a composite statement are extremely difficult to obtain as experience has shown. An import duty similar at least to that in Canada would be advisable. There is much truth in Mr Kinley's dictum that 'The people of no nation in history has even permanently prospered under a policy which sacrificed its home industries to build up and develop the resources and give employment to the labour of foreign states.' At first in order to arrive at what would be a minimum protective rate on the lower counts of cloth, referred to above, it will be necessary to have fairly accurate costs of production. The duties, therefore, would be fixed to start with as if they were safeguarding industries.

Protective duties of the sort described are preferable to bounties or negative taxes. Bounties, it is true, are unlikely to raise international conflicts and to cause loss of consumers since they do not raise the price of products). They are, however, forms of expenditure while customs duties are forms of receipts; they are expenditure which can be met only by levying taxes, and the burden of these taxes is more obvious than that of import duties and therefore more unpopular. The simplicity of bounties as the expenses involved by the country are clearly seen is an advantage. On the other hand as the history of the linen, corn, sugar, and shipbuilding and shipowning bounties show, bounties have their drawbacks. "All the advantages of bounties," Gide well puts it, "are outweighed by the capital objection that bounties are a form of *expenditure*, while customs duties are a form of *receipts*. Now States, being as a rule in debt, are naturally more inclined to accept money than to give it away. There is, however, another objection to bounties: they have too personal a character. The advantage resulting from a customs duty is always more or less anonymous; no one knows exactly who profits by it. Now, the manufacturer who is to get a bounty is known, and also the amount which he receives. This is the reason why such a system will never be popular. It exposes in too glaring a light the sacrifices which it asks of all and the privileges which it grants to a few, thereby offending the spirit of equality." It would be difficult to work out the correct amount of a bounty and to distribute it without difficulty in the industry itself. Import duties of the nature proposed* are preferable to bounties.

III

My attention has been drawn by the Board to the incidence of the duties on imports. I venture to refer to Chapter XVIII on the 'Shifting and Incidence of Taxation' in the '*Science of Public Finance*'† especially the portions dealing with the use of statistics in incidence and the incidence of taxes on commodities (pp. 188-191). The tax on piecegoods may be only a small factor compared with other factors determining the price of cotton cloth. As is pointed out in the chapter in question 'The incidence of a tax on a commodity cannot be determined merely by a comparison of the prices before and after the imposition of the tax either in the same country or between different countries. The greatest care is required in making deductions on incidence from price

* On cloth 30s warp and 40s weft and under.

† Macmillan and Co—2nd Edition.

statistics because the tax is only one factor, and often a small factor which produces the change in prices. Incidence is, of course, a price question, and part of the wider theory of value.'

In nearly all cases the consumer bears the import duties but this is not always the case. The Japanese manufacturer, for example, may forego for a time part of his ordinary profits and pay the duty, but eventually he will cease producing for that market and seek other markets. A part of the tax may rest temporarily on producers, shippers, merchants and others. If the price rises to the full amount of the tax, the incidence will be on the consumer and if the price does not rise at all on the producer. If the price rises by less than the tax it will fall partly on the consumer and partly on the producer. The country whose goods were taxed would seek other markets until they had risen in value in India sufficiently to throw the whole or nearly the whole burden of the tax on the consumer. The part which manufacturers of cloth, for example, in the country whose goods were taxed would bear may be great temporarily if they had made goods specially for our markets. They would seek other markets and may even divert some capital and labour in the taxed industry to other industries. The direct money burden of the tax will be divided between the consumers and the producers according to the proportion of the elasticity of supply to the elasticity of the demand for the cloth taxed. In the United States it is often paid by the foreigner which is not true permanently even when the foreigners' market is limited to the market of the country imposing the duty. The whole problem of the incidence of import duties is a complicated one and in a summary here it is not possible to go at length into the various representative cases. One has to be very careful in disentangling cause and effect.

MEMORANDUM III

STATISTICS OF JAPANESE MILLS

As the Board is aware I cabled to the International Labour Office, Geneva, for statistics of Japanese mills, with special reference to costs of production. The reply, which has been received from the International Labour Office acting in conjunction with the Japanese Delegation at that office, speaks for itself. It shows that no detailed investigation of the nature required has been undertaken but a statement has been furnished giving certain statistics. The table does not give the details required for a comparative statement between India and Japan in regard to manufacturing costs.

2. The table which I have already had occasion to use shows that:—

- (1) The working days per month in 1925 were on an average 26·7 days of 19·79 hours per day (2 shifts).
- (2) The average counts of yarn were 23·1 (ring) and 30·1 (mule). (The mules are 5 per cent. of the total. In Bombay mules are used for waste yarns and are not 1 per cent.).
- (3) The number of hands employed in 1925 was:—

39,414	.. male
134,726	.. female

Total .. 174,140 spread over 49 mills of the Japanese Cotton Spinners' Association.

- (4) The number of spindles per mill of the 49 mills given works out to 94,000 spindles per mill, while the number of workpeople is 174,140, i.e., 3,400 workpeople per mill. This figure of 3,400 working double shift corresponds roughly with an Indian mill of the equivalent number of spindles.
- (5) The wages were much higher than in the Bombay or Ahmedabad mills —

38·68	pence per shift (per worker),	male
30·56	" " " "	female,

i.e., Rs. 2·2 and Rs. 1·10 per diem respectively.

3. The table also shows that the number of persons employed per 1 000 spindles was 36·6. This is assumed to be for double shifts from the statement given or 18·3 for a single shift of 9·89 hours.

In Ahmedabad 18 persons for spinning and 22 for weaving for a day of one shift of 10 hours is customary. The figures in the statement for Japan are for spinning only.

4. From the table the production per spindle on the average counts given is 5·36 ozs. per spindle in 9·89 hours per shift. The cotton loss as shown equals 12½ per cent. In other words 87½ per cent. yarn is obtained from 100 per cent. cotton which is good and quite equal to the best Indian mills but not so good as in Lancashire. The percentage of yarn from cotton is largely dependent on the class of cotton consumed. The Japanese purchase cotton in India very often direct from the cultivator and in most cases the cotton is ginned and pressed in the presence of a Japanese representative of the exporting firms. The result is that the Japanese firms get better ginned cotton than can as a rule be obtained in the open market.

5. These facts also emerge from the table :—

- (1) That wages in Japan are considerably higher than in Bombay.
- (2) That the counts 23s per ring spindles on the average are the same as in the Ahmedabad mills (24s per ring spindles).
- (3) That the number employed per 1,000 spindles in Japan for spinning is about equal to the number in an average mill in Bombay.
- (4) That the number employed per mill is very much greater than in Lancashire or in the United States (*vide* memorandum I).
- (5) That in Japan the wages bill (the highest item in the cost of production excluding raw material) is relatively higher than in India. Wages per head in Japan are higher than in India while the numbers employed per 1,000 spindles is about the same. (*vide* also memorandum I).

6. There is nothing shown in the figures furnished by the International Labour Office, Geneva, which would indicate that the Japanese cost of production per lb can be less than the costs in India except for the fact that they show 19·79 hours per day as against 10 in India. Per capita wages are much higher in Japan. There are, of course, other important items in costs for which data are not available, and we can only conclude that the reason why Japanese yarns and cloth usually sell cheaper than Indian mill goods is due to reasons which are not obvious from the statistical data furnished by the Japanese Cotton Spinners' Association, and compiled by the International Federation of Master Cotton Spinners and Manufacturers' Associations.

I have referred in memorandum I to Japanese costs in regard to interest and other charges as stated by the American Tariff Board, but these are not covered by the statistics in this memorandum.

Owing to the double shift system the Japanese mills are able to turn out yarns and cloth cheaper. They are getting a greater output from the capital originally spent in the construction and equipment in the mills. The active spindle hours are almost double those of Indian mills. As overhead charges (*e.g.*, interest, depreciation and management charges) remain the same whether 10 or 20 hours are worked, this will reduce costs. As a rule it is about 25 per cent. cheaper to work two shifts, assuming, of course, there is a ready market for the goods.

Telephone : MT-BLANC 6200
JWN/EAS

Societe Des Nations
League of Nations

Bureau International Du Travail
International Labour Office, Geneva.

4th October 1926.

Please quote Ref. no. in reply
Dans la reponse priere de rappeler
No. I/1033/16/1

Dear Sir,

In reply to your telegram of the 23rd September, asking for statistics of wages, labour efficiency, costs of production in Japanese cotton mills, we have endeavoured with the help of the Japanese Delegation to the International Labour Office to collect some information on this subject. They point out to us that no precise investigation has yet been undertaken into these questions, but that the best source of information is the Monthly Report of the Japan Cotton Spinners' Association published at 50 I-Chome, Edobori Minamidori, Osaka. A summary of the statistics contained in these reports is given for the years 1919—1925 in the quarterly International Cotton Bulletin (published at 238 Royal Exchange, Manchester). A copy of the latest figures published (in this Bulletin

359

for July 1926) is enclosed showing for the years 1919—1925 the number of mills, of spindles, number of hours worked, weight of yarn produced, cotton consumed, horse-power used, workers employed and wages paid. I hope this information will be suitable for your purpose. If any further information comes into our hands we will forward it to you.

I am,

Yours sincerely,

(Signed) G. E. di Palma Castiglione,
Chief of the Intelligence and Liaison Division.

Table of the monthly returns of the Japan Spinners'
(Compiled by the International Federation of Master

Months	Year	No. of Mills	Working pindles			Working Days per month	Working Hours per day (2 shifts)	Rough Average Counts of	
			Ring	Mule	Total			Year	
								Ring	Mule
Monthly Average.	1925	49	4,643,541	26,212	4,669,753	26·7	19·79	23·1	30·1
	1924	49	4,098,453	17,239	4,115,692	26·3	18·50	23·1	30·1
	1923	55	4,001,729	34,727	4,036,456	26·0	19·12	20·6	28·2
	1922	61	3,925,538	41,727	3,967,265	26·6	31·00	20·6	28·5
	1921	52	3,133,547	28,806	3,162,353	25·9	19·61	21·6	40·4
	1920	50	3,149,107	42,645	3,191,752	26·3	20·28	21·8	27·4
	1919	44	3,130,986	48,582	3,179,568	27·4	21·90	21·7	24·0

International Cotton Bulletin.—Official Organ of the International Federation of
No. 16, July 1926, pp. 586-587.

Association for the years 1921, 1922, 1923, 1924 and 1925.
Cotton Spinners' and Manufacturers' Associations, Manchester).

Weight of yarn produced— lbs.			Cotton consumed in lbs.	Actual Horse Power used	Coal consumed per H. P. and per hour in lbs.	Number of Hands employed		Average Wages per shift, per hand, in pence	
Ring	Mule	Total				Male	Fe- male	Male	Fe- male
82,081,618	494,141	82,575,759	93,774,210	48,335	3·106	39,414	134,726	38·68	30·56
69,757,238	333,172	70,090,410	79,781,648	51,541	3·339	36,015	117,306	38·14	30·15
72,957,711	339,754	73,297,465	83,507,512	56,890	3·455	37,767	120,433	37·06	29·51
75,267,817	372,677	75,640,494	86,478,973	63,062	3·520	41,161	132,681	38·59	31·06
61,336,767	290,979	61,627,746	70,874,213	61,236	3·801	34,904	105,704	36·58	28·35
61,666,052	388,406	62,054,458	70,629,176	63,751	4·089	33,965	109,781	39·16	29·89
64,803,245	477,990	65,281,235	74,352,591	66,531	3·766	31,136	101,538	27·88	21·75

Master Cotton Spinners' and Manufacturers' Associations, Manchester. Vol. IV, 4,

Witness No. 80 -

Mr. G. FINDLAY SHIRRAS

Oral Evidence recorded at Ahmedabad on 17th September 1926

President.—I gather from your evidence that you are of opinion that the depression in India is much more closely connected with world depression than other witnesses before us have been inclined to admit ?

A. At the same time, of course, there are local factors which I have discussed in the memorandum. I was greatly struck when I was in Massachusetts by the depression which in 1922 they were suffering from there, and also of course in Lancashire about which every one knows, specially in regard to the reduction in the hours of working which have been prevalent for a considerable time now in the Lancashire industry.

Q. You were in America last year ?

A. Yes. The British Foreign Office had made arrangements through the Ambassador in Washington that I should see the Departments of Labor and Commerce and also the State Department of Labor of the New York State and the Department of Labor and Industries in Massachusetts.

Q. You found that there was a distinct depression in the textile industry in America as recently as last year ?

A. Yes, of course it was passing away to a considerable extent. The other industries in America of course were in an extraordinary good state of health.

Q. In these circumstances to what special factors do they attribute the American depression in the textile industry ?

A. They said there was a lack of buying power abroad. But I think the depression was largely due to continual fall in the price of the manufactured article, and as you are aware the output in America in the last few years of the raw material has fluctuated considerably. Also, of course, there was restriction of hours imposed in the industry in Massachusetts and, of course, there were people who were inclined to believe that the long hours of labour in the Southern mills put the other mills in the North at a disadvantage because in Massachusetts they have a 48-hour week and in the Southern mills some have got no limits at all and you get 60 hours and 57 hours and things of that sort. Also people in the North attribute the factors to other advantages which the Southern mills had, in that wages were much less there, especially in Carolina where the wages were less and also to the absence of any restrictions on hours, or at any rate if there was a restriction, it was something like 57 hours a week. And again they thought that the Department of Industries and Labor which controls all these things in Massachusetts was very strict in factory inspection and things of that sort.

Q. I think there is some slight mistyping here where you say that 'as compared with the Southern States, where with the exception of South Carolina and Tennessee there is a limitation of less than 60 hours per week and 10 hours per day.'

A. I think I ought to make that quite clear. In Massachusetts, the working hours for women and children in textile mills have been limited by law to 48 per week and 9 hours per day whereas in no Southern State except South Carolina where the weekly limitation is 55 hours and Tennessee 57 hours is there a limitation of less than 60 hours per week and 10 hours per day. Further in Massachusetts the employment of women and children in textile manufacturing is prohibited after 6 p.m. and before 6 a.m. but in none of the Southern States is night work by women prohibited in textile manufacture, and even in Massachusetts women may be employed in some other industries other than the textile industry until 10 p.m. provided they do not work more than 9 hours in any one day or 48 hours in any one week.

Q. This should be 'there is a limitation' and not 'there is no limitation' ?

A. Yes.

Q. Do I understand then that although the Washington Convention originated in America, it has not been ratified and is not enforced by the United States ?

A. That is undoubtedly true. But you see in America labour is not a subject of universal or federal legislation as in India. You have got uniformity in India throughout, whereas in the States each State is master in its own house so far as legislation goes. It is entirely due to the people not seeing the advantage which uniformity in a federal constitution in regard to labour matters brings with it.

Q. It comes to this then that any complaints against Japan in respect of the failure to ratify the Washington Convention apply equally to America ?

A. Yes and, Sir, there is one thing moreover, that in America the labour is extraordinarily efficient. I have got here a letter as a result of the conversation I had with Mr. Hoover,

one of the most able men in the United States to-day. I had a long discussion on labour matters with him and he emphasised the extraordinary increase in efficiency which has taken place in recent years in the States, and here is a letter—if you will allow me to read—which confirms the evidence. The letter reads:— Confirming conversation I succeeded in having a few words with Mr. Hoover this morning and I hope I am quoting him correctly in the following—“ In pre-war years the total value of production in the United States approximated dollars 25,000,000,000; at the present moment it approximates 60,000,000,000. Even after allowing for changes in the index number you will note that there is substantial increase in production.” He, then, before going on to cotton weaving says “ As expressed in bushels rather than in dollars, the agricultural production in this country is approximately 25 per cent. above prewar while the number of farmers has decreased. A similar situation exists in a number of other commodities, for example the railway tonnage handled is considerably in excess of prewar while the staff employed is practically unchanged. Another way of considering this subject is through an analysis of the savings of our people, for it is noted that, in spite of the fact that we spend large sums for automobiles, radio equipment and the like these luxuries have not had the result of decreasing our savings in the broad sense of the word including life insurance and a broad line of reserves of like character. Although none of these methods are really satisfactory it is a striking coincidence that they all suggest that we are in a better position than in pre-war days by a margin of 15 per cent. per capital.” (This was written on April 20, 1925.) In other words in making a statement to you Mr. Hoover was making full allowance for changes in the index number since prewar days. You will also be interested in the following figures which were secured from one of our textile machinery manufacturers recently. “ One weaver using the automatic looms of the present day does work equivalent to that which could be done by 9,600 weavers using handpower looms. Similarly one worker in a modern spinning mill can produce as much yarn as could be produced by 45,000 spinners employing the old-fashioned spinning wheel.” One thing I noticed, and I shall deal with it when we are discussing the inefficiency of Indian labour, in regard to the food supply, was the extraordinary efficiency of the worker and his high standard of living. For example, a man working as a carpenter may be using a Ford motor car. I have seen them in the restaurants in the evenings. Compare them with an Indian worker. The American gets a tremendous amount of fats into his system; and that is what we in Bombay, as a result of our family budget, have found that the food supply of the worker in Bombay is very deficient in. I shall deal with it later. See the small amount of milk for example that he takes into his body and also the small amount of protein. Now, that is a question of food supply. But, as the President pointed out, it is not only in regard to the question of hours but it is a question of efficiency too which goes to make the American so extraordinarily efficient making him really an important factor in world production of textiles to-day.

Q. Speaking generally you found that in America they were faced with the same problem as we are in India. The old established mills in Bombay are increasingly faced with the competition of newer mills more advantageously situated elsewhere. In America the new mills are in the Southern States. Here they are in various parts of India, Native States and elsewhere?

A. That is so, Sir.

Q. Apparently in America, pressure cannot be brought to bear on the Central Government, to enforce a uniform working day. What steps are they taking in Massachusetts to face the growing competition from the other States?

A. The main thing that resulted as you know is this. The Legislature of Massachusetts took up this question and instituted an enquiry to be undertaken by its Department of Labor and Industries and discussed this fully with the Commissioner, the Labor Commissioner. He has given me the report of the special investigation, which I shall hand over to you, Sir for perusal later on. But what they really recognised is this, that they must keep up the efficiency of the machinery, and they say that it is impossible now to go back on labour legislation. For example, more than one manufacturer told me that in some States there was no limitation of hours at all; in Georgia, Kentucky, Louisiana, Mississippi, Virginia and North Carolina 60 hours a week with 10 hours a day. In Tennessee 57 hours a week—10½ hours a day. South Carolina 55 hours a week—10 hours a day. Texas 54 hours a week—9 hours a day. Massachusetts 48 hours a week—9 hours a day. In Massachusetts, as I pointed out, there are certain prohibitions on work and there are other questions such as a minimum wage. There is a minimum wage which is not mandatory and does not yet apply to the textile industry. They have got a licensing of engineers and firms. They have got workmen's organisation, standard establishment for factories and workshops, mill hours for women and children, and all these things. But nevertheless the conclusion which was come to was that still by looking

to the efficiency it is machinery and internal economy the mill industry in Massachusetts could hold its own in the higher counts, in the better goods.

Q. The steps they have taken then are an all round improvement in efficiency ?

A. Yes, if I may quote from the Hilton Young Commission Report, what they call here in paragraph 193, what the Currency Commission calls "the prosperity of an industry depends on the soundness of its internal economy and its adaptability to changing conditions; and any basic unsoundness in its economic conditions cannot be rectified by a mere change in the ratio of exchange." The point is that Massachusetts can still, in the opinion of the Department of Labor and Industries in Massachusetts, hold its own provided those points are attended to. And of course, as elsewhere, you get variations between industries and industries and between mills in the same industry. For example, I was talking to the biggest manufacturer of jute in America and he told me his people are so good in keeping statistical information well and up-to-date that they have got their facts well ahead. For example, he could tell—he has got a mill in Calcutta as well—that at the present moment he was importing, paying a high tariff in America, sacking for the cotton crop and he found it was cheaper to get the Indian Labour in Calcutta to make this at the moment. He imported it into the States, paid the import duty and it paid to do so.

Mr. Subba Rao.—In spite of the greater efficiency of the American labour ?

A. It was at that moment.

A. He said 'I cannot always do it.' And then I said 'how do you regard the efficiency of the Indian labour?' He said for heavy goods, lifting up bales, the American will do five times as much as an Indian; but he added that the Indian weaver is not at all a bad weaver.

Q. I want to get that point definitely down. From the example given, it looks as though Indian labour is really cheap. You get from him in spite of a low wage a considerable amount of work. It pays to employ inefficient Indian labour at that price rather than more efficient American labour at a higher wage. That is with regard to the jute industry.

A. Yes but I would not be too dogmatic. It would be sometimes temporarily. There may be local conditions which would make it possible for him to do it for a certain time. Then you know the drawbacks to efficiency in Calcutta from hookworm. The loss to efficiency is considerable just as in Bombay mills when you get an epidemic of cholera or influenza as you had in 1919; it is a tremendous handicap to the employer in Bombay, because the efficiency of the labour is so important.

President.—I think perhaps the best plan would be to dispose of a few general questions before we come to any details. Generally speaking, do you hold that the present depression in the textile industry is due to the lack of purchasing power ?

A. It is to a considerable extent. You see there is no outlet for the whole of the production of the mills at the moment. Things are getting better; but to-day you have got stocks, in Bombay—I think I have given that in my memorandum—which are considerably above the prewar years and also business has been extraordinarily difficult in the last few years because you had a falling market against you the whole time.

Q. I see in the latter part of your evidence you suggest an import duty. How is a protective duty going to stimulate demand ? In other words, of what use is a duty going to be to the mill industry unless it enables their surplus to be cleared off and their output generally to be disposed of at a higher price than they are getting now ?

A. If you look at the figures of the imports of Japanese yarn to India you find that the imports are to-day 32 times more than they were ten years ago.

Q. As regards yarn, the gain has been almost entirely at the expense of Lancashire ?

A. I have not got the actual Sea Borne Trade figures. In piecegoods, you see imports have increased something like 14 times in the same period. On thinking it over, I think if you had a tariff on lower counts—I mentioned it in the memorandum—at any rate that would be an advantage to the Indian producers. Of course it means raising a completely new issue of protection perhaps in India, and going beyond the Fiscal Commission's recommendations. But it would be protection to the Indian manufacturer to a certain extent and it would hit the countries which export lower counts without hitting those which send us very high counts.

Q. But how are you going to help the Indian manufacturer to dispose of his goods ? If you had a flourishing home market which was capable of absorbing all that might be produced, I could understand the position. But as you yourself show, that is not the case. You say here 'by the way, before the war, the consumption of cloth per head was about 18 yards'. Now it is not more than 12 yards.

A. I have not got the latest figures.

Q. According to our figures including the products of the handloom, the highest figure before the war was 17 yards, in 1913-14. In 1924 it was 15. It is now back at 14. A. Yes. In 1923-24 it was 12.5 and to-day, it is 13.99. Those figures are from the Sea Borne Trade Returns.

Q. In any case the consumption per head is less than it was before the war in spite of several good seasons. The point I want to be quite clear about is, would you as an economist say, that a protective duty is bound to send up prices ?

A. Generally so, other things being equal.

Q. We have tried to disentangle this particular factor from others and it is a difficult thing to do.

A. The incidence of import duties is one of the most difficult parts of the subject.

Q. Then other things being equal, a protective duty sends up prices. The effect of an increase in price is ordinarily to restrict consumption ?

A. Undoubtedly, unless for example—you get that in England—if prices go up, you find that people will still go on buying wheat and bread and cut off other things, in spite of the rise.

Q. We see here what they can do in the way of cloth. Their consumption in 1920, when prices were at their highest, went down to seven yards. If you restrict consumption, what is the benefit of the protection to the mill industry ?

A. But is not this consumption a passing phase. The cultivator is carrying on until prices become more moderate. He is merely carrying on ?

Q. He will go on carrying on. There is nothing to prevent it.

A. When prices fall owing to a large crop of raw cotton, instead of buying one saree he will buy two.

Q. He may. I am looking at it entirely from the point of view of India as a home market. Unless it can be proved that protection is going to be of immediate benefit to the mill industry, unless the benefit is going to be prompt and speedy, how are we justified in recommending it ? It is obviously a matter of vital importance to the interests of India and no Tariff Board, in my view, could be justified in recommending anything unless it were convinced in its own mind of the effects which will follow from its recommendations ?

A. The effect will be that the Indian mill owner will have the market in the lower counts more to himself.

Q. That, of course, is a matter on which there is not a great mass of evidence. Such evidence as we have got at present goes to show that the bulk of the Japanese competition is between 30s and 40s, a class of goods in which India can hardly be said to have a natural advantage, as the evidence also goes to show that the counts between 30s and 40s which are spun in India are spun to a large extent, not entirely but to an appreciable extent, from cotton imported from Uganda.

A. That is so. But you get in Ahmedabad the finer counts. They are being produced here. For example you get 60s to 80s.

Q. But they are not produced from Indian cotton ?

A. Undoubtedly.

Q. You remember the Fiscal Commission laid down as one of their criteria that the industry should have a natural advantage. If these counts are not spun from Indian cotton, where is the natural advantage ?

A. I quite agree it is going beyond what has been laid down by the Fiscal Commission.

Q. And, therefore, it seems all the more necessary that we at least should be certain that the remedy is going to have an immediate effect.

A. As I have suggested in my memorandum, the effect of the duty should be watched very carefully. The costs of production from the representative mills should be looked on from time to time.

Q. By the Tariff Board, I suppose ?

A. By your Central Statistical Authority and the Collectors of Customs.

Q. Don't you think that is a little optimistic ? We have been trying to get costs of production for the last three months and I can assure you from our experience that it is a Herculean task to get costs of production at all in the first instance and then in the second instance to get them in a form which you can understand them ; and do you think the costs of production supplied to the Statistical Board and the Collector of Customs would be of any value ?

A. I can frankly admit that many returns I have got I have been unable to put before you. In fact I have only put in two composite sets.

Q. Don't you think it would be a little optimistic to say the least to base your alterations in the tariff on costs of production supplied by representative mills to a Board or Collector of Customs who would have no experience whatever in interpreting them ?

A. I think that Government with one or two officers including a Statistical Officer can do it and there are people in Bombay who could advise them on that. But I admit it is an extraordinarily difficult thing.

Q. I wish you as one of the senior economists in India could give us a little more light on this question of the effect of a protective duty on increasing prices and restricting consumption, and therefore its effect in bringing about the desired object.

A. I shall do that and I suppose you have no objection to my doing so in a separate memorandum. It is beyond the Fiscal Commission you say. It departs from the principle laid down by the Fiscal Commission and I suppose you do not mind it.

Q. Not in the least. The fact that we have been given such wide terms of reference, shows that we are not necessarily bound by the recommendations of the Fiscal Commission. We should naturally have to justify any departure we make in our recommendations from the recommendations they laid down. Such a departure would require the very strongest justification and the only justification that we could furnish would be our firm belief that it would attain the desired object. The only justification for imposing anything which means an indirect tax on the consumer is that it would be of real benefit to the mill industry and that is the point on which we have so far no evidence whatever.

A. I shall look into that.

Mr. Subba Rao.—Could you tell us from your knowledge of statistics in the earlier years, to what extent cloth imports from Lancashire consisted of cloth made of counts under 40s ?

A. I could not do that from memory.

President.—The next question which we would like to discuss with you, Mr. Shirras, is the question whether you consider that the stabilisation of the rupee at 1/6 is a permanent handicap to the industry as has been represented by the Bombay Millowners and many other witnesses before us.

A. Sir, this is a question which has been argued frequently ever since the Gold and Silver Commission met in 1887. It went into the question of the fluctuation of gold and silver and the general effects on exchange. Ever since that time there has been a great deal of argument as to whether a rate of exchange has a permanent effect on trade. Now there are certain points common to both sides. The first thing is that no one in his senses would dispute that if exchange went down from 1s. 6d. to 1s. 4d. and if the price of your raw cotton is fixed, the amount you get is different at the two rates.

In 1899, Professor Marshall put the question very lucidly as follows:—

“I find that those who think that a relatively depreciating currency gives a bounty to the export trade, generally quote in support of their conclusion facts which I should not dream of calling in question, and I think it may be well to state what seem to me to be matters common to both sides, matters which are not in dispute. The dispute is whether from these facts it follows that a depreciating currency gives a bounty to the export trade. It is common ground that, if the price at which an exporter sells his goods in foreign markets be taken as fixed, then a fall in the value of his own currency, relatively to foreign currency, of 1 per cent. increases his gross currency receipts by 1 per cent. and is likely to increase his profits in a much larger proportion, or to turn a loss into a profit. Expert witnesses have been called, and numerous expert writings have been written by people making a point of the fact that they are actually engaged in trade, and in a position to prove that this is the experience of practical life. But really no experience is needed; the result follows from an elementary application of the first rules of arithmetic; and it has never, as far as I am aware, been doubted by any person in the world. It is common ground also that, if the currency in India is rising in value, while that in, say, China, is falling in value, then the employers in India, having to pay relatively increased fixed charges, salaries, wages, etc., may be complaining of hard times, while the employers in China are making good profits. This will, perhaps, be expressed by saying that currency changes are giving an advantage, or a premium, or a bounty to the Chinese employers as compared with the Indian. If these employers in India are producing for export to foreign countries, they may be described as exporters; and it may be said then that the Chinese exporters have a bounty in comparison with the Indian exporters. But this appears to me to be an incorrect way of expressing an undoubted fact; for, first, the gain of the Chinese employer is independent of the accident that his goods are exported; and, secondly, it is at the expense partly of the creditors who are financing his export industry, but mainly of the employees in it. Now if one says that the export trade of a country is coterminous with the undertakers of business enterprise who are generally employers, and that anything that benefits the employers is a bounty on the export industry, then the proposition may be conceded. But, as I hold that the

creditors who finance an industry that produces for export have some share in the export trade, and that the employees who make the thing for export have a very large share—quite as large a share as the undertaker,—holding that, I do not admit the proposition. If the statement is that a depreciating currency gives a bounty to the employer who is producing for export, I admit it; only, I add, the bounty is just the same, and at the expense of just the same people, as that which he would get from a depreciating currency if he were producing for his home market, and not for export. Again, it is common ground also that, when a country lends capital or returns any of its borrowings, or increases its payment of foreign dues (for example, increased sales of Council bills), or has increased its imports above their wont, then there is an increased demand for exporters' bills; that this is necessarily accompanied by a fall in the value of that country's currency relatively to foreign countries, causes a stimulus to exports, and increases, for the time, the profits of exporters. But all this does not go to show that a depreciated currency is a bounty to exporters in the way of causing an increase of exports relatively to imports. On the contrary, any stimulus to exports relatively to imports which is not accompanied by lending to foreign countries, or returning loans, must necessarily be followed and compensated, by an exactly equal falling off of exports relatively to imports. For it causes an excess of exporters' bills, and that gives at once a bounty to imports. If the bounty is not sufficient the discount on exporter's bills rises, and, therefore, the bounty on imports rises, until precious metals or other goods come in."

"He goes on to illustrate this by taking a bale of jute and a bale of imported piecegoods. Now, may I just go into the history by taking the point really at issue? This, as you see, was Marshall's evidence and he showed clearly what exchange was, it is the ratio of sterling price to rupee price. He explained it fully here in his evidence.

"The Indian exchange is quoted as the sterling price of the rupee, that is what price in London can command a rupee's worth of goods in Calcutta or Bombay. Then the Fowler Committee in taking up this question say that they looked into the trade and they found it was no advantage to the country as a whole, a point which may be emphasised. Before that, in 1893, the Herschell Committee examined the statistics of Indian exports for a series of years and came to the conclusion that "although one may be inclined, regarding the matter theoretically, to accept the proposition that the suggested stimulus would be the result of a falling exchange, the examination of the statistics of export produce does not appear to afford any substantial foundation for the view that any practice that is a stimulus, assuming it to have existed, has had any prevailing effect on the course of trade; on the contrary the progress of the export trade has been less with a rapidly falling than with a steady exchange." They desired to state that they had been unable to find any statistical support for the theory that exports are largely and permanently stimulated by the depreciation of the standard of value resulting in a fall in exchange. Then they go on to quote with approval the views of the Government of India in a letter dated the 12th October 1879 that a country as a whole makes no gain in its free international trade by depreciation in its standard since the extra price received for its export is given away in the extra price for the imports. A producer of an article of export may make a temporary and unfair gain from depreciation of the standard at the expense of his employees and of all other persons to whom he makes payments. You have had experience of that in the depreciated currencies of Europe in the last few years—and consequently the action of depreciation by liability to sudden falls in prices as well as rises checks the general increase of international trade which necessarily results from the want of a common standard of value between the countries which have intimate commercial and financial relations. Then they go further and they say, if you take a falling exchange, at what point would it ultimately fall that would be beneficial? "As regards the argument that a low exchange stimulates exports and decreases imports it is further to be observed that whatever advantage is attached to a low exchange should be increased by parity of reasoning by a still lower exchange. It has been represented to us that it is a falling exchange which stimulates exports, but as regards the ultimate limit of the beneficial fall we have failed to discover at what precise point, if at all, the advocates of this view would hold that the alleged advantage of a falling exchange ceases."

Then, I would give you the reference in my book on Indian Finance and Banking (Macmillan & Co.)—page 149—on the stimulus of a falling exchange, where you see the points at issue. The point seems to be this. Those people who argue that the cultivator or others would get 12½ per cent. less assume that the price is fixed. It all seems to me to be like the case of the Sabarmati river—if people were to say that the whole of the volume of water which runs down the Sabarmati river was governed by the amount of the tide at the mouth of the river which is notoriously not a fact. It is very important to take this matter and thrash it out in view of the fact that some people do not really appreciate the big economic forces at work. Marshall says, in one place, that you may as well have the rate of exchange put in an envelope. If a man exported his jute to London and then brought it back in the shape of a bale of calico and made a profit, the

rate of exchange may be in a sealed envelope. If you are an employer you will get more but you have to look to far more important factors, the question of the effect on capital and also you must look into the question of those factors which affect the price of India's exports, such as jute, cotton and other things. That is one aspect of the subject. As regards the 1s. 6d. exchange I have looked into the question. You find now that the Indian prices are more or less, as the Commission rightly, I think, pointed out, stabilised at 1s. 6d. Then, the Commission in a very interesting way have pointed out the course of prices in paragraph 185 of their report—page 71. Also so far as the effect on wages goes they of course point this out in paragraph 193. I will read the whole thing:—

“The reduction of the exchange rate to 1s. 4d. which the Chairman of the Association and many other witnesses advocated, would at best provide a temporary alleviation only for so serious a maladjustment. The ultimate effect would merely be, by inflating the currency to the extent of 12½ per cent. to produce a concealed reduction in wages of an equivalent percentage. Even if this would secure the desired equilibrium, which seems highly improbable, we do not regard it as sound policy to use the currency as a lever to reduce real wages. Any adjustment of wages thus brought about would be arbitrary in extent, as well as temporary in character. Inflation is a dangerous expedient, which has often been advocated, and sometimes deliberately applied in other countries for similar purposes, but it has always been found to carry nothing but evils in its train.”

And then, as already quoted, “the prosperity of an industry depends upon the soundness of its internal economy and its adaptability to changing conditions; any basic unsoundness in its economic conditions cannot be rectified by a mere change in the ratio of exchange.” And I find that my friend, Sir Victor Sassoon, when he went before the Currency Commission on this question very modestly put the case of exchange from the millowners' point of view as follows. It will show that they do not really take exchange as a cause of depression as it is given now in your evidence. Before the Royal Commission on Indian Currency and Finance it was said as follows:—

‘On the 11th of December,’ said Mr. Hilton Young, ‘we had a memorandum from Mr. Maloney, the Secretary of the Millowners' Association, which sets forth in some detail the proposals and recommendations of your Association, and I will proceed, if I may, to ask you some questions to elucidate the nature of your proposals and to ascertain the weight of emphasis which you place upon them’. Then, Sir Victor Sassoon replied and I think he is in the first rank as regards his acquaintance with the mill industry in this country. He said, ‘If I may interrupt for a moment, Sir, what my Association have allowed me to say in coming before you is that we do not pretend to be experts in currency. We obviously view the matter from a rather domestic point of view. But at the same time certain members of the Committee thought that they would like to amplify if you notice, what we call ‘suggestions’; but really what we wish to emphasise is what affects us more closely, that is to say the effect of an appreciated rupee to-day and the effect of a gold currency. That is what affects us more closely. The rest are mere suggestions and I do not suppose I shall be able to give you opinions which would rank as weighty as those of the experts you have had before you. I should naturally suppose,’ the President said, ‘it would be a misapprehension to conclude from what you have said that your proposals refer only to the interests of the Millowners' Association; I should rather suppose that your proposals are put forward on grounds of general public interest.’ The reply was, “on the ground of general public interest, certainly, Sir. But at the same time shall we say more from the businessman's knowledge rather than from a currency expert's knowledge. I mean we have certain views which you may call commonsense views held by business people, but certainly my knowledge as to the details of some of these technical questions is by no means extensive and I should not perhaps be in a position to reply as to certain causes and effects if it concerned the more highly technical part of the Currency Commission's question.” I think what they really meant was, as I said before, they brought in a question which no economist to-day would dispute—this is a simple arithmetical question—if exchange depreciates from 1s. 6d. to 1s. 4d. the person doing business will get more gain which may convert his losses into a profit. But undoubtedly you have to look to these bigger questions which are mentioned by the Gold and Silver Commission and you have to get behind those factors.

So considering all these things I do not think from the point of view of depression you can take 1s. 6d. rupee as a cause, as a permanent cause of the depression in the industry, although as I say in the short period a depreciating currency is very good sometimes to the exporter and that it converts losses into profits. I must apologise for going into the question at such length.

Q. A depreciating exchange gives the employers a temporary advantage at the expense of the employees?

A. Necessarily.

Q. I take it that an appreciating exchange shall we say—gives the employees a temporary advantage at the expense of the employer ?

A. Yes.

Q. And that I take it is the reason why the index figure of the wages of the mill hands in Bombay is out of relation to the index number of the cost of living ?

A. Sir, if I may say so, I have been away, as you are aware on study leave and I have not seen how these figures, the recent figures which have been put forward by the mill-owners have been calculated. According to the Currency Commission's report (paragraph 193) for 1914 it is 100, but speaking from memory your calculations.....

Q. For 1910 it is taken as 100 in the Millowners' statement.

A. There is no difference on the main point at issue, that the cost of living has not increased as much as the increase in wages, as the Currency Commission pointed out, and they asked the Finance Member about this. The Finance Member, who is very discreet in these matters, said on the 7th January 1926 in reply to questions :—

“ Q. Now, turning to Bombay, taking the prewar index figure at 100 we have been told that to-day's level is 231 ; that is to say there has been an increase in wages of 131 per cent.” The answer was :—“ What is the increase in the cost of living ?” From 100 to 153, was the reply. Then Sir Basil said “ It looks here as if the wage earner in that case had dealt with less clever employers than on this side of India.” The next question was :—“ But taking your own suggestion that there must be an increase in the standard of living apart from the increased cost of living, what will you say, keeping in view the difference between cost of living to-day in Bombay and the increase of wages in Bombay, the cost of living having gone up by 53 and the wages having gone up by 131 per cent. ? Sir Basil said “ if this is really the fact it seems to me that the probability is that the Bombay millowners are paying an unnecessarily high wage, but I must confess the statistics that I have had do not suggest to me that there has been any appreciable increase in the real wage of the Bombay mill hand from 1914 to the present day”. The next question was “ the figure I am giving you is the figure that was given in evidence on behalf of the Millowners' Association in Bombay by Sir Victor Sassoon.” The answer was :—“ I had figures which ultimately came from the Labour Office which suggested that the increase in the real wage of the Bombay mill hand at the time, in September 1925, when the strike first broke out was at most 11 per cent., so that a reduction of 11½ per cent. in wage practically brought him back to the real wage of prewar days”. And if you look into the question, you would have to take the increase in wages of the Bombay worker from 1890 right up to date and see whether the movement of wages was, as the Currency Commission pointed out, lagging as compared with prices and not rising really. I have submitted a statement to the Tariff Board taken from Mr. Dutt's Prices Enquiry Committee's Report of which Committee I was a member and you will see the rate of money wages given in Volume 3 of the Prices Enquiry Report. They are given for each place and each part of India.

Q. Those figures show that there was no real increase ? In fact there was a drop in real wages between 1880 and 1912 ?

A. Yes.

Q. That only carries us to 1912, I think ?

A. Yes.

Q. I wanted the increase in wages in Bombay in 1913.

A. In the report of the Prices Enquiry Committee we gave the money wages in the first part and then we gave the real wages, and then you will get the actual wages in rupees and the index numbers.

Q. What figures was Sir Basil Blackett referring to in that quotation ? I take it he was referring to the 1925 figures ?

A. I think he was referring to the wage census, the last wage census, the cost of living index—but I was on study leave and I cannot say for certain.

Q. What is your general view of the subject ? Are you inclined to think there is or there is not such a maladjustment as these figures seem to show ?

A. I think there is for the short period but you have to study the movement of the wages curve over a longer period before reaching a definite conclusion.

Q. You consider that wages in Bombay have not gone down in proportion to the fall in the cost of living ?

A. Wages in Bombay are higher than the cost of living increase from 1914.

Q. The question arises then whether they are really higher than the industry can bear in the present condition ?

A. I have been looking at a statement in the report of the Royal Commission on Indian Currency and Finance which gives the scale—page 363 of Volume 2.

Q. I do not quite know what is the point you are trying to prove, Mr. Shirras ?

A. I am pointing out that skilled labour has risen all over the Presidency very considerably and the rates are not far different in textiles. If you take the wage of a man in Ahmedabad, in the last census it is 162 and in Bombay it is 172. I am not absolutely certain how far we can use those figures in skilled labour. I will have it looked into. I will look into the question to see firstly what is the rate of skilled labour in the Presidency as compared with mill labour and what the rise has been. That has to be taken into consideration. Then the increase in the cost of production. When I was Director of the Labour Office, including the raw material, wages were between 12 and 18 per cent. I have got statistics of mills in the Central Provinces where the percentage of the cost was less. If you exclude the raw material the percentage may be 30 or above....

President.—Well, according to the figures we have got here from the Millowners' Association, the cost works out to about 20 per cent. The cost of the labour is about 20 per cent. of the whole, including the raw material.

A. Individual mills work out from 12 to 20. I think the figure is more or less correct.

Q. To get back to your original point, before we go further : do I understand you to hold that there is no maladjustment between real wages and the cost of living ? I understand from page 75 of the Currency Commission Report there is some maladjustment.

A. That is so, but not over long periods.

Q. Then the question arises whether it is right to use protection as a lever to maintain an uneconomic rate of wage in Bombay. Does it amount to that ? If there is this maladjustment, does it not mean that the rate of wages in Bombay is uneconomic, and that therefore the imposition of a protective duty would be the means of maintaining the uneconomic rate of wages in Bombay ? What I should like to know is whether you consider that "any basic unsoundness in its economic conditions cannot be rectified by a mere change in the ratio of exchange" ?

A. The statement is true.

Q. It is a very important question.

A. It is.

Raja Hari Kishan Kaul.—Are you inclined to think that the wages are at a pitch that could be justified otherwise ?

A. I think so. There is no getting away from the fact that labour in Bombay, compared even with Ahmedabad, is not so very regular in attendance. For example, as compared with other countries, of course, the efficiency is very low indeed. That of course is due to many factors such as housing, a low level of education and that sort of thing.

President.—The next question on which I want your views, Mr. Shirras, is this. You state in your note for us that you consider that the upcountry mills are in appreciably more favourable condition than the Bombay mills.

A. I put forward the statement showing the dividends and financial position from the Investors Year Book, 1926.

Q. The inference drawn from that is that the present depression is confined chiefly to the Bombay City ?

A. It is intensified there. But there again you get differences between mill and mill.

Q. Assuming that the protective duty which you support were imposed, how far are we justified in imposing a protective duty in the interests of Bombay when half the cotton textile industry is, according to your own showing, much less in need of it ?

A. Might I draw your attention to those figures ? The figures are lower in the other mills too.

Q. I know. The application for protection is primarily from Bombay and it has been supported by Ahmedabad. But it is clear that Ahmedabad would not have asked for protection if Bombay had not. And there has been no application for special protection from the upcountry mills. In these circumstances, the point on which I wanted your views was how far you consider, from your knowledge of Bombay especially, and of the industry as a whole, that the Board would be justified in recommending a protection which, to say the least, is not so necessary in the case of upcountry mills as in the case of Bombay.

A. It will help the upcountry mills too. For example, you get in the industry in Ahmedabad, for example, catering for the market on fancies. There is a mill on double shift going for goods of higher counts and also there is another mill which is spinning about 60s to 80s in Ahmedabad to-day.

Q. My point is that granted, as you say, protection would help the upcountry mills more than it would the Bombay mills, then does not that maintain Bombay in its relative inequality with the upcountry mills ?

A. There is another important factor to be included and that is the question of internal economy in the Bombay mills, of waste to be eliminated, and that question has to be looked into. That is one of the remedies which the industry has in its own hands.

Q. Yes. Is not that as effective a remedy against external competition as it is against internal competition ? Should it not be ?

A. It is a remedy undoubtedly.

Q. I think you mentioned just now, Mr. Shirras, that you would like to say something of the comparative efficiency of the Japanese and Indian labour.

A. I have given in my note such statistical data as exist. I have been unable to get, I think one ought to admit it frankly, the cost of production in Japanese mills, but I have been able to collect some data.

Q. In the American Tariff Commission's report we have some data.

A. Yes. The American Tariff Board publishes some very good publications. But there is one point. Wages in Japan have increased by an appreciable amount during the last few years. As regards wages, you see that wages in Japan for a spinning department in the prewar year was 0-12-3, reducing it at 1s. 9d. to the yen. This is from the *Labour Gazette*. I assume that all the figures in the table are converted into rupees at 1s. 9d. Of course one factor which makes for efficiency in Japan—a factor making for efficiency in all countries—is education, and in Japan I think nearly 100 per cent. of school-going age are at school. There are many at continuation night schools. So education is very much more widespread in Japan than it is among the textile workers in this country and education, housing and food supply are the factors which affect very materially the health and strength of the population. So there are signs of greater output per worker than there would be in this country. I think the number of spindles has also to be examined.

Q. We are doing something in that line.

A. But it is extraordinarily difficult to get any figure like the percentage of relative cost, but my third memorandum will give the available data.

Q. There is one rather important question I should like to go into with regard to labour. That is absenteeism. According to the Bombay Millowners' replies to our questionnaire, they say, according to the *Labour Gazette*, absenteeism for the month of June 1926 was, in Bombay 11·13 per cent., in Ahmedabad 2·54 per cent. and in Sholapur 15·5 per cent. There is a remarkable difference. But the difference would seem to be nothing like as great as would appear from those figures, the reason being this. As we understand it, in Ahmedabad when a man is away, a substitute is immediately taken on the books and given a place in the register and the original man is not counted as absent, whereas in Bombay the man is counted as absent and the absenteeism is worked out on that basis. It obviously makes a vast difference.

A. Would you look at the last report of Wages and Hours of Labour in the Cotton Mill Industry, page 7, in regard to absenteeism, paragraph 21 ?

It must also be remembered that correct returns of absenteeism are considerably affected by the question of substitution, especially in regard to the weavers. When a weaver is absent, he may either ask the operative in charge of the looms next to his to look after his looms or he may send a substitute. In most mills no record is maintained for such substitutes (that applies to Bombay) and the amount of piecework earnings on the output from the looms assigned to the worker who is absent is paid to the worker whose name is entered on the pay roll irrespective of the fact whether the looms were tended by such worker throughout the month or not. In such cases no absenteeism is shown. On the other hand real absenteeism is not so high in the weaving department as in any other. The figures of absenteeism given in the *Labour Gazette* as regards Ahmedabad appear to be, on the whole, on the same basis. These workers have a greater absenteeism than the Bombay workers. In Bombay, most of the work people want to go off to their land, mostly on the Ratnagiri side. Secondly, the conditions of housing and the general city conditions are different from what they are in Ahmedabad. On the other hand, you have got workers who are local people and they seem to be mill workers more than agricultural workers than in the case in Bombay. They get a bonus here. They are keener in Ahmedabad on getting a small bonus for regular attendance. In certain departments they obtain a bonus of 8 annas for attendance and 8 annas for production and this includes winding. There is thus a difference in the Ahmedabad mills *vis a vis* the Bombay mills. But if you look at the result of this wage census where you have got the detailed figures, you find that in Ahmedabad absenteeism is less than in Bombay City (page 8, Table II).

Q. There is this fact that these figures are for one month only.

A. If I were you, I should take these figures for this census as being the best available.

Q. You say that these figures were recorded on exactly the same basis?

A. The figures in the census we have got from every mill, and they were more representative and very carefully checked.

Mr. Subba Rao.—Which census?

A. The Wage Census of 1923. For example, if you take absenteeism for Ahmedabad in the same month as this independent of the wage census you would find that it was based on 20 mills and upto the 15th of the month, not for the total days in that month. Absenteeism is extraordinarily difficult to get at for reasons stated and I should take the figures given in the Census and you will find that the Ahmedabad figures for absence is less than for Bombay City and Sholapur. You notice too that the percentage for women in Bombay in the month was as high as 16.

President.—What the Millowners' Association told us was that if a weaver is absent and another man takes his place, he is called a budli. In the mill statement the original man is not shown as present but for the *Labour Gazette* purposes it is shown that the man is present all along. They also say that they employ 10 to 12 per cent. more hands than they really need because of the absenteeism. What I want to get at is how they work out their absenteeism.

A. I have been away from the Labour Office for some time. But you can surely find out now the number of mills from which they are getting returns and get the original statement which they send to the Labour Office and then when you get that you could take and inspect 5 to 10 per cent. of them and verify and see how far they are correct.

Q. I propose to examine the Director of Information and Labour Intelligence on the point. I think you say you are convinced that the absenteeism for Bombay and Ahmedabad was calculated in the same way. The basis in the two places seems to be somewhat different.

A. I think, in Ahmedabad, we did not have certainly for the month of August 1923 a complete list of mills. We had only 20 mills and the figures are up to the 15th I think. The wage census figures for reasons stated in the Report are more complete than those of the *Labour Gazette*. I should prefer to take the wage census.

Mr. Subba Rao.—You say you took only 20 mills for the *Labour Gazette* for August 1923? The data to which this corresponds, so far as Ahmedabad goes, refers only to 20 mills and they are upto the 15th of the month.

Q. And that limit has been kept up afterwards?

A. No. They were trying to get more mills when I went on leave in 1924.

Q. My difficulty is with regard to this census and the later one. Here you get 13 per cent. and so on. We have been getting for several months 2.7, 3.1 and so on, suggesting a great change in the movement of labour or some change in the basis of calculation.

A. I should say that the figures for Ahmedabad are probably not so complete as those for Bombay and I suggest your keeping to the complete figures given in the last Wage Census for 1923. But the Director of Information and Labour Intelligence will be able to give you further information on that. The second point is that labour in Ahmedabad is more local than in Bombay, and it is not so unsteady. For example, before the rains when all the coastal steamers in Ratnagiri move, if you go by them you will see how many are off to their villages. But labour is far more steady here and I am credibly informed here that you do not get bad attendance after pay day as you get in Bombay. In Bombay after the monthly wages are paid, absenteeism goes up at once. Here wages are paid fortnightly. There you see the figure for August 1923 for all work people is 11.2 for the City of Bombay, 11.6 for Sholapur and 8.7 for Ahmedabad.

Raja Hari Kishan Kaul.—You think that represents the correct state of affairs?

A. I think it is not far wrong—the August 1923 figure; but the figures are all high.

Mr. Subba Rao.—Have you any figures for the relative wages of the weavers and spinners in England?

A. I have.

Q. Is it true that spinners were getting much more than weavers? I wanted to make sure whether it was for ring spinners and not for mule spinners.

A. Weavers do not get more than the mule spinners.....

President.—Are they both paid by piecework in Lancashire?

A. No. You get the exact figures for each occupation in the Report of the Board of Trade—C.D. 4545.

Mr. Subba Rao.—I should like to go from wages to the other question about import duties. So I shall start with the point about wages. This is the present position in the

cotton textile industry, specially in Bombay, that costs have risen very high in recent years, and the millowners contend that the wages bill forms a very large proportion of the total costs. If you want to obtain the normal profits, either the costs must come down or you must devise some method of raising the price. That is the only alternative and they contend that the only element in the costs which is capable of any reduction would be wages, the wage bill. Now, I think it was brought out in evidence so far that the wages although they are high are not very high in relation to the increased cost of living. Is that your opinion?

A. Yes, the figures, as I say speaking from memory, are that wages have now increased 96 per cent. whereas the cost of living has increased between 50 and 60.

Q. Was the basic wage a really decent one?

A. No. You get a great deal of information from my Report on Working Class Family Budgets, and I should like to draw the Board's attention to the results of the analysis of my family budget by medical men to find out whether the worker was getting the proper food, because he is just like a steam engine. Feed the engine with better coal and you get better results. And here they pointed out that the diet was wanting in certain respects. They discussed the question of rice as a diet and also the general tendency for the worker to curtail his expenditure. They also referred to the expenditure on food and also the lack in fats. That you will find in the Labour Gazette for April 1926.

Q. So, that bears out the impression that the present high wages although they are arithmetically high are not by any means too high for the sustenance of labour as an efficient factor of production?

A. I entirely concur.

Q. You also suggest that the cotton mill labourer is by no means getting a very high wage in comparison with the wages of skilled labour in the Bombay Presidency?

A. That is the conclusion from this statement which was prepared by the Labour Office and furnished to the Indian Currency Commission.

Q. Then, would not the conclusion follow that a cut in wages is neither feasible nor desirable?

A. It is not desirable.

Q. If that be so, and if you start with the first position that at the present price the costs are too high to yield a profit, the only alternative would be a rise in prices or such a large increase in production as will distribute the overheads over a larger volume of production, thereby enabling the goods to be sold at a low price?

A. You are assuming that you cannot make other reductions by better organisation.

Q. Quite so. We will come to that. On that supposition, that other economies are not possible, the biggest item which can be cut, it is suggested, is the wage bill.

A. Yes, that applies to all cotton mills.

Q. If other economies are not sufficient to reduce the cost to the level of the present price and if wages cannot be cut into, the only alternative would be a rise in price?

A. Yes.

Q. Therefore we will just put on one side the other possibility which, I agree, is the more economical one. But let us take the more obvious way of making the two reach parity. A rise in price could keep in touch with the present increase in cost. Now, that must be the obvious result, or the desired result of an import duty. If the import duties are to be levied I assume people who levy the duty visualise a rise in price as the necessary concomitant of the import duty?

A. In that article.

Q. Yes. An import duty on cotton goods. An import duty on cloth made of yarn below 40s. We understand that that kind of cloth cannot be sold as a rule at a price that pays the manufacturer. That is the present position. Assuming the position is correct—we have not got as yet the costs of production, and we are merely going upon the case submitted to us by the Millowners that at the present prices they cannot make both ends meet, at least on that hypothesis, if no cut in wages is possible, or if no other economies are possible, you must put up prices by some device. To the extent therefore the import duties do not bring about that consummation, they fail in their purpose; and if they bring about a rise in price, what is the effect, as the President asked, on consumption? A rise in price as a rule leads to diminution in consumption except when you are considering the bare minimum. There is even now a considerable margin between that minimum and the present consumption of about 11·5 yards per head. Therefore any rise in prices which must take place to enable the industry to make the cost equal to the

price will affect the amount of consumption and every fall in consumption will mean diminished output ?

A. Yes, we are, of course, assuming at the moment that "in other things" there are no economies possible.

Q. Quite so. That is a different matter. They are saying that it is not possible and they suggest this import duty as the only alternative. Therefore I suggest that the remedy proposed will not meet the present situation ?

A. Exactly.

Q. Unless, as the President said, the duty was very high, the prices were high and they were able to make both ends meet in spite of diminished sales. That is assuming a very big import duty. But if you put a small duty, either there will be no increase in price which means they cannot make both ends meet, or you put up prices and the people, the poorer people, will buy less, and you are more or less in the same position as before. When you diminish your output on account of reduced demand you put up your cost, and this new cost may be higher than the new price and the cycle begins once more and you demand more import duties.

A. Theoretically you are correct, but I am going to deal with this in my Memorandum (Memorandum III). You are assuming in that that internal economies cannot be effected

Q. They have been effected to the maximum capacity. That is what we are told.

President.—If you have your import duty, what incentive is there to effect any further internal economies, especially when the statement is made that all internal economies possible have already been effected under the stress of the depression ?

A. If you will allow me, my answer to that is this. How is it that the trade depressor is not felt equally by all the mills in Bombay ? The factor of so-called depression is a temporary negative economy so to say. Why is there such discrepancy between mill and mill ?

Mr. Subba Rao.—So some mills have been able to effect economies or produce at such low cost as is equal to or less than the current price ?

A. Some mills have been losing and others have been losing very much more.

Q. In fairness we must put this also, that those mills which are doing well or declared dividends are said to have reduced their costs because of their reserves, the interest they obtain from their investments. That must be noted.

A. It must ; and then, of course, you go one step further and you go into the question of depreciation and whether the methods of keeping the depreciation fund have been sound, financially sound, and other economies of the business. And that is what at the beginning of this discussion we made quite clear, that we were assuming for the moment that the internal economies were fully realised.

Q. I am trying to work out the case of the other side. The millowners say they have made all the economies possible, and now they want to proceed further, but they find they are helpless. I wanted to take the remedy you suggest and try to ascertain to what extent it would give them the relief they want, and which they say they cannot obtain in any other manner. I suggest the relief will not come under the given assumptions.....

A. Of course, the millowners will have the market for the lower counts to a greater degree than they have at present and therefore having a freer market their turnover will be greater.

Q. In other words, the supposition is that a considerable part of the local market is now supplied by foreign imports ?

A. That is so.

Q. Is that a fact ? Because the local production of cloth was about 1970 million yards in 1924-25 and the Japanese imports of cloth were 150 million yards in 1924-25 and 215 million yards in 1925-26. Assuming all that cloth is coarser stuff, is there much possibility of an extension of the market for the coarser counts ? It is after all a small proportion of the present output. So you cannot suggest there will be much room for expansion of the market for Indian mill cloth merely because you keep out the cloth that competes from abroad ?

A. Is not the millowners' point rather this, if you exclude the Japanese or Italian imports, the effect will be far greater than shown as an increase in price ? The effect will be shutting out that part of the supply which will go over to them and benefit them ?

A. But you must translate that fact effectively in terms of price or in terms of development. It means, I suppose, from one point of view that their prices are being cut into. In other words, it is a case of what may be called dumping. It would therefore be marketed at the present price or slightly above the present price.

A. That is one possibility.

Q. As one of them told us, what they fear is not so much the present level of prices continuing but its being out into, being made even lower by further dumping.

A. That is another aspect they bring out here, when they say that the extraordinary rise every year in Japanese imports which they view with dismay is a fact which is of significance in the cotton mill industry of the country. If the Japanese imports go on increasing at the present rate, the cotton mill industry will find itself in a bad way in five or six years time.

President.—They are looking at it from the point of view solely of the increase in Japanese imports. The question will arise as to the relation between those and the British imports which have been going down. Is that not so? Don't you think that they are looking too exclusively at the mere volume of the Japanese imports and not to the quality?

A. I think they are, as you suggest, emphasising the volume of the Japanese imports.

Mr. Subba Rao.—A slightly different point emerges at this stage. If you agree with them, it is the fear of a further increase of Japanese imports and not the question of the present imports it will merely mean they are dumping every time. At the present prices they can after all make both ends meet, but they are afraid that the Japanese might import and sell them every time at prices that cut into the present prices and thereby ruin them. So what they want would be not higher prices by means of import duties, but merely immunity from the present competition?

A. Yes.

Q. Which would make the case different. It would not be general import duties that they want, but a sort of *ad hoc* or a special anti-dumping duty, which is different?

A. Safeguarding of Industries Act. On safeguarding lines.

Q. That will meet the situation?

A. I think in fairness to the millowners, they have both points in view, firstly the present high imports and secondly the possibility of future quantities being seriously great. Then coming back to your internal economies about your raw material, futures and that sort of thing—is that done to an extent which gives the maximum economy at present?

Q. We had both points presented to us. The millowners said they are obtaining all possible economies now. I do not think it is suggested at any stage in their evidence that there was any scope for further economy. We suggested some organisation for purchase and for sale. They said it is absolutely impossible, there could be no organisation, that things were all right as they were.

A. For example, you take the position of a manufacturer at present. He buys the raw material and he has got his cloth and he has not sold that cloth. Well, if he can hedge properly he saves his money. I have heard of one case in Bombay last year where 25 lakhs of rupees or a very big sum would have been lost had it not been for the fact that the managing agents sold futures and bought in the way they did. That is an example of the internal economy which we assumed when this discussion arose as being extant throughout the industry.

Q. Can you suggest any other internal economy? For example in your enquiries have you found out that any mill organisation is what is called top heavy, and if so, would the cost involved be a large proportion of the total expenditure?

A. Yes, but that is difficult often to say precisely. Of course, that raises the whole question of economy in managing agencies.

Q. We would like your views on that point.

A. There again I may draw your attention to Sir Victor Sassoon's answer to the Currency Commission—Questions 5008 and 5009. The President of the Commission asked if the Bombay Millowners' Association was an association of the owners of their mills. Sir Victor replied "The word 'owners' is rather a misnomer. We are more the managing agents of mills. It dates from the time when most of the mills were proprietary, but I don't suppose there is a single agent now who owns the mill he manages." Then the question was put to him if he could tell them what the typical work of the managing agents was to the industry. The reply was "shortly, the managing agent is a firm who takes the place of a whole-time servant usually styled the Managing Director at Home. The managing agent is not however a whole-time servant but acts for a number of companies as a rule besides carrying on his own business—generally that of a merchant. The practice dates from the time when suitable men were very much sought after and has the additional convenience of at any rate one partner being on the spot to carry on the work, while the other is on leave. But besides carrying out the executive functions of a managing director a firm of managing agents is largely responsible for arranging any finance required by the concerns they manage and to do this have to pledge their own credit. This is probably their most valuable function to-day and the reason why they have not been superseded by whole-time managing directors."

So you see that is the point of view. In a time of depression when credit was not sufficient millowners were able to finance the mills. I think one result of the depression is that more has fallen on the millowner in the way of financing than it was the practice hitherto.

President.—Mill agent ?

A. Yes.

Mr. Subba Rao.—As between an import duty and any other form of State help, such as bounties or loans at no interest or a low rate of interest, which would you prefer ?

A. Import duties ; but one cannot without going into the subject at some length be too dogmatical.

Q. Why ?

A. I shall deal with this at length in the memorandum. Bounties as you know are sometimes far from satisfactory.

President.—Bounties will be extremely difficult to administer in the case of 337 mills.

Mr. Subba Rao.—We will come to the question of administration later on if necessary, but just now I want to consider them as a matter of policy. Suppose you want to give protection to the industry, which form of State aid would mean less burden on the consumer and would safeguard his interests better ? Academically which do you consider the safer remedy from the point of view of the State as a whole, assuming you want to help the mill industry, assuming just now that the costs in spite of all possible economies cannot be reduced and the present prices are too low. You have got the remedy of the import duties fairly obvious. Then we have bounties.

A. The bounty versus the import duty has been referred to in the memoranda.

Q. The bounty may be on output.

A. Would you differentiate between Bombay and elsewhere ?

Q. No, I am taking the Indian industry as one unit. There are difficulties as to the efficient unit and so on, I admit, but I am merely taking the principle—giving help to the industry in a direct manner as opposed to giving that help in a manner that by a change of conditions may be concealed. You know as a theorist how difficult it is to discover whether a duty has meant higher prices or not, and it is possible to argue that in spite of a duty prices are not higher but even lower because, for example, cotton may have gone down in price, therefore cotton goods have also fallen in price ?

A. Undoubtedly.

Q. Therefore I want to know your opinion on these alternative modes of giving help. Which is more desirable, once you have made up your mind to help, the most tangible and obvious mode as contrasted with help in another manner where the help given might be concealed by the operation of other changes. Other things are not equal. Which of these would you prefer, as a matter of principle, apart from administration ?

A. I prefer import duties for reasons stated in my memoranda and emphasised by economists such as Gide on the drawback of bounties.

President.—I think there was a point to which you wanted to refer, with reference to the Washington Convention.

A. The point is that the United States is not a Member of the International Labour Organisation, although of course the Washington Conference of 1919 was the first International Labour Conference.

Raja Hari Kishan Kuul.—You propose a protective duty on certain lines of cloth manufactured from certain counts. I have read your written memoranda very carefully, but am I to presume that conditions exist which necessitate protection ?

A. Yes. The grounds were large increase in imports of yarn and piecegoods. But there are so many factors to be taken into consideration that I do not wish to appear in any sense dogmatical. It is a thing which requires very careful looking into. The main underlying principles also deal with the question of safeguarding duties.

Q. You remember that we want your opinion not merely from the theoretical point of view but from the practical point of view as applied to conditions now existing in India.

A. Yes, and specially to the Indian mill industry.

Q. And local conditions as far as they are known to you.

A. It is not an easy row to hoe.

Q. If a duty is put on, you say there is normally a rise in prices ?

A. It may have that effect and prices may be less. But if you put on a safeguarding of industries duty, you will have to be very careful and see that you get the proper

valuation and also the proper costs of production for what are called representative mills. These are mills which are enjoying the internal economies referred to this morning and also the external economies.

Q. But do you think that in the case of a safeguarding duty, prices would not rise at all or would they rise even then ?

A. Suppose cotton became the raw material and became very cheap and you put on your duty. It might be that your price will not be higher than before. But will other things be equal ?

Q. Other things being equal, prices would not rise if we had merely a countervailing duty to the extent of the difference between the cost of production here and the price of imported articles ? Is that what you mean ?

A. Yes.

Q. My question was intended to get your opinion as to whether the rise in prices, in the case of an additional import duty being put on, will be right up to the extent of the duty or something else. Suppose an additional duty of 10 per cent. is put on. Would the prices rise 10 per cent. or would they rise to a smaller extent ?

A. It may or may not be to the full extent of the duty. I deal with that in the Memoranda and in my "Science of Public Finance". When a duty is placed on a commodity its price does usually rise by the amount of the duty. But this is not necessarily so and not always immediately. It will rise to the full amount only where the commodity is produced under the conditions of constant returns and under free competition this is to be expected. A rise in price may affect the demand. High wages and low prices may coexist.

Q. Can you suggest any rate at which the duty might be imposed, if it is imposed ?

A. It would be a duty which would be at least equal to the difference between the import price, *c. i. f.* price, and the price of your representative mills in Bombay.

Q. I think there were two proposals in your written statement, one an import duty on certain varieties of cloth and the other a duty equal to the difference between the cost of production here and the price of the imported goods. These are two different things.

A. Yes ; it is like two sides to a coin.

Q. If an import duty is put on, you would measure it in the light of the cost of production and the price of the imported article ?

A. Yes.

Q. And you would take the average for six months or for a year and for various articles ?

A. Yes. The Government of India do look into the question in their tariff valuations. It is a different matter of course. But you take the prices over a period. You may do it in that way or you may base your tariff on expenses of production in the main of representative mills in the industry. The question is full of difficulties. If you are going to take the cost of production what would you fix as a fair return on the capital invested ? Would it be six or seven per cent. or would that be taken into consideration and what would you allow for depreciation ? All these matters have to be thought out and you will find that in Bombay it is a very difficult test.

Q. As regards depreciation, the opinion seems to be more or less uniform as to the rates to be allowed, for spinning machinery, weaving machinery and so on. The rates debited to the income tax seem to be in the same position more or less. As regards return on capital, it is recognised that 6 to 8 per cent. might be allowed. The difficulty would really be in getting the average cost of production of the well managed mills. Would it not ?

A. Yes ; for example, you have 82 mills in Bombay.

Q. You would take only the well regulated mills ?

A. I would take the representative concerns.

Q. Would you take the representative concerns or the best mills ?

A. I take the representative mills, those which have got internal economies and also those which have got external economies on account of their being in that area. But my experience as Director of the Labour Office is that Government figures, the figures which you use largely in this enquiry, are figures compiled by Government agency and it is extremely hard to get reliable statistics of costs. I find it next to impossible. For example, I have been trying to get at the difference of costs between Ahmedabad and Bombay and the reasons for those differences and it is by no means an easy matter. I have spent a long time over it. Since I came here I have been trying to do it and am only now getting a representative series of results.

Q. We should be glad if you could give us the results of your investigation.

A. I always hesitate to put forward a figure unless one is absolutely certain of it. But I have some results here which show that the Ahmedabad mills at present have got

So you see that is the point of view. In a time of depression when credit was not sufficient millowners were able to finance the mills. I think one result of the depression is that more has fallen on the millowner in the way of financing than it was the practice hitherto.

President.—Mill agent ?

A. Yes.

Mr. Subba Rao.—As between an import duty and any other form of State help, such as bounties or loans at no interest or a low rate of interest, which would you prefer ?

A. Import duties ; but one cannot without going into the subject at some length be too dogmatical.

Q. Why ?

A. I shall deal with this at length in the memorandum. Bounties as you know are sometimes far from satisfactory.

President.—Bounties will be extremely difficult to administer in the case of 337 mills.

Mr. Subba Rao.—We will come to the question of administration later on if necessary, but just now I want to consider them as a matter of policy. Suppose you want to give protection to the industry, which form of State aid would mean less burden on the consumer and would safeguard his interests better ? Academically which do you consider the safer remedy from the point of view of the State as a whole, assuming you want to help the mill industry, assuming just now that the costs in spite of all possible economies cannot be reduced and the present prices are too low. You have got the remedy of the port duties fairly obvious. Then we have bounties.

A. The bounty versus the import duty has been referred to in the memoranda.

Q. The bounty may be on output.

A. Would you differentiate between Bombay and elsewhere ?

Q. No, I am taking the Indian industry as one unit. There are difficulties as to the efficient unit and so on, I admit, but I am merely taking the principle—giving help to the industry in a direct manner as opposed to giving that help in a manner that by a range of conditions may be concealed. You know as a theorist how difficult it is to discover whether a duty has meant higher prices or not, and it is possible to argue that in spite of a duty prices are not higher but even lower because, for example, cotton may be gone down in price, therefore cotton goods have also fallen in price ?

A. Undoubtedly.

Q. Therefore I want to know your opinion on these alternative modes of giving help. Which is more desirable, once you have made up your mind to help, the most subtle and obvious mode as contrasted with help in another manner where the help may be concealed by the operation of other changes. Other things are not equal. Which of these would you prefer, as a matter of principle, apart from administration ?

A. I prefer import duties for reasons stated in my memoranda and emphasised by economists such as Gide on the drawback of bounties.

President.—I think there was a point to which you wanted to refer, with reference to the Washington Convention.

A. The point is that the United States is not a Member of the International Labour Organisation, although of course the Washington Conference of 1919 was the first International Labour Conference.

Raja Hari Kishan Kaul.—You propose a protective duty on certain lines of cloth manufactured from certain counts. I have read your written memoranda very carefully, but am I to presume that conditions exist which necessitate protection ?

A. Yes. The grounds were large increase in imports of yarn and piecegoods. But there are so many factors to be taken into consideration that I do not wish to appear in any sense dogmatical. It is a thing which requires very careful looking into. The main underlying principles also deal with the question of safeguarding duties.

Q. You remember that we want your opinion not merely from the theoretical point of view but from the practical point of view as applied to conditions now existing in India.

A. Yes, and specially to the Indian mill industry.

Q. And local conditions as far as they are known to you.

A. It is not an easy row to hoe.

Q. If a duty is put on, you say there is normally a rise in prices ?

A. It may have that effect and prices may be less. But if you put on a safeguarding industries duty, you will have to be very careful and see that you get the proper

valuation and also the proper costs of production for what are called representative mills. These are mills which are enjoying the internal economies referred to this morning and also the external economies.

Q. But do you think that in the case of a safeguarding duty, prices would not rise at all or would they rise even then ?

A. Suppose cotton became the raw material and became very cheap and you put on your duty. It might be that your price will not be higher than before. But will other things be equal ?

Q. Other things being equal, prices would not rise if we had merely a countervailing duty to the extent of the difference between the cost of production here and the price of imported articles ? Is that what you mean ?

A. Yes.

Q. My question was intended to get your opinion as to whether the rise in prices, in the case of an additional import duty being put on, will be right up to the extent of the duty or something else. Suppose an additional duty of 10 per cent. is put on. Would the prices rise 10 per cent. or would they rise to a smaller extent ?

A. It may or may not be to the full extent of the duty. I deal with that in the Memoranda and in my "Science of Public Finance". When a duty is placed on a commodity its price does usually rise by the amount of the duty. But this is not necessarily so and not always immediately. It will rise to the full amount only where the commodity is produced under the conditions of constant returns and under free competition this is to be expected. A rise in price may affect the demand. High wages and low prices may coexist.

Q. Can you suggest any rate at which the duty might be imposed, if it is imposed ?

A. It would be a duty which would be at least equal to the difference between the import price, *c. i. f.* price, and the price of your representative mills in Bombay.

Q. I think there were two proposals in your written statement, one an import duty on certain varieties of cloth and the other a duty equal to the difference between the cost of production here and the price of the imported goods. These are two different things.

A. Yes ; it is like two sides to a coin.

Q. If an import duty is put on, you would measure it in the light of the cost of production and the price of the imported article ?

A. Yes.

Q. And you would take the average for six months or for a year and for various articles ?

A. Yes. The Government of India do look into the question in their tariff valuations. It is a different matter of course. But you take the prices over a period. You may do it in that way or you may base your tariff on expenses of production in the main of representative mills in the industry. The question is full of difficulties. If you are going to take the cost of production what would you fix as a fair return on the capital invested ? Would it be six or seven per cent. or would that be taken into consideration and what would you allow for depreciation ? All these matters have to be thought out and you will find that in Bombay it is a very difficult test.

Q. As regards depreciation, the opinion seems to be more or less uniform : as to the rates to be allowed, for spinning machinery, weaving machinery and so on. The rates debited to the income tax seem to be in the same position more or less. As regards return on capital, it is recognised that 6 to 8 per cent. might be allowed. The difficulty would really be in getting the average cost of production of the well managed mills. Would it not ?

A. Yes ; for example, you have 82 mills in Bombay.

Q. You would take only the well regulated mills ?

A. I would take the representative concerns.

Q. Would you take the representative concerns or the best mills ?

A. I take the representative mills, those which have got internal economies and also those which have got external economies on account of their being in that area. But my experience as Director of the Labour Office is that Government figures, the figures which you use largely in this enquiry, are figures compiled by Government agency and it is extremely hard to get reliable statistics of costs. I find it next to impossible. For example, I have been trying to get at the difference of costs between Ahmedabad and Bombay and the reasons for those differences and it is by no means an easy matter. I have spent a long time over it. Since I came here I have been trying to do it and am only now getting a representative series of results.

Q. We should be glad if you could give us the results of your investigation.

A. I always hesitate to put forward a figure unless one is absolutely certain of it. But I have some results here which show that the Ahmedabad mills at present have got

something like an anna and a half preference over the cost of production in Bombay and the reasons of this of course I can summarise briefly as due to the fact that although Bombay has got an advantage over Ahmedabad in so far as she has got a very humid temperature and she is near the port of export, still Ahmedabad has got some important advantages. For example, her interest charges are lower than in Bombay, she has got labour which is steady, and slightly cheaper. For example, in Bombay city a man gets Rs. 1-7-2 and in Ahmedabad he gets Rs. 1-6-2. It is just a shade cheaper. Sholapur has got it cheaper still. For example, a man gets Re. 1 a day as compared with Rs. 1-6-2 here and Rs. 1-7-2 in Bombay. There are those economies and of course, you have got cotton all round the centre of the industry. They say that the cotton which is spun here for certain classes of goods is slightly cheaper and the mixing is also slightly cheaper. It is very difficult to arrive at a figure. I have put in a composite statement, confidentially, of costs of production, and you will see that to-day it would not be very far wrong if one took for spinning in Ahmedabad 24s counts, something like 3½ annas and weaving 4 annas, that is, 7½ annas per lb. The Bombay cost will probably be 4 annas and 5 annas. But of course even in Ahmedabad take a mill spinning good cotton and with new machinery. The 3½ annas might go down to 2 annas, or you may have bought your machinery at the top of the market.

Q. There are so many other factors which affect the result.

A. Yes. For example, water rates in Bombay come to Re. 1 per 1,000 gallons. There again, rates and taxes are higher in Bombay. But as already stated, on the other hand Bombay has got humidity and the cost of imported stores are less. But on the whole, you find that at the present time it is something like 7-5 to 9 annas a lb.

Q. About the 1s. 4d. and 1s. 6d. exchange, I want to see if I understand you properly. You said that other things being equal, 1s. 4d. exchange should be an advantage to producers as compared with 1s. 6d.

A. What I meant to say was that to the exporter, to the manufacturer in the mill, a bounty does for a time occur when you get a falling exchange, other things being equal.

Q. Then the prices in India are regulated by outside factors ?

A. Both by world and internal factors.

Q. Ordinarily the prices for world products are regulated by the outside prices.

A. You take the jute crop.

Q. That is a monopoly. But cotton and jute are important crops in India and the prices are regulated by the outside markets. In those circumstances would the cultivator gain at 1s. 4d. as compared to 1s. 6d.

A. What he wants is a stable exchange.

Q. Once the exchange is stabilised there is no difficulty. It is only for the transition period. What we are concerned with is only whether 1s. 6d. is going to affect the cotton trade adversely or not. That is the point.

A. I think from what I said this morning the answer is in the negative.

Q. He will not be affected ?

A. I have already dealt with the various considerations that have to be considered.

President.—There is just one further point I would like to put to you. I think you will agree that the present depression in the cotton industry in Bombay presents all the features which are usual to the trade depression. You have got your period of high prices, you have got orders for extension of machinery which are placed at the top prices, machinery arriving when prices have dropped, increased production as a consequence of installing more machinery coming in and beginning to operate when prices are at their lowest, and you have got generally lack of confidence in the level of prices and so on—the features which are quite common to every cycle of depression.

A. Yes. You have got also the biggest war that ever was known. The population of the world is poorer. I quite agree with what you say. Of course the depression after so great a war was to be expected. But it was not even seen in most of the western countries.

Q. Is there any reason to believe that a depression like this can be permanent ?

A. I think the answer, there again, is in the negative. I think, all things considered we have got over the worst part of the depression.

Q. Supposing protection were adopted as a remedy now, would you as an economist think that it is a guarantee against further depression ? I think depression affects a country whether there is protection or not. Is protection any guarantee against occurrence of further depression ?

A. You have got the example of America. Several factors are very important. In 1907-08 in America when it had no strong central banking system as you have to-day

you had a period of depression largely due to speculation. But they had a protective tariff.

Q. That being so, would not a further dose of protection be asked for? If protection is now considered to be a remedy for this depression and if you get further depression, will not naturally the result be to ask for further protection?

A. It may or may not be.

Q. Why do you consider that special steps should be taken to meet the one factor?

A. Because I have been very much influenced, to speak perfectly frankly, by the experience of protective duties in Germany and in other countries and I am of opinion that if the local producer, the manufacturer, is having bad time in production owing to foreign competition, he ought to be assisted.

Mr. Subba Rao.—Did you say owing to the force of circumstances special to the country?

A. Undoubtedly, in the special circumstances of India. I think I am strongly in favour of a thorough enquiry.

President.—Do you consider that on the grounds that you now put forward that there is any special reason to differentiate between the textile industry and any other industry? Would not the ground that you put forward justify a general increase in customs duties all round, a general protective policy?

A. Not necessarily. There are certain industries like the cotton industry in Bombay which feel the blast of foreign competition much more than others. But in protection you have to go very warily and cautiously everyone admits.

Q. We discussed this morning the point whether wary protection is going to give the cotton industry immediate relief which it considers essential?

A. Not necessarily immediate relief. But the millowners make it quite clear what they meant by immediate relief.

Q. I take it that this is what they want. They would like some relief which would enable them in the course of the next year to turn their losses into a moderate profit.

A. I have got of course no right to speak for or against, but I do not think the millowners probably urge a tariff on Japanese goods merely for the sake of sweated Japanese labour and that the double shift in Japan gives her a very great advantage.

Q. What they have asked as you probably know is a total duty of 17½ per cent.

A. I have dealt with tariff rates in one of the memoranda. In deciding what form of protection, if any, must be given is no easy matter for reasons already given in these memoranda. So many factors have to be considered. It is true that when once industries not possessing sufficient advantages have been established under protection high wages can be obtained in these industries only by the continuance of these duties. The wages question at bottom is one of productivity.

Witness No. 81

Mr. H. B. SHIVDASANI, AHMEDAJ

. *Written Statement*

SECTION I

General

5. A further fall in the price of raw cotton would have a very beneficial effect on the prosperity of the industry, as it would very greatly stimulate the demand for cotton goods owing to the price being reduced. The cotton growers may be badly hit and may not be able to increase their purchases and may even reduce their purchases. But only a small percentage of the Indian population consists of cotton growers. On the whole demand would be greatly stimulated.

10. I do not agree with this view entirely though it contains some truth. Weaving of clothes to cover the body and to hide the shame is a necessity and the form or convenience of investment of savings will not greatly influence the expenditure on necessities like clothing.

12. As far as I know mills in Gujrat, *i.e.*, mills situated at Ahmedabad, Broach and Viramgam, the depression in the cotton industry has only weeded out the inefficient and badly and dishonestly managed mills. No good and well managed mill has found itself in really serious difficulties. The depression has brought matters to a head and has prevented the bad agents from continuing to carry on their concerns on unsound and ruinous lines.

The following cotton mills of which the managing agents were Messrs. Naginlal, Manilal and Nanalal all three sons of Sheth Maganlal Jeychand have gone into liquidation :—

- (1) The Whittle Spinning and Manufacturing Co., Ltd. (in liquidation), situated at Broach.
- (2) The Viramgam Spinning and Manufacturing Co., Ltd. (in liquidation), situated at Viramgam.
- (3) The Viramgam Alfred Mills Co., Ltd. (in liquidation), situated at Viramgam.
- (4) The Ahmedabad Swadeshi Spinning and Manufacturing Co., Ltd. (in liquidation), situated at Ahmedabad.
- (5) The Asarwa Mills Co., Ltd. (in liquidation), situated at Ahmedabad.
- (6) The Surat Industrial Mills Co., Ltd. (in liquidation), situated at Surat.
- (7) The Kalol Kapadia Mills Co., Ltd. (in liquidation), situated at Kalol.

The late managing agents of the above mills mixed up the funds of the different concern and in trying to save the worse concerns brought the better concerns also to ruin. They seem to have committed huge misappropriations and spent money very freely to provide themselves with palatial residences and other luxuries. At least one of them *viz.*, Mr. Manilal is reputed to have lost a good deal of money in speculation. In spite of good profits no provision seems to have been made to replace old machines with new ones. The mills do not appear to have been well managed and they had to go into liquidation not because of losses made in the regular business but because of the dishonesty on the part of the agents. All the above mills have worked at a loss in the year 1924.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

19. It does not matter so much what the quantity of imported yarn of a particular count is, but what matters is the price at which it is sold. If yarn is offered at a lower rate by a foreign competitor, it will make the traders nervous and will demoralise the producers. Further the percentage of these imports is likely to increase.

SECTION IV

Mill management

41. The managing agency system has got several distinct advantages and has worked successfully for a number of years. The chief defect is that the agency is handed from

father to son and it has been so for a very long period. The enjoyment of the agency commission for a fairly long number of years, say thirty years, would be quite a sufficient inducement to enterprising business people to start new concerns. I am of opinion that the managing agency system would work very well if the following conditions were imposed. The period of the agency to be limited to thirty years. At the end of every thirty years a fresh agreement on fresh terms could be entered into. Similarly whenever the son succeeds the father in the managing agency business the agency agreement should be open to reconsideration by the shareholders. The shareholders should further have the power to remove without compensation managing agents whose management is incomplete.

With the above modifications the system of managing agents is best suited to the needs of this country.

42. In Ahmedabad the common system of remuneration to managing agents is by commission on sales of cloth and yarn. Though there is some justification for it, inasmuch as the agents receive remuneration for work done and services rendered and must therefore receive remuneration whether the mills make a profit or not, it is preferable that managing agents should receive a commission on profits with a certain minimum. It is desirable that the managing agents should have a direct stake in the amount of profits earned by the mill, but they should at the same time be assured of a certain minimum remuneration. Moreover the shareholders would not grudge paying a fat commission on this basis of profits as that will only be when the mill makes a big profit. But if the commission is based on sales or production we get an anomalous situation. The agent's commission bears no relation to the profits and several times exceeds the profits, with the result that there is great heart-burning among the shareholders.

SECTION VI

Cost of Production

(D. Overhead charges)

87. The stocks of cotton mill stores and manufactured goods held by mills are usually valued at cost. Several mills keep a secret reserve by valuing these at a nominal figure. As a rule the auditors do not make an independent valuation nor do they check the closing stock. It should be made obligatory on auditors to check stocks of all articles of the value of over rupees one thousand and to check the valuation as far as may be possible by looking at the purchase and sale prices of the various articles.

88. In almost all mills in Ahmedabad there is no running audit but only an annual one. It is desirable to have a running audit.

Witness No. 81

Mr. H. B. SHIVDASANI, AHMEDABAD

Oral Evidenc. recorded at Ahmedabad on the 15th September 1926

President.—I think your connection with the cotton textile industry, Mr. Shivdasani, has been almost entirely in the capacity of liquidator of certain mills ?

A. More or less.

Q. You have not had any other connection with it ?

A. I just went to one mill for three months to get an insight into its working.

Q. Which one did you go to ?

A. The Aryodaya Spinning and Manufacturing Company.

Q. Mr. Chamanlal's mill. Isn't it ?

A. Yes.

Q. What is your impression ? You have heard a good deal about the condition of the Ahmedabad mills. What is your opinion as to the extent of the depression, if any, in Ahmedabad ?

A. The depression is there. It is fairly serious. It is felt more because it has come as a great contrast to the time of boom we had.

Q. To what do you consider the depression is due ?

A. Partly to world factors and partly to conditions special to this country.

Q. Which would you call world factors and which conditions special to India ?

A. The world factors are the general unsettlement of the market everywhere, the disturbance of the ordinary channels of trade and then the loss of so much wealth during the war, and the reduction in the purchasing power of the people in the world.

Q. Which are the factors special to India ?

A. Exchange policy and then certain taxes—increased municipal taxes; and in Bombay there is the tax of a rupee per bale.

Q. Those are small taxes, are they not ? The extent to which local taxes enter into the cost of production is not great ?

A. Don't they say it is the last straw that breaks the camel's back ? Four annas per bale for the Indian Central Cotton Committee and Re. 1 for the Development Department.

Q. Four annas a bale is an infinitesimal sum ?

A. If you take the total number of bales it will amount to an appreciable sum.

Q. It is payable on all cotton ?

A. It is not payable in foreign countries. It is special to India.

Q. The tax of four annas a bale ?

A. Yes.

Q. It is certainly a small amount and I do not think it need seriously be taken into consideration.

A. There is the reduction of the purchasing power in India also. That applies to India also, the more so because the people in India are so poor that they are always living on the verge of bankruptcy, if I may say so. They are obliged to cut down necessities. They cannot cut down food very much and this is the only thing which they can cut down.

Q. How far do you consider bad management has contributed to the depression, if at all ?

A. To a slight extent and only in the case of a few concerns. The other concerns on the whole have built up good reserves. They have followed a conservative policy and instead of distributing profits as dividends they have either tried to extend or replace machinery or to provide funds as depreciation and other funds.

Q. Are you liquidating all the mills you mention ?

A. No; only Nos. 1, 4 and 5, i.e., the Whittle Spinning and Manufacturing Co., the Ahmedabad Swadeshi Spinning and Manufacturing Co., and the Asarwa Mills Co.

Q. I take it that, owing to the fact that you are liquidating these mills, you know exactly what their financial position is at the moment.

A. Yes. As regards Nos. 4 and 5, No. 4 has been sold by the mortgagee in possession and No. 5 is being worked by the mortgagee then in possession.

Q. Does that mean that you cease to have any connection with them ?

A. Yes, with the mills themselves. I am only looking to the accounts.

Q. You do not know how they are doing at the moment ?

A. I have got no first-hand knowledge. I have got first-hand knowledge only about the Whittle Spinning and Manufacturing Co.

Q. You do not know whether they are working at a profit or not now ?

A. I have got no first-hand knowledge. So far as I hear, I learn the purchaser of the Swadeshi Mill is keen on selling it because he is making a loss. The Asarwa Mill is not making much profit.

Q. Is it making a small profit ? Is it making both ends meet ?

A. Yes.

Q. Judging from your description of what happened in the case of these mills, the mismanagement that brought them into liquidation must have been going on for several years ?

A. Yes, it must have been going on for the previous three or four years.

Q. Did the auditors not bring it to notice ?

A. The auditor seems to have been signing balance sheets without looking into them. I have learnt that he was not even checking their accounts. He was the auditor of all connected concerns. As a matter of fact in the Whittle Mill there was a debit in his account a debit entry of Rs. 15,000 in respect of a bungalow purchased. After commencement of liquidation but before the winding up order that entry was reversed.

Q. Are any steps being taken against the auditor as well as against the Managing Agent ?

A. Steps are being taken.

Q. How could you stop that sort of thing ? I take it the auditor had the required qualifications. There are qualifications prescribed for an auditor, are there not ?

A. Yes. The Local Government has also the right to recognise auditors.

Q. I presume he had the necessary qualifications ?

A. He had a certificate from the Local Government. The Local Government can give the certificate even to a person who has not passed any examination. It is discretionary.

Q. How are you going to stop that sort of thing happening ? Are there any means by which it can be stopped ?

A. There should be liability under the law, criminal liability.

Q. Can you really prevent it. You can only take action after the trouble has happened ?

A. The point is that the mill agents have complete control of a majority of shares and they are able to put in their nominees both as Directors and as auditors. Whatever safeguards you provide in the Company Law would become ineffective in these cases. The power could be given to nobody else except the Directors and auditors. What can be done is a stricter enforcement of the Company Law when frauds or misappropriations or serious interferences with accounts are discovered. It will act as a deterrent. Even under the Criminal Law we only punish offences. The punishment has to be made severe so as to prevent this committing of offences. We do not take steps to prevent offences except in the case of a breach of peace and such other offences. Then we want more enlightenment on the part of the shareholders. If some changes were made in the Company Law which would make it impossible for Directors to enter into certain transactions like borrowing beyond a certain amount and so on, that would have a healthy effect.

Q. What sort of changes would you suggest ?

A. I would suggest that if a mill borrowed more than half its capital on a mortgage it should require the sanction of the shareholders at a general meeting. I mean borrowing on a mortgage of the mill property. That is what happened in the Swadeshi and Asarwa Companies where loans were taken to the extent of nearly double the capital. The mill was mortgaged to one party and the others were left out in the cold. They would not get even one pie in the rupee.

Q. That was carried out without the sanction of the shareholders.

A. Yes, the Directors had full powers.

Q. That could not happen in most cases, could it ?

A. It can happen in almost all cases because the individual shareholders are not organised and they simply purchase shares without even reading the Articles of Association. Anybody who purchases shares after reading the Articles or not is supposed to have agreed to each and every Article. And as I told you the agents could always command a majority. I have seen in one company's Articles the provision that if the agents want to borrow on mortgage they shall take the sanction of the shareholders. That is in the case of the Viramgam and Alfred Mills Company, Limited.

Q. Did they ?

A. They have not complied with that Article.

Q. Even if there were a provision in the Articles of Association it does not follow that the Managing Agent would obey it ?

A. I want that provision be made in the Indian Companies Act. Then the borrower would know that the mortgage would be void and nobody would enter into a mortgage like that.

Q. You do not like the system of remuneration on sales ?

A. No, it does not seem to be suitable.

Q. You prefer the Bombay system ?

A. Yes.

Q. On the ground, I presume, that it gives the Managing Agents a direct interest in economic management ?

A. Yes.

Q. Is your statement in regard to the valuation of mill stocks based on what you discovered in liquidating these mills ?

A. No, it is based on general knowledge. It is confirmed by the reply given by the Millowners' Association in reply to Question 87. They say that no independent valuation is made by the auditors. The auditors should certainly check the stock.

Q. We understand that they do that in Bombay.

A. That is not the uniform practice. It should be made one of the compulsory duties of auditors. Another thing as regards the valuation. The mill prices could be seen from the books ; they could easily arrive at the price of these stocks, etc. They could know the market price and they might put it near the market price. Almost in all cases you will find they will be able to value the stocks of cloth, yarn, etc., correctly and in the cases of stores and other things they can see the invoices and other papers and then they can value. They can value as accurately as experts and they will have a good guide in the prices paid or received by mills. They could also see quotations published in the papers. I do not think any expert knowledge would be necessary. Moreover most of the auditing firms who audit the accounts of cotton mills go on auditing the accounts of cotton mills for a number of years and they are in touch with the industry.

Q. I do not quite see what benefit the mills get by valuing stocks at a nominal figure. I do not quite see how they can do it in the first place.

A. Suppose the profit made is large in a particular year and the agents want to conceal the profits, they can hold it up as a secret reserve. In bad times, they might bring it out and show a better result than the real working had proved to be. Even the banks do it. They write Government paper at or below market value.

Q. As long as they do not change their system, what is the objection ?

A. They do change their system. To-day they may value the cloth at 4 annas a lb. and afterwards at 8 annas.

Q. If they continue to value their stocks either at market price or at or near cost price ?

A. Sometimes they may even over-value.

Q. Some of them value at or below market rate and some at or below cost. But provided they stick to the same system, what difference does it make ?

A. Some people would over-value. They will show 4 lakhs where the stock is worth only 2 lakhs.

Q. Supposing one year they value their stocks at market price and next year they value at cost price, I can see the objection, but if they keep to the same system year after year I cannot see it makes any real difference.

A. If they could over-value, then they could keep up the show for two or three years. If the condition was known immediately, some remedial steps might be taken and the mill might be saved. If you take the case of these mills which I am liquidating if the accounts had been properly audited and the matter placed before the shareholders the

mills could have been saved. But by this means the agents could keep up the show and they got more and more involved. Similarly they value below market rate but not always at the same figure. They would value sometimes at one-fourth, sometimes at one-half and so on. There is no objection to keeping a secret reserve. But there should be a uniform basis.

Raja Hari Kishan Kaul.—Have any other mills gone into liquidation besides these seven that you have mentioned in reply to Question 12?

A. The mills mentioned by the millowners in their reply and the following mills—the Saraspur Mills and Edward Mills.

Q. Can you tell us what is the reason for these mills going into liquidation?

A. I believe the cause was speculation on the part of the agents. I have not first-hand knowledge of the cause.

Q. That is your belief?

A. Yes.

Q. In the case of the seven mills, you would say that it was due to mismanagement?

A. The mills also did make losses, but that was not a prime cause of the mills going into liquidation.

Q. The principal cause was mismanagement?

A. Mismanagement, dishonesty and misappropriation.

Q. Can you tell us how you think there is depression in Ahmedabad? You have said there is depression in Ahmedabad and yet you tell us that all the mills which have been closed or have gone into liquidation were mismanaged.

A. The five mills mentioned by the Ahmedabad Millowner's Association in their reply have not gone into liquidation owing to dishonesty or anything like that. They are due to depression entirely. In the Universal Cotton Mills there was no dishonesty or mismanagement.

Q. These five mills, the Universal Cotton Mills, etc., have gone into liquidation merely on account of the depression?.....

A. Yes.

Q. And how about the mills which have shown profits?

A. They have built up large reserves. So they are able to show good profits even in bad times.

Q. Have you examined the financial condition of any of these mills?

A. No.

Q. You are simply basing your statement on the replies of the Millowners' Association?

A. No. As far as I know it is my experience. I have been living here for the last four or five years.

Q. Your opinion of these mills is that the failure is due to the depression.

A. Yes.

Q. And that is your reason for saying that there is depression in Ahmedabad?

A. No.

Q. We want to know whether there is any depression in Ahmedabad or not. You say there is depression in Ahmedabad. I want you to tell us how we are to believe that there is depression.

A. If you look to the profits made by the mills you will find it. Looking to their block account, reserves and capital, then you will be convinced that there is depression.

Q. Profits have been reduced?

A. Considerably reduced.

Q. They have not got the figures ready yet. But have you worked out the figures yourself? Can you tell us whether the majority of the mills are making profits or losses?

A. Some are making profits and some losses. I cannot say exactly whether the majority are making profits or losses, but it is only very few that are earning good profits.

Q. Can you give us an idea as to the proportion of mills which are running near the margin?

A. I am afraid I cannot.

Q. That is how we can form an opinion.

A. I can give you an idea of the Whittle Mill. It has got over 45,000 spindles and 700 looms and the mill is earning about Rs. 11,000 to Rs. 12,000 per month. With an investment of a big capital and 7 lakhs for running expenditure, they are making about Rs. 1,30,000 a year. But that is not sufficient even for depreciation if allowance is made for depreciation. Then we have to pay one-third of the profits to agents for running the mills.

Q. How much would you keep for depreciation ?

A. Nearly a lakh of rupees.

Q. That would leave Rs. 40,000.

A. Rs. 40,000 on an investment of nearly 40 to 50 lakhs.

Q. We have been told that the original capital of the mills is very small.

A. But they have built up reserves. The Raipur Mill has a capital of 5 lakhs and a reserve of 35 lakhs.

Q. Do you know what the original capital of the Whittle Mill is ?

A. 8 lakhs.

Q. Rs. 40,000 on 8 lakhs.

A. It has a reserve of 35 lakhs.

Q. Is it still there ?

A. Part of it has disappeared. The price of the mill has depreciated.

Q. You cannot take that mill as an example. It is a badly managed mill ?

A. It used to be one of the best mills in Gujarat.

Q. You tell us of other mills which failed on account of mismanagement, or depression.

A. Yes. But still the depression brought matters to a head. It was not the primary cause. The depression was to some extent responsible. Want of profits drove agents into difficulties because they could not get the same credit and they were not able to save the concern.

Q. My point is this. We want to know whether there is depression in Ahmedabad or not. We want to get facts. I want to know what your opinion is based upon. Is it based on the condition of these five mills ?

A. No ; on the present working of the different mills. At present this Whittle Mill is worked by very good agents though it is in liquidation and it has not been possible to sell it owing to the bad market conditions. It is being run by me through agents who are big millowners of this place.

Q. Run on borrowed working capital ; and you have to pay interest on that ? On the contrary you want to take the reserve into account when you distribute your profits.

A. To earn those profits we have got all this machinery and building which at the lowest estimate would come to 30 or 40 lakhs of rupees and the earnings on it are Rs. 30,000.

Q. That will not be a case of a well balanced mill which has not to borrow money and which could employ its reserves on extensions without borrowing any more capital. So you cannot take that mill as an example.

A. The best mill has to borrow for its working capital. Yesterday a mill agent told me that he would consider a mill which employs its capital as floating capital as a bad mill.

Q. Does the average mill in Ahmedabad, which has reserves, fall back upon them and generally employ part of the reserves as working capital and sometimes invest it in loans to other mills or deposits with banks ? I want to know whether with regard to an average mill in Ahmedabad you can say that there is depression and, if so, why ?

A. An average mill with a small capital and a big reserve should earn on an average a very handsome profit. But now owing to the depression it is only able either to make both ends meet or to make a very small profit. Therefore there is a slump. You should consider a mill which has started now.

Q. Do I understand you to mean that there is depression because an average mill instead of making large profits is making small profits only ?

A. Yes.

Q. Is that the only reason ?

A. I know the present price at which cloth is being sold. I know the cost ; I know the price of cotton and I can say the margin is very small.

President.—Can you give us those figures ? They would be very useful.

A. I will get you the exact figure.

Raja Hari Kishan Kaul.—That is one way of looking at it. If you can give us the exact figures of cost of production it will be useful.

A. For the last couple of months the margin on sale of yarn is very small. In some cases the cost has been more than the market price. Similarly in cloth the margin is very small.

President.—There is a margin ?

A. There must be a margin when you do not take into account the depreciation. No concern can go on living long without making provision for depreciation and interest.

Q. It will go on for some time ?

A. But then when that stage is reached you must find out a remedy.

Raja Hari Kishan Kaul.—You say there is no margin, even on cloth if you make allowance for depreciation ?

A. Practically nil.

Q. We would very much like to have figures.

A. In the case of the Whittle Mill, out of Rs. 1,35,000 if you take away 1 lakh for depreciation, that gives you only Rs. 35,000 on an investment on a block account of 30 lakhs. That amounts to 1 per cent. on the capital and no allowance is made for interest.

Q. We were talking about the margin of profits on cloth and not about the interest on capital.

A. But there is a margin because in calculating the cost of cloth we do not make any allowance for depreciation and interest on the money invested in the machinery and buildings.

Q. The dividend on the capital has to come out of the profit you make ?

A. But it should be a charge—at least a certain percentage.

Q. What is the margin out of which the dividend has to be paid ?

A. Very near the vanishing point. It varies from time to time and day to day.

Q. Will you please give us those figures ?

A. Yes, I will try.

Q. In reply to Question 41 you say 'the shareholders should further have the power to remove without compensation managing agents whose management is incomplete'. You mean incompetent. You want a provision to that effect in the Companies' Act ?

A. Yes.

Q. It would be against the mutual agreements between the agents and the shareholders ?

A. When the provision is once made in the Companies Act, no agreement should be made. It will be void. But the previous agreements will not be affected, unless there is a mutual consent and unless there is a great deal of public opinion.

Q. We were told that there was a clause in some agreements that if the managing agent was incompetent he could be removed.

A. Only if he is guilty of fraud and misconduct.

Q. You want to go further than that ?

A. Yes of course incompetence is different from fraud.

Q. What do you mean by incompetence ?

A. Not being able to earn the profit as compared with the other concerns.

Q. Would not that be a very vague definition ?

A. It may be somewhat vague but I would leave it to the discretion of the shareholders. At present the law is such that even if the mill company goes into liquidation, the agents can demand compensation. There is at present an instance in Ahmedabad where, on the recommendation of the agents, the mill has been taken into liquidation and the agents are asking compensation which means nearly halving the capital.

Q. If you leave discretion to the shareholders about incompetence, would not that be a dangerous thing ?

A. I do not think so.

Q. Could you not suggest how incompetence should be defined ?

A. I have not worked it out in detail. This is only a rough idea and if this idea is accepted the details should be worked out.

Q. Would you think it out and tell us how you would define incompetence ?

A. Suppose when other concerns are making profits, this particular concern is losing or is making a very small profit compared to the others, say less than 25 per cent.

Q. That sort of definition, viz., when other people are making profit and this concern is not making profits may not do.

A. Comparatively speaking—making allowance for all the factors. In the weaving department one could get efficiency.

Q. You want some provision of that kind to be made ?

A. Yes and I want that the agreement should be open to reconsideration when the son succeeds the father.

Q. You told us that it makes no difference to the managing agent.

A. My chief objection is that the agents can cook balance sheets by showing the stocks to be more than they really are and this can be shown for a number of years.

Q. They are either under-valued or over-valued ?

A. Yes.

Q. How does it affect the mill agent who gets his commission on sales and not on profits ?

A. It does not affect him at all.

Q. We understand that it is the practice in Ahmedabad so that the mill agent is not affected by over-valuing or under-valuing the stocks.

A. Yes.

Q. Then your suggestion refers to Bombay rather than to Ahmedabad ?

A. But even in Ahmedabad when the concern is losing, in order to be able to borrow and command credit, the agents may show profit by over-valuing the stocks. That has happened.

Q. That is a different thing.

A. Several mills are using up their secret reserves and showing profits and the impression given is that the industry is more flourishing than is really the case.

Q. You say 'as a rule the auditors do not make an independent valuation nor do they check the closing stock'. Further 'Several mills keep a secret reserve by valuing these at a nominal figure', which means very much below cost of market value.

A. It may be one-fourth of the market price.

Q. What does the mill agent gain on them ?

A. During bad times he can give dividends to the shareholders. The shareholders always want more and more dividends.

Q. He does not gain anything personally.

A. No. But the mill gains. The shareholder will clamour for 60 per cent. dividends. So if the profit has been shown properly it will almost be compelling the Agent to give a bigger dividend than may be desirable taking a long view of the matter. So he can show a secret reserve.

President.—I do not understand how a valuation can be at a quarter of the market rate, if you keep a margin.

A. You do not keep a margin. It is not uniform. Today it will be one-fourth, tomorrow half, the next day three-fourths and so on. It varies.

Q. That means there is no check ?

A. They can have a check. It depends on the honesty of the auditor. They do come to know. No auditor will be so ignorant of the value of the cloth. Even laymen know roughly what the price of cloth is per pound or per yard.

Raja Hari Kishan Kaul.—One quarter is very palpable. But if a certain margin is kept, it is to the interest of the mill.

A. Yes.

Q. Not an evil to be guarded against ?

A. No. But overvaluation is a serious evil.

Mr. Subba Rao.—In talking about the dishonesty of some auditors.....

A. I did not say dishonesty. They connive at the dishonesty.

Q. You say that they got certificates from the Bombay Government or some institute.

A. The Government have got full discretion to grant a certificate to anybody without his having passed any test.

Q. I want to suggest that the two things are not on the same plane. The certificate at most gives some guarantee of a technical qualification. But even supposing you get a person of this qualification—even if he is a chartered accountant—you cannot guarantee honesty.

A. No ; you cannot.

Q. Therefore the grant of a certificate does not mean a guarantee of honesty.

A. Education does tend to make people more honest. That is my opinion.

Q. Let us hope so. In any case the two things are separate—technical education and honesty.

A. If the accountant is competent, there is more likelihood of his being clever enough to find out frauds.

Q. In that case there is evidently no unfitness. It is only possible for the cleverer accountant to connive and not for the incompetent?

A. Both can connive. But the incompetent cannot even discover.

Q. Now I want to get clear about the relation of good reserves to profits. Does not much depend on the way in which the reserves are employed?

A. To some extent it does.

Q. You said just now that there is no margin on the sale of yarn or very little margin. In that case if the reserves are employed in extension, the amount of the loss will be greater and not less, i.e., if you employ your reserves in extending the works, in putting up more spindles.

A. Then you will put in looms if you are losing in yarn.

Q. But suppose the market is depressed for both, then the larger your works, the greater will be the amount you lose.

A. If a mill has a large reserve, it won't have to borrow.

Q. If you employ the reserves on mere extensions that does not follow. You have got to reckon up interest ultimately. You lose profits or dividends on your capital. There is a loss all the same. I can understand if your reserve is invested in some other concern or in a bank, that then you can make a profit on the investment. But I do not see how you can off-set losses by having a reserve invested in your own concern when the market is falling.

A. If you place the money in a bank, you can earn Rs. 4,000 or Rs. 5,000. If you employ it in your own mill you would save 6 or 7 per cent. So you can show better results by employing it in your own concern.

Q. That is assuming you are having good times.

A. Even in bad times.

Q. You can employ your reserves in three ways—on extension of works or as working capital to avoid borrowing from banks or as an investment outside.

A. The employment of reserve for extension of works takes place only when the times are prosperous.

Q. And when that is over, when you fall upon depressed times, does not the result react upon you?

A. It will have improved your position. You can get the benefit of larger plant and larger buildings with small capital.

Q. If production is paying. But when you have more spindles and more looms and when your production is not selling, do not your extensions mean more losses?

A. That is, a big concern will lose more than the smaller one?

Q. You said that if you employ your own capital in extension of the works the loss is reduced.

A. Suppose A has a capital of 10 lakhs and a reserve of 15 lakhs. B has 10 lakhs capital and no reserve. It has to borrow 15 lakhs. Mill A having 15 lakhs reserve can certainly show better results.

Q. But you are assuming that there is the same number of spindles and you are using the reserves as working capital. That I can understand. But I cannot understand the contrast between a mill with a reserve invested in extension and a smaller mill.

A. We must compare similar concerns, one having a reserve and one not having a reserve.

Q. One extending by means of reserve and the other by means of loans? That is a question of reserves and no reserves.

A. The system here is that if your block account is going to be 15 lakhs or 20 lakhs, the mill will be floated on 10 lakhs. But in course of time they will be able to build reserves and not only provide for block account but also have some money for working capital.

Q. Can you say from the statistics of Ahmedabad mills how the mills obtain their loan funds?

A. In Ahmedabad people think it safer to deposit money in a mill than in a bank.

Q. So the contrast is between using borrowed capital and your own capital.
A. I take similar concerns, one with reserve and one without reserve. Both require the same amount.

Q. Passing on to the next point, you make a suggestion about the appointment of auditors by the company instead of by the Managing Agents.

A. Even at present they are appointed by the company.

Q. And you say the Managing Agents hold a major part of the shares. In that case what remedy do you suggest?

A. There is no remedy. Whatever power you give, you give to the shareholders.

Q. You speak later on about the need of not allowing a son to succeed the father as Managing Agent. There again if the son holds a majority of shares, wherein comes your remedy?

A. There is something like public opinion. Even now though the millowners may have their majority, they do not use it in the bureaucratic fashion. They do not always carry things to extremes. They do not want to be on bad terms with the other shareholders. There are bad and good times.

Q. Then how do you work out?

A. If it is left to the shareholders that will be a safeguard.

Q. You mean you want some kind of provision in the Articles of the Association whereby when the chief partner of the Managing Agents' firm dies, there ought to be a choice not to have his heir necessarily as his successor but to appoint him or not—some provision in the agreement allowing the shareholders that option?

A. If we insert this provision in the Companies Act all the agreements will have to be corrected; otherwise they will be void.

Q. Does the Companies Act provide now for the succession of the Managing Agency?

A. No.

Q. You want some provision of that kind?

A. Yes.

Q. Now about the commission on sales. Here again if the Managing Agency holds a majority of shares, they can pass a resolution in their favour.

A. But if you change the Indian Companies Act, then it would be illegal.

Q. In what manner would you make a change?

A. That the remuneration to Managing Agents should be on profits and not on sales.

Q. You want to make it a part of the laws of the country?

A. Yes; the Companies Act. And that will apply only to new concerns. You cannot have a law with retrospective effect.

Q. You want these changes in Company Law? You do not expect that the mere expression of the shareholders' opinion or any resolution at their meeting will meet the situation? You want some definite changes in legislation.

A. Yes.

Mr. Majmudar.—You said that the Managing Agents mixed up the funds of different concerns. You mean that the funds of one company were lent to another?

A. Yes, that is what was done. Take the case of the Managing Agents who purchased the Industrial Mill. Money was taken from the Whittle Mill. Whenever they wanted money that used to be paid from the Whittle Mill. Similarly in the case of other concerns. They used one mill as a sort of shroff or banker for other mills. The money was received by the Whittle Mills.

Q. Which money?

A. Deposits were received by the Whittle Mills and then taken away by the others.

Q. The agents were taking money in their own names or in the names of the different mills?

A. They were taking in their own names and doing all sorts of things. Sheth Naginlal wanted to purchase a bungalow. He took the money from the Whittle Mill and opened an account called the bungalow account. He wanted to purchase a village. He paid the money from the Whittle Mill and started an account for it. He wanted to purchase a colliery and started a colliery account, and so on.

Q. The colliery did not belong to the mills?

A. No. It belonged to him. He started a home office. He took money from the Whittle Mill and called it the home office account.

Q. There were no bankers to the mill ?

A. The mill had no need to get money from banks. It had good reserves and it had good deposits.

Q. Where was the extra money kept ? If they did not want the money, where was it lying ?

A. In their other concerns.

Q. And before these concerns were floated ?

A. Then it was used for extensions and other things.

Q. Supposing the company has a balance of 5 lakhs of rupees which they do not require for any other purpose, they must be depositing the money somewhere, either with banks or with shroffs ?

A. At least in recent years they never had that much money in surplus. In the year 1919-20, that is more than six years back, they purchased the Industrial Mill, and so on.

Q. The Agents had no firm of bankers or shroffs ?

A. On the contrary, they were using the mill as their shroff. As a matter of fact these two or three accounts were being balanced on the 31st December by debiting to some third account and on the 1st of January those entries were being reversed. As a matter of fact I would also like to state that it should be made compulsory on every company to publish a statement giving the details of the borrowing by the Directors.

Q. And also showing to whom the money had been lent ?

A. Yes ; a detailed list.

Q. With reference to the valuation of stocks, which would you prefer—you prefer valuing at cost or at market value, or whichever is lower ?

A. Whichever is lower. That will be the proper conservative policy to follow. That will be in the interest of the concern also.

Q. So the mills have to change the system if they want to follow a real conservative policy ?

A. Some mills may have already got that system.

Q. It may happen that one year the market price may be lower and in another year the cost price may be lower.

A. The market price or the cost price whichever is lower. You should always follow that policy.

Q. That means you prefer the third policy—whichever is lower.

A. That would be safer for the mill, unless in exceptional times the cost should always be lower.

Q. So even when the manufacturing costs are higher than market prices, it will be better to put the lower value. Then with reference to the change of agency, you have provided two safeguards, one when the managing agent's firm is showing incompetent management and another when the father dies and the son steps in. Don't you think the first provision is sufficient ? " If the agent's firm is incompetent "—that will be sufficient for the purpose of safeguarding the interests of the shareholders ?

A. The father may be a very competent man and the son may be a fool. He may be a reputed fool. Are you going to allow him to ruin a concern and then turn him out ?

Q. Would it not happen occasionally that although the son is a clever man simply because the father is dead—no matter what the number of years the agency was running, whether two, five or ten—the son's remuneration may be cut off ?

A. The remuneration should not be affected. It is a question of management. The question of management by the son only should be considered, not the remuneration. That might remain. I do not want remuneration to be changed. Whether he should manage a concern or not, that might be determined ; and if he is competent, people, as far as I know, will go and request him to take it up.

Q. You know occasionally cases happen of cornering in shares. I believe something of that sort happened last year. The consequence was that the managing agents had to give up the agency because another firm purchased a greater number of shares.

A. Yes.

Q. If you have a provision that at the time the son succeeds the father, the Managing Agency shall be reconsidered by the shareholders, is there not a possibility of some shareholders joining together and forming a majority and throwing off the managing agent in spite of the fact that the son is as competent as the father ?

A. There may be some risks. We have to run some risks. No system would be perfect.

Q. Therefore would not one safeguard, that against incompetency, be sufficient ?

A. Take these cases. All these people stepped in and ruined the concerns. Incompetency was found out after the affairs were in a hopeless mess. You are looking to the interest of one particular individual. I think you have to look to the interests of the entire company. Of course there might be a few risks for individuals. We have to look to the risks of the company. That should be our primary concern.

Q. I am looking at it from all points of view. The same thing would practically happen in the case of each and every man. Take the other point also. If you provide only 30 or 20 years.....

A. You may make it 50. I am not particular about 30. I only wanted it should not be perpetual.

Mr. Subba Rao.—Fifty years comes to two generations practically in our country.

A. It may be or it may not be. The period should be such as to induce persons to float companies.

Mr. Majmudar.—The agent would be inclined after the lapse of some years to start another mill while he is running this mill in order that he may be sure of an agency for a longer time. He may devote his attention more to the other mill than to the old one ?

A. I mentioned 30 years, because 30 years is one generation, and the land revenue settlement is also for 30 years at present.

Q. In order to find out as to whether a certain management is competent or not you propose the comparison of costs and of efficiency figures, by the shareholders. Is that feasible ? Would the mills be prepared to give correct figures ? We find it difficult to get the figures so easily from all the mills.

President.—And still more difficult to compare them when we do get them.

Mr. Majmudar.—You want to entrust that work to the shareholders. Do you think it is feasible at all ?

A. A certain standard might be laid down—say if the mill makes a loss for so many years, or if so much of the capital is lost. Details could be worked out. If my suggestion is accepted, then we may go further and work out the details. I think that most people would be agreed that when the management is incompetent it should be changed. When you are removing a man because he is incompetent it would not be right to give him compensation. Compensation for what ? For mismanagement and incompetency ?

Q. No one would suggest that. The only point that I wanted to make out was about the comparison of the costs and efficiency.

A. I have not worked it out. I have not thought over the matter, but it seems to me that you must have some provision that the agents should be removed if the management is incompetent. You may leave it to arbitration, or do it in some other way.

Q. Have you found that the bigger mills are able to cut prices and undersell the smaller mills here ?

A. Yes, of course. That will be so.

Q. Due to the lower overhead charges ?

A. They have got more economical working and they have got bigger reserves.

Q. Supposing a mill spends its reserves in extensions and it has no reserves, even then it is able to sell at a lower price ?

A. The cost must be less, because it has got less borrowing.

Q. The loss of a bigger mill may be a little more sometimes ?

A. That would be made up in good times.

Q. And profits also would be bigger ?

A. Yes.

Q. When you are comparing the profits, are you comparing the manufacturing profits or the profits declared in the balance sheet ?

A. Roughly they must be the same in the long run.

Q. The profits as declared in the balance sheet are affected by the interest that one concern may have had to pay ?

A. Yes, reserves and other things.

Q. Whereas, if you only look to the manufacturing profits then those items do not come into consideration ?

A. Well even for manufacturing profits, at present people do not make allowance for reserves. If a mill has got a big reserve and it has not to pay interest it does not consider that interest item in the cost, whereas the other mill which has to pay considers it.

Q. Really speaking, in the calculation of cost as well as to find out the real profits of a mill you would take all that into consideration ?

A. That should be the calculation.

Q. What would be the ideal system ?

A. In an ideal system, depreciation should be the first charge. Now-a-days allowances for depreciation are made only when the concerns are making profits. It is really a first charge as much as wages, but it is not always taken into consideration. Similarly when the mill makes a big profit, they ought to make provision for income-tax. Now they put that in the following year and show it as expense. If 1922 was a year of boom and 1923 a period of slump you may have to pay more than half your profits in the latter year towards income-tax for the previous year for which provision should have been made from the profits of that year. So the balance sheets of mills are not being drawn up on a scientific basis.

Q. You mean they do not take any amount for depreciation in a year of loss and take a bigger amount when there is a profit ?

A. Yes.

Q. Only for the purpose of satisfying shareholders in the matter of dividends ?

A. They do not realise, because depreciation is not so insistent. It has not to be paid as wages have to be paid.

Q. You mentioned that in one company there is a provision that agents cannot borrow without the sanction of the shareholders ?

A. Borrowing on mortgage.

Q. The provision is that the sense of the general body should be taken ?

A. For borrowing beyond a certain limit.

Q. Would such a procedure not affect their reputation ?

A. If it was embodied in the Indian Companies Act, it would be obligatory on all mills.

Q. Would the weaker mills not find it more difficult to borrow money ?

A. On the contrary, they will find it easier because if the agents have got the sanction of the shareholders the other party would be only too glad to give. He will feel more secure.

Q. You do not think there will be any difficulty in getting it ?

A. I think it will be easier. If the lender knows that the loan is being sanctioned by the shareholders, agents and Directors he would lend with a clearer conscience than if he is lending without knowing whether it is going to be used for the mills or for any other purposes.

Q. I believe it is your opinion that that provision will also act as a further safeguard against incompetent management ?

A. Yes, to a large extent. They will have to place all their cards on the table.

Q. You suggest that auditors should check the stocks of all articles valued at over a thousand rupees. In the case of big mills would not the checking of stocks on those lines be impossible ?

A. Checking in the same way as a Collector would check the cash balance. They may not open each bale. They may just count the number of bales. There can be a general check.

Witness No. 82

Mr. JIVANLAL V. DESAI, AHMEDABAD

Written Statement dated 25th July 1926

I have read the summary of the case made out by the Bombay Millowners' Association for the consideration of the Board on which they will prepare their questionnaire. No one can deny that the textile industry is a national industry and it should be fostered at all costs and protected against unfair competition. We know of the great harm done to the country and its industries by foreign invasions—political, industrial and economic—and even at this late stage the Government may be roused to do its duty by the country of which it professes to be a trustee. While we are laying our case against the foreigner and the Government it would not be out of place if a little introspection were made by the commercial magnates. Some of these evils are remediable by themselves without any outside help—Government or foreign. I only suggest a few points for their consideration as well as that of members of the Tariff Board. I am writing this not as a mere stranger but it is the result of my contact with persons engaged in the textile industry of Ahmedabad during the last 35 years. I have had occasion to go into the history of some of their transactions and I have had occasion to learn of the methods of some mill agents whose companies have gone into liquidation.

To start with, one may legitimately ask what work is done by directors' boards. I am not conversant with Bombay mills, but so far as Ahmedabad is concerned, in almost all concerns the agents are not controlled by the directors. The directors meet only once a year to see the balance sheet prepared by the auditors with the aid of the agents. The business is all carried on by the agents and there have been several instances in which the agents have misappropriated the reserve and other funds of the company with resultant winding up by the court.

In some cases the mills appear to be constructed and run in the interests of the agents. With a view to earning more commission the agents go on increasing the size of the mill with borrowed capital with well-known results.

The agents are not satisfied with the amount of commission given to them under the memorandum or the articles of the company or under the agreement of the agency. This income in some cases is very large and is augmented by the agents having a selling agency for yarn and cloth in the mofussil and by having a share in the firm's purchase of cotton for the company or in firms supplying coal and stores. This may not be *ultra vires* or immoral, but at any rate it leads to an increase of the cost of production.

In Ahmedabad the usual system of mill working was to charge agents' commission at the rate of 3 pies per lb. of cloth or yarn sold. This was changed some time back to a percentage basis on the value of the sale, usually 3 per cent. In ordinary mills the total sale comes to about 25 lacs per year and the agent's net a moderate little sum of Rs. 75,000, and they may have three or four or even more companies under their control.

The agent has neither time nor energy to look after all the concerns, so some parasites of the agent are found convenient and comfortable jobs in any of the concerns. Agent Mr. A may be a competent man of business, but that does not mean that his son Master A inherits his competence in his cradle or school, but an agent's son hardly out of his teens is competent to look after the interests of the shareholders.

A question may well be asked if the agent's purchases are properly conducted. Instances are not uncommon wherein the cotton ginned at a ginning factory in Ahmedabad has travelled to Sanand there to be baled and sold to Ahmedabad mill agents as Sanand cotton. Is this economical management? I have seen cart-loads of kapas being taken from villages to a factory in some cases 30 to 40 miles away to be passed off. Does this not add to the cost of production?

One may also ask what has been done by the industry here to improve the condition of labour. Mill-hands in several instances are considered as machines of bone and skin as the looms and spindles are machines of steel. The mill-hand may be getting perhaps more than the ordinary clerk and a number of members of his family may find employment, but what about their physical and mental condition not to speak of the moral failures?

One of the points made against Japan is that the mills are working there with double shifts. Is it not possible to try that plan here? Some local mills have successfully tried this. Then why not use this weapon against Japan? Working with shifts might entail some extra work on the management, but one can do that without the help of the Tariff Board if one were so minded. I think the mill agents ought to put their houses in order.

When the Tariff Board examines witnesses it would be advantageous to the industry to get the evidence of liquidators and others who may have had something to do with liquidation work in court. This may prevent future pitfalls.

ANNEXURE A

In the interest of the industry, there must be co-operation between capital and labour. Nothing tangible seems to have been done so far for the uplift of labour by mill agents. There appears to be antipathy between capital and labour.

There is a possibility of economy in purchasing cotton by co-operation between ginners and spinners. There are too many middlemen who can be safely eradicated.

A Jatha in Ahmedabad had been under contemplation by some merchants, but the idea had to be given up in consequence of the general conduct of the mill agents in the matter of their contracts.

It is notorious that if the prices rise mill agents do not deliver the goods contracted.

There is no fixity of quality of goods manufactured by the mills. If they stick to a particular standard they will have a steady market. They have not catered for the local markets in the past. People living in Ahmedabad often do not know of the products of Ahmedabad mills. They should organise annual exhibitions or *melas* and maintain a permanent museum.

It is possible to reduce the cost of production by reducing middlemen both in purchase and sales.

Some mill agents patronise their parasites by a share in the commission earned by a selling agent. Some mill agents are selling agents themselves, either in their own name or some of their proteges. They have interest in the stores business, cotton business, and coal business. Thus their personal interest comes into conflict with their position as agents of the company. Under section 101 of the Indian Companies Act a minimum subscription of shares is required. Sometimes this minimum is kept too low to enable the directors to proceed to allotment. The minimum subscription should be at least 50 per cent. of the authorised capital.

Section 103 (2) requires payment by the directors of application and allotment money. This implies that the directors must themselves pay. Instances have been noticed in which the promoters or agents have paid for the directors.

The directors are mere dummies and the company becomes a one-man show.

There must be restriction on borrowing powers. A company may borrow for its own purposes, but money raised should not be allowed to be used for any allied concern.

The funds of a company are sometimes appropriated by the agents for their private purposes, with the result that a prosperous company comes to grief through the fraudulent conduct of the agents.

The directors should be held responsible even for their own negligence. They should have the responsibility of trustees.

If the property of a company has to be mortgaged, such a transaction should have the previous sanction of a special resolution and pre-existing debts should be paid off out of the mortgage loan.

The auditors ought to make a special report regarding the outstandings of a company. The securities, if any, obtained by the company should be scrutinised. If a company with reserves and other funds has created debts, the auditor should report on the same.

An industrial company should be prohibited from lending its borrowed funds.

Witness No. 82

Mr. JIVANLAL V. DESAI

Oral Evidence recorded at Ahmedabad on the 15th September 1926

President.—What is your exact connection with the textile industry, Mr. Desai ?

A. I am consulting lawyer to several companies here. I have had occasion to deal with several companies in the courts of law. I have assisted at the birth and funeral of others. I have about 30 years' experience of this industry.

Q. You put forward various criticisms of the managing agency system here ?

A. Not only that. I have complained about the management generally; not only about the Agents but I complain that the Directors in the Ahmedabad mills are mere dummies. They take no interest whatsoever except in signing the balance sheets. They are not consulted about any of the contracts entered into by the Agents. The ordinary management is a one-man show and the Directors perhaps at the end of the year, not exactly at the end of the year, sometimes six months after the end of the year, sometimes nine months after the end of the year are called together to sign the balance sheets. The data are prepared with the help of the staff and audited by the auditors and sometimes we find that the exact state of affairs of the last year is not reproduced properly in a balance sheet. There is an amount of window dressing there and the balance sheet is prepared in such a clumsy manner that an ordinary person cannot understand it. I have a recent case in my hand in which agents have, I make bold to say, misappropriated to the extent of over a crore of rupees. They showed that at the end of the year they had large balances with certain factories and concerns. I refer to the Whittle group of mills. That is a company with an ideal memorandum and articles of association. One of the clauses was that any funds of the company were to be invested, if at all, in Government securities. In 1913 Mr. Whittle died and his partner also died and the successors in management got a resolution passed that the funds of one company might be lent to another company, and that if the agents had supervision over the other company then the agents of the concern were personally responsible. That was a good resolution on paper but the abuse made thereof was that at the end of 1922 it was found that several lakhs of rupees belonging to one concern—it had splendid reserves amounting to 25 lakhs of rupees and there was a splendid block account—disappeared practically into the pockets of the managing agents. There were Directors and auditors. Some of the Directors were dummy Directors and some were very active and even those active Directors did not take the trouble to inform the shareholders about the misdeeds of these people. The auditors also did not see the necessity of informing the shareholders about these misdeeds. When this company had such reserve funds it was not at all necessary to raise any loans. The company could borrow for its own purposes. These purposes were amply served by reserve funds, but merely for the purpose of lending to its sister companies of which the Indian partners of the firm of agents of this company were managing agents; they have taken nearly 45 lakhs of rupees from the general public and shattered the confidence of the general public in this industry, and that has led in my opinion to the depression in this trade. As I have said in my first letter, the textile industry is a national industry and we must go to the Government for all the possible help for the support of the national industry, but at the same time we must put our house in order. If people like these are allowed a free hand then the result is that people lose confidence. The result of the misdeeds of these agents is that cotton merchants have lost heavily. They have not been paid their dues. Several coal merchants and store merchants have left their money there. And so, every kind of industry has been affected by these misdeeds. There is another group of companies here. I refer to the Saraspur group. It was at first one of the best mills going, and is so even now, even though the company has gone into liquidation.

Q. Is it still under liquidation ?

A. Yes. It is managed by an agent under the liquidator. The creditors thought it would be profitable if a responsible party was left in management and Mr. Kasturbhai is at present managing that. It had a splendid reputation so that money could be available there at the rate of 4½ per cent. or 5 per cent. interest. Large funds were accumulated there but the Managing Agent got into the habit of speculating and at the end of 1921 he had utilised about 23 lakhs. There were two other concerns cognate to this—the Edward Mill and the Srinagar Mill. Owing to the same policy, it is my information—it is correct information—several cotton mills have lost heavily. When money is locked

up they can't get it back and they lose heavily and that has brought about the depression, if any, in the local market. They can't purchase. The cloth merchants have not got the funds to finance themselves. So they live from hand to mouth. There are fluctuations in the market too. Of course we have got Italian, Japanese and British competition. To improve the conditions here I have put in some suggestions. We are talking of labour, we talk a lot about the improvement of the conditions of labour, but the capitalists have done precious little for them. Some of the mill companies have built chawls for the labourers. They might be sanitary or insanitary, it is for themselves and the Municipal authorities to decide. I have seen some houses which are underground, and some of these chawls are farmed out. They are not directly given to the labourers. They are farmed out to Pathans or Baniyas and they take any hire they like. The labourers, therefore, do not get the benefit. We have certain mills in possession of certain chawls, but they are not properly looking to the interests of the mill-hands.

Then, there is no co-operation. I was present here when the evidence of the gentlemen belonging to the Association was being taken about the Japanese competition and as regards the purchasing of cotton. I have seen in the cotton season carts of cotton, kapas travelling from a distance of about 20 miles from Ahmedabad and going to a place about 20 miles further on. That is, they travel 40 miles in order that the cotton of one place might be passed off as the cotton of another place. Our mill agents, if they had the interests of the industry in their head, could easily save some money out of this and get the right kind of cotton direct from that particular place. In the midst of certain cotton mills here, there is a ginning factory and the owner of that ginning factory used to say—we very often used to talk about these factories—that the cotton ginned in that factory was not sold in Ahmedabad as Ahmedabad cotton but it had to be carted to Sanand, to be baled and sold as Sanand cotton, and the cost of it would be at least Re. 1 more per maund than it would be here. If it was selling here at Rs. 20, it would cost at least Rs. 21. That is, Re. 1 a maund on cotton, and thousands of maunds of cotton are to be used by every mill every year. Here there could be an immense saving to the industry, and if after that any help should be given it should be given. I maintain, Sir, as an Indian I am bound to patronise my country, I must have my Indian goods, goods manufactured in my own country and I must set an example. If I am a leader of my community I must set an example myself. Unfortunately my tastes are very queer. I do not want my goods manufactured in my own mill. I want my neighbour to use my goods and I use Japanese or other foreign goods. But that is another thing.

Then it was complained that the Japanese firms, the Japanese exporting firms have ginning factories up-country. If that is a complaint, they can easily compete with the Japanese firms in the same way. Some of our mill agents here have factories in the Punjab, at Okara and other places. Surely, there might be respectable merchants with whom they can have some sort of co-operation and thereby the cost of cotton might be decreased.

The Agents are not satisfied with what they get. The employers might pay them anything, three or four per cent., but they must be satisfied with that. Ordinarily the least output will be Rs. 25 lakhs and at the rate of 3 per cent. on that output the commission would be Rs. 75,000. Now, seventy-five thousand rupees to any man per annum ought to be considered as a reasonable remuneration for the work that he does. Fortunately in Ahmedabad our mill agents have not one mill only, but more. Some have half a dozen mills, some three and some four mills. They have therefore ample remuneration as managing agents. They have their duties too. They have to finance in bad times. They have to finance, give personal security and give security of their property too. For all that they may be getting the remuneration, but they are not satisfied with that. It is common knowledge—and if necessary facts can be given—that some of these mill agents have their own selling agencies too. Some goods are sold at Calcutta, and at Calcutta some of these agents have their own firms and they take these goods. So, in addition to the 3 or 3½ per cent. on the total sale of goods manufactured in the mill, they make sometimes 2½ per cent., 1½ per cent. or sometimes even 4 per cent. on the sales that they make there. Then some mill agents have interests in the store business. Human nature is human nature after all. We are not super-human beings. Naturally they make profit out of these purchases, and some mill agents are known to have cotton purchasing agencies in out-stations or share in the cotton purchasing agencies and there again they make money. I don't grudge them the money so long as these things are done well, but when we find that their action leads to general depression, surely some steps ought to be taken to remedy things. We are asking for Swaraj. There is Swaraj here also. So, this is merely a suggestion to them that they must put their house in order. So far as protection is concerned, if they find that the Japanese compete unfairly—I don't think there is unfair competition—I am holding no brief for Japan, I say follow Japan. If Japan is working double shifts, why can't you? There are two or three mills at present—Marsden Mills

I think—working night and day. Abide by the Factory Act. Look after the interests of your workmen and then see if you cannot compete with Japan, or with any other foreign nation and then if you find by putting yourself in the same boat you cannot row along, then ask for some sort of muscular help or stimulus. But they do not want to do that. They want to be more at ease. It is complained that Japan employs women at night. That is very bad. We need not employ women at night. Employ women during the day. Have men-shift in the night. Women may be employed up to evening and the rest of the day might be taken up by men.

What is the case of labour here? Have we got efficient labour? The first mill in Ahmedabad was started about 65 years back. In all these 65 years what have we done? What have the agents done, what have the public done for any sort of scientific investigation in connection with the mill industry? We have got a precious Technical School here. I do not know what progress it has made. It is in honour of the pioneer of the industry here. Several manufacturers have supplied machinery and I had a talk with the Principal of the school some time back and I found that there was no opening for these boys. They were not interested in this particular industry as they ought to be. Then we should give some opening for these boys and make it attractive for others to come in. We have plenty of quill drivers. We want more people to use their muscles. These agents ought to do something towards that. I should have expected that Technical School here to be converted by now into a big technological college. I should have expected a good library in connection with the Association. The Association is levying a fairly heavy toll on the members. Have they got a library or library assistant, much less a chemist? Our friend Mr. Majmudar is a native of this place, and he had to go to Sholapur. We could not have one of our own sons here. That is the position.

I go with the mill agent and say that, if any assistance is wanted, it must be obtained for him. The Government must be forced to give it us, the Legislative Assembly should do its utmost, but at the same time we must put our house in order. That is my position. Mr. A, an agent, may be good enough but Master A is not good enough. He is just out of school with a smattering of English. He goes to the mill. There is an expert from Lancashire and he is sat upon by this little child. Mr. A might be very competent. I know of instances, of mill agents inspiring every one in the mills, but then to expect that their sons imbibed that knowledge from their childhood is not possible. They should have worked to bring the mill into existence.

Then, I have noticed, Sir, another thing. I do not know whether it is within your province, but I have noticed that laws are made more to be broken than to be observed. You will see that there is a section in the Companies Act about the directors making payment for shares on application and allotment. Instances have come to my knowledge wherein the promoters have paid for the shares taken up by the Directors. I was asked by the liquidator of one of the companies to realise outstandings from the contributories.

Q. Which one?

A. Swadeshi Felt Cap Company. Its registered office is in Bombay. Mr. Moos the liquidator asked me and I learned to my regret that some Directors did not pay out of their pocket. In the case of an Insurance Company which is under liquidation by the High Court the same thing happened. The Directors were called upon to pay. They said they had not to pay anything; That is an insurance matter. There are similar instances in which Directors do not pay.

Even though under the new Companies Act we have got more splendid provisions for auditing accounts, I have come across a precious auditor who has simply signed the balance sheet put before him, because he was a protégé of the agents. He at any rate is responsible for a great many defalcations in the Whittle group. If there is a company with an amount of reserve fund and if that still goes into the market for borrowing it must be the duty of the auditor to make a special report about that to the shareholders, that your company has so much reserve fund and your agents or directors have borrowed so much and it is for you to ratify that or to take them to task. Even when one company's funds are allowed to be used by sister companies nobody knows anything about it. It is, Sir, window dressing. On the 31st of December we see certain entries made. See the books. It is without the knowledge of anybody. You will excuse me, Sir, for again referring to the Whittle group.

Q. It is apparently the only group to which it is possible to refer with freedom because it is in liquidation.

A. I am prepared to go to any group because I know several groups, but this is a particular instance I can give. In the year 1922 the agent had taken about Rs. 14 lakhs. At the end of the year he wanted to show that he was not indebted at all. So in the middle of December he goes to a bank here and borrows 4 lakhs; on the security of the Whittle

mill two lakhs and two lakhs on the security of another mill. Instead of giving credit to that bank in the books of these two mills for these four lakhs he gives credit to himself in the books of the Whittle Spinning Company for four lakhs of rupees, thereby reducing his personal liability. Then he has a ginning factory and six lakhs of rupees are transferred to that ginning factory crediting to himself. In that way accounts are manipulated. Then they show in the balance sheet debts, loans considered good. What the loans are nobody knows. Auditors do not care to enquire whether there are any securities held, whether the security is good or bad and who are the debtors. Then they show a sum of Rs. 33 lakhs as being in cash at the end of the year with factories, banks, mills and shroffs. If it is cash with the banks, shroffs and factories then it is easily available to him but instead of that these outstandings appear for years and years together and still this precious auditor allowed this to be shown as cash in hand. So things like that go on for any time, nobody knows. We simply see the last balance sheet. We say it is a good concern. Then there is a collapse all of a sudden. In August 1923 this party raised a mortgage loan of Rs. 21 lakhs on two mills in Ahmedabad, 11 lakhs on the Swadeshi Mill and 10 lakhs on the Asarva Mill. There were several outstandings due which were not paid for several months after they were due. Ordinary deposits of the poor widows and orphans had been left there. When this money came into their hands instead of paying off the old debts, it went into the pockets of the agents themselves. So I have made a suggestion that in case a mortgage loan has to be raised on any company's properties, even though the Agent and Directors may be empowered by the articles of association to raise such loans, they should be raised only by a special resolution of the company, because notice has to be given twice that a mortgage has to be raised and a special resolution has to be passed and then it has to be confirmed. So a whole month is given to the shareholders to know of it. Another thing is if any mortgage loan is raised then all pre-existing debts must be paid off. In this concern (the Swadeshi Mill) the mortgagee has got the money by the sale of one of the mills. The other creditors have disappeared altogether, not to say anything about the poor shareholders. The shares had gone up 300 per cent. A thousand rupee share was sold at Rs. 3,800 and Rs. 4,000. People have purchased shares at that price and this crisis has ruined them. And the crisis in one concern brings a crisis in others. In the case of one of these mills, the Saraspur group, a man came to me for legal advice. I asked him to give a registered notice demanding his money. A notice would cost only four annas for registering. I said my clerk would write for him the notice out of charity. He said that he had not got four annas for postage; that all his money had gone. That was the position.

Your Question 40 is: The British Safeguarding of Industries Act lays down *inter alia* that no order shall be made under Part I unless it is established that the industry manufacturing similar goods in the United Kingdom is being carried on "with reasonable efficiency and economy". It is a matter well worth consideration. I am glad there are so many mill agents here hearing me and they will have an opportunity of hearing me in a court of law. Unfortunately our wheels move very slowly. We have been trying to catch them. We have been trying to get these people. We have not been able to get these people yet in the court of law. If our hands are strengthened in some way we might get hold of them and at an early date we might expose them in their fullest glare before the public, so that a good amount might be saved. The other day the question was about the agency system here and it was suggested by the Chairman of the Association that their arrangement for the distribution of the commission has led to the progress of the industry here. That was the impression created upon my mind; that out of the Agents' remuneration a certain portion is given up to what Mr. Subba Rao called underwriters, participators in the Agents' commission. It is not a partnership at all, because one is not the agent of the other participators. If I am starting a company and if I give you or anybody a share in the commission, thereby you will not be my partner. Because the incidents of partnership are not there. They are not partners at all. There is only one "boss".

Mr. Subba Rao.—The managing agency in Ahmedabad is not a partnership firm?

A. No. There is one man who is the proprietor and instead of having so many underwriters as in English companies, they go out into the market through their friends and offer to them one anna commission on a subscription of one lakh or whatever that may be. His right is only to receive a certain amount when the agents' commission is earned.

Q. Then how is this right enforced? By mere convention?

A. In some cases by convention and in others by agreement. Where I was advising in some cases I have drawn up deeds of assignment. I assign to you one anna commission.

Q. It is a specific assignment for the purpose ?

A. Yes ; it is not a partnership. The Marsden mill is managed by Marsden Bros., Ltd., and a purchaser of certain number of shares is entitled to a particular share in the commission earned by the agents.

Now it was said that the present state of industry is due to that system. Unfortunately my connection with these mills leads in to another direction altogether. Of course some of the mill agents are good. The present position of the industry is due to those agents and not to the system of sharing in the commission. The night before last after leaving this hall, I sat down at my desk to find out how many mills were started on that system and how many were in existence in the same state or changed hands and I find that at the roughest calculation about 32 mills in Ahmedabad were started on that line which have gone to liquidation or changed hands. But with strong finance whether a promoter goes into the market with under-writing commission or with a share in the commission, or without it will not matter in the least, for instance, take Kastur-bai or Ambalal if they wanted to start a mill. I have been noticing from 1890. This system started in about 1890 and people with practically very little means started this practice. A man worth Rs. 50,000 went to another with Rs. 20,000 and started a little show and he got himself appointed as Managing Agent, went to a Director, gave him some shares for his work, and so on. Between 1890 and 1920, in that cycle of 30 years, nearly 32 mills started on that basis. Some have gone into liquidation and then revived or got sold. The present state is due more to the skill and efficiency of certain mill agents who have got hold of those mills. I cannot say if this is a complete list but I have prepared it as best as I could. I have given the names of the various companies here. This is the list.*

President.—Do you wish it to be published as part of your evidence ?

A. Yes. There is nothing confidential about it. There is no confidence between a court and a lawyer. It is a matter of public interest and I think people ought to take interest and I address merely to that point of view.

Q. With how many mills have you been officially connected in the course of your career, Mr. Desai, and in what capacity ?

A. As I told you at the start, I am advising about 20 mills.

Q. Advising, in what capacity ?

A. As a lawyer, as a barrister. Then I have assisted in the formation of about a dozen mills. I officiated at the cremation of 15 or 20.

Q. We can regard you as somewhat of an authority in the matter ?

A. That is for you to say.

Q. You certainly seem to have had a varied experience. You have given us a very complete and lucid statement of your views. I am not quite sure about this question of sales. Do I understand you to say that when the mills have their own shops in Calcutta, in addition to the 3½ per cent. commission on sales they get, here they charge a further commission of 3½ per cent. on sales there ?

A. It is the shop of the Agent and not the shop of the mills. I am the agent of the mill here and I have a shop in Calcutta.

Q. An entirely separate concern in which you sell the products of your mill ?

A. Yes. I am an agent here and get 3½ per cent for the work here and 2, 2½, 1½ or whatever it may be, for the Calcutta sales. So in addition to the 3½ per cent. on the local production here I am getting a commission at Calcutta or Amritsar.

Q. Why do you consider this objectionable ? The mill would have to pay that commission to an agent in Calcutta in any case.

A. Suppose I appoint an outsider as an agent. I make terms with him. I send him goods and draw 80 per cent. and if I find that my goods are not looked after I will take him to task. But if I myself were to do that if I have no funds there and I have to finance it here, how can I give 80 per cent. at Calcutta ? I am looking to my own interest here.

Q. Can you tell us how many cases of this kind are there that you know of ?

A. I know of two cases. There might be many.

Q. If you know only of two, that does not show that the practice is general.

A. In some cases the agents are partners. That is difficult to know. If an agent has a firm there in its own name then one might know. But if J. V. Desai has a firm there in the name of D'Souza it is difficult to find out. At any rate so far as Ahmedabad is concerned in Ahmedabad itself we heard the other day about the 6 annas or 8 annas

per cent. for selling agents. I may have connection in the name of my son or grandson or sister-in-law's husband or somebody else.

Q. You refer to the Whittle group of which we have got very full particulars from you and others and you also refer to the Saraspur mill. Was that one mill or were there more ?

A. Three mills, Saraspur, New Edward and Srinagar. All the three were managed by Manabhai Dalpatbhai.

Q. Were they the same or different from the Whittle people ?

A. Different.

Q. So there are nine mills out of 59 or so in Ahmedabad that have smashed up in the last few years owing to bad managing agency.

A. That is a good many.

Q. They have gone into liquidation owing to the bad managing agency.

A. Fraudulent

Q. You call it fraudulent. I was a little more circumspect. At any rate that is a large proportion, is it not ?

A. It would be larger still if you were to refer to my list.

Q. We were taking the last three or four years. Have there been any others ? We have a few mentioned here in addition to those you have mentioned.

A. There are a few companies gone into liquidation soon after starting without working at all.

Q. Do you care to express an opinion on the reasons mentioned by the Ahmedabad millowners in their statement as to why these mills have gone into liquidation ?

A. Who am I to give any opinion about that in face of the opinion of the Association but if called I can give reasons for all the five. The Universal Cotton Mill was formerly called the Ahmedabad Silk Mill. It was started as a very small concern. But during the boom time the late agents thought that they ought to have some profits out of this concern and a mill that was tried by three or more different hands was taken by these new agents. It was purely a weaving mill. They purchased it at a very heavy price and it was difficult for them to work so it was taken up by other people and unfortunately they disobeyed the rules of law laid down in certain respects. There was some legal flaw there also ; and they could not work it because it was purchased at a very high price. It was an old mill. I think it was a mill started in 1907 or 1908. After passing through three hands each working very successfully (?) in his own way it went into the hands of the last agents and they could not work it. They had a hand in the Quilon Mills. They purchased a mill at Quilon and the Universal Mill had a share in that. With a spinning mill there and a weaving mill here and with other concerns too, it was not paying at all.

Then the next is Zaveri Spinning Mills. It had its own defects. It also was started before 1900. I have mentioned it in my note. The man who was first managing three or four concerns and in his difficulties he handed it over to another and this man died leaving a minor son. During his minority Seth Mansukhbhai was looking after that mill and when this minor came of age he had other business. He went to England and Germany and had more business to attend to. He lost heavily and the company had therefore to be stopped. The property is sold and it has now gone into the hands of the New Textile Mill.

The Vaso Mumbai Mill has a very curious history. We had a Water Works Engineer and he thought he would be better able to manage a mill in his own neighbourhood. He would be drawing his salary from the general public to manage the water works and look after the mill. He got a small concern, got old machinery and he could not work it and in the boom time it was sold. Later on these people purchased an older mill still, constructed in the sixties. It was hardly worth four lakhs and it was bought for 36 lakhs. They broke the contract and it then went into other hands. There was a fight in the law courts and in the boom time it was again purchased by a firm and is now called Rustom Jehangir Mills. I think it is now worked under the new name. Unless they change the machinery, it will not work well. As a layman I can say the machinery of 30 years old cannot work at all.

Then, the Gomtipur Spinning Mills. We had an enterprising gentleman who went into every kind of mill that was available. He had some crisis here and he went to Ceylon, ruined his master there, came back with some reputation as a bankrupt and joined some people. Of course we generally forget the past and with the fullest experience from Ceylon it was very handy for him and he started this. He got hold of some machinery on the hire purchase system. Then it came into the hands of a Bora merchant who came to

me for advice. In spite of my advice he advanced the necessary funds with the result that he had to purchase a lot of shares and ruined himself eventually. There is a dispute going on about some engine which is lying there. It is now sold and has gone into the hands of an employee of the Imperial Bank of India. He purchased it for 2 lakhs and odd and it is still lying idle.

The Vishnu Cotton Mills is also a boom concern. The gentleman had something to do in the management of the Zaveri Mill and he was interested in a bank here. He thought of starting a mill and he had the assistance of some mill agents. He thought of starting a mill. He got old machinery from Cawnpore and also some new machinery and also some old ring spindles, with the result that it was a very top heavy concern. He was arranging to refloat it but that had failed. It is in the market now to be sold off very soon.

Q. Then there are the mills which have closed down, for instance, the Hathising Mills.

A. The Hathising Mill. I am not sure whether it is closed down. That also has a history. It was started by a member of an old Sethia family. That Seth's name would carry weight with the general public but he was very innocent of everything. He started this mill with the result that it was not successful. It changed hands. I think it has gone into the hands of the agent of the Gujarat Ginning mills. I do not know if it is closed. Only last week I heard that a friend of mine had been drafting an agreement for the selling agency of this mills product.

The Oriental Mills have never started. In the boom time a man, who made some money in Calcutta in metal business, thought of coming back here and starting this Company. He got some shares taken up but eventually they became top heavy. They changed hands and a Bombay man tried his fortune. He also failed and an Ahmedabad man wanted to risk his fortune. He sought my advice and I advised him not to touch it. I asked him to bring the draft of the agreement to me. Instead of bringing it to me he executed it then and there and he had to pay a fairly high amount of damages. Then it went into liquidation. It is now purchased by a firm or syndicate of four, one of whom is the late agent himself and an Ahmedabad man who is doing cloth business in Calcutta is another.

Q. I do not know if we need go into the cases of the mills which have changed hands in such detail. But perhaps you will have a look through the list.

A. The India Spinning Mills. I was connected with the mills.

Q. The reason for going into such details with you, Mr. Desai, is the fact that they have been put forward as mills which have changed hands, closed down or gone into liquidation as a result of severe depression.

A. The first agent of the India Spinning Company had not large funds. He had a small shop and had some little money and just as others he also caught hold of some friends and started this concern. He went out with the idea of starting a concern with old machinery. So he found a party in Bombay to sell him the old machinery of the Adamji Pirbhai Mills. The whole machinery of the Adamji Pirbhai Mills was purchased by a syndicate in Bombay. It was divided into two. Half went to Ujjain and half to Ahmedabad for Rs. 12,50,000. There was some dyeing and bleaching plant. There was a dispute about that. The Ahmedabad man thought that he had half a share and the syndicate thought they had the whole property. When the machinery came here they found it was too heavy and they sold half of it again to a firm and that man paid one lakh of rupees as earnest money and sent a cheque for 3 lakhs which could not be cashed. So the machinery lay here. These people got the lakh of rupees but they had not sufficient funds to pay for the machinery; and they mortgaged it in 1921. The time for redemption of the mortgage came and they could not pay. So as it was usual in Ahmedabad for everybody to rush to Mangaldas, this man also went for his assistance. Then I came on the scene. I was consulted and eventually Mangaldas arranged to take up that mill. He got new machinery. I know as a matter of fact a lot of new machinery has been put in by Mangaldas.

Q. What about the Ahmedabad Cotton and Waste Mills?

A. It is also one of the commission sharing businesses. They started with a waste plant and they could not pull on.

The Swadeshi Felt Cap and Hosiery Mfg. Co., Ltd., was originally a caste concern. There is a caste of Boras who do business in felt caps and hosiery. One of the men of the caste took it into his head to go into that business and went to England and Germany, got his people to subscribe for the shares, and not satisfied with the felt cap business he purchased looms, and then he purchased oil machinery. He had not sufficient funds to pay for all this and he had to borrow money at a high rate of interest.

Q. The Shrinagar Mill ?

A. That is one of the Saraspur groups. It changed hands and it is supposed to be doing well.

Q. The Manor Harkha Mills ?

A. That is as old as my grandfather. A Kathiawar enterprising gentleman came down to Gujarat and he got old machinery and old men and put it there. It was an old curiosity shop. I think it is still an old curiosity shop. It was one man's concern. It was not a company at all. Whether it has now improved its condition or is still a mere curiosity shop one has to see.

Q. Sir Waghji Mills ?

A. I know something about that. We are just negotiating the working agency of that mill with the Receiver. The Sir Waghji mill went into liquidation. Mr. Vaidya, a barrister in Bombay, and another gentleman were appointed liquidators and they sold the property and it was purchased by a firm of yarn merchants in Bombay who sold it directly to a company in Ahmedabad called the Gujerat Dyeing and Bleaching Company. I am not sure what it was purchased for—14 or 15 lakhs, but it was sold for 18 lakhs of rupees to the Ahmedabad Company. The poor shareholders did not have sufficient funds. So that arrangement fell through. So that went back to the syndicate in Bombay and fortunately for the syndicate one of the members died and his estate has gone into the Receiver's hands and Mr. Moos is the Receiver. With the permission of the High Court a loan of seven lakhs of rupees has been raised at 9 per cent. interest and the mortgagee is managing it, who in addition to the 9 per cent. interest is getting 4 per cent. commission on the sales. It is still working, it is not closed down.

Q. You do not consider then I take it, Mr. Desai, that as regards any of these mills included in this lengthy list, their changing hands, going into liquidation or closing down can be ascribed to anything but inefficient management ?

A. I shall be opposing the experts ! When the experts say one thing how can I say another ? I am a layman.

Q. As a layman what is your opinion ? From your internal knowledge of the working of these mills what is your opinion ?

A. I think it is inefficient management and want of sufficient funds.

Q. I should like to ask you a question about audit. Do you think from your experience of the Ahmedabad mill industry that the audit can be described as satisfactory ?

A. Since the new Act came into force in 1913 we have had certain auditors who understand their responsibilities.

Q. But take the group that has gone into liquidation. The audit can hardly have been satisfactory ?

A. Absolutely unsatisfactory.

Q. Then how does that square with your opinion that you have auditors who understand their obligations ?

A. There are auditors and auditors. This particular auditor was a special favourite of the agents and for concerns of that firm of agents this man was the auditor and he blindly signed every paper put before him. I know as a matter of fact that some of these auditors go through every entry, every item and if anything suspicious occurs to them they take explanations. But to strengthen the public confidence I should expect them also to certify as regards securities, or if any amounts are lent out how they are lent, when they were lent out, whether they are secured or not, etc. The generality of these auditors are doing well.

Q. You think that there has been an improvement but that safeguards are necessary ?

A. The Act does not lay down their duties. The articles of their association do not lay down those duties, but when we find such frauds, such huge frauds committed by these people and when it is a question of national honour some steps should be taken. It is not a mere question of a few crores of rupees. When it goes out to the outside world that there are people here who swallow to the tune of crores of rupees, that they are not detected by the auditors or by the shareholders or by the directors or by courts of law, it is a question of national honour, and from that point of view I suggest there must be improvements.

Q. You think the Act ought to be amended ?

A. As regards that I made one suggestion, as regards the amendment that the Companies Act requires, that there must be a minimum subscription fixed before allotments could be made. There is sometimes reasonable minimum subscriptions fixed, but in some cases I think—I have come across one or two—the minimum was seven. The Act lays down that there should be seven shareholders and one has to take one share. So

the minimum subscription was seven shares. So as soon as a company is floated the promoter has a thousand rupees for these expenses. As soon as the company is registered with seven signatories they proceed to allotment and then sometimes the gullible public are taken in. Instances have occurred in which application forms have been sold in the Ahmedabad market for two or three rupees, mere application forms, simply because some good names happened to be attached thereto. So I suggest that the minimum subscription though not required by the law to be retained at a particular limit, at least should be 50 per cent. of the authorised capital. Otherwise you go on taking capital and you cannot start any business, with the result that you lose. There is a company which I am liquidating. They have lost a lakh of rupees and that has come out of the poor shareholders. They got a large number of shareholders, but there are certain concerns which have not got those shareholders. If the Act has to be amended it may be amended to that extent too.

Raja Hari Kishan Kaul.—I should like to clear one or two points. Do you own any shares in any of these mills here?

A. Yes.

Q. You are I suppose a director of several mills?

A. I am glad I am not. In the present management I do not care to associate.

Q. Is it because you do not like to associate yourself with the management or is it by chance that you have not been elected?

A. I may be elected if I want to be but I do not like to be.

Q. You have given two causes for the depression. One is inefficiency and the second is want of funds?

A. My point is this. It is the defalcation of these agents, the bad management, the fraudulent management of these agents that has led to the depression in the industry.

Q. Then, you said something about want of funds?

A. There are certain agents who start with very limited capital of their own. The subscribed capital is very little and their own funds are very little. They cannot get sufficient for working.

Q. They start with insufficient capital, to begin with?

A. Yes. Then this is a national industry and if the banks assisted in the working of it at moderate rates of interest taking everything into consideration, then it would be possible.

Q. Do you think there is necessity for some assistance, some financial assistance, from banks?

A. Yes.

Q. But you do not recommend it in the present state of inefficient management?

A. Whether a particular concern deserves to be financed or not should be ascertained.

Q. Then you think the only remedy necessary is to improve the management and to secure financial assistance?

A. Cheapen finance. At present they are paying 10, 11 and 12 per cent. interest.

Q. You do not think the depression is due to the costs of production being too heavy as compared with the prices at which the output can be sold?

A. I am not prepared to answer that question.

Q. You have not looked into that?

A. It is too technical for me, the question of cost.

Q. You have not looked into that?

A. No, I have not looked into that.

Mr. Subba Rao.—It is very valuable evidence that you have given us, but I should like you to give us some idea as to proportion. Of course in every industry there must be a certain number of people who mismanage, and so on. But would you not say that the number of mills you have described is not very large in comparison with that of good mills.

A. It is half and half. I think the mills at present working are about 65, and my list gives you.....

Q. About 20 to 22.

A. I think 31.

Q. We have got one or two ginning factories and so on. Then some of the mills have changed hands. So, how many separate mills are there which have undergone this chapter of accidents or catastrophes?

A. Thirty-two. That is not even complete. I have noticed that I left out at least one,

Q. Apart from numbers have you any idea as to their relative proportion in point of spindlage? What proportion do they represent of the capital invested in Ahmedabad?

A. I have not gone into that question.

Q. Because a number of people might start small mills as in the war-boom and they might come to grief.

A. Formerly almost all the mills were started with a capital of five and ten lakhs. Therefore we may take it on an average that all those started with a capital of between five and ten lakhs.

Q. Taking the period before the war-boom, say between 1890 and 1916 how many mills came to grief, you would say, through incompetent management or dishonest management? About ten?

A. No, more than that. About 20.

Q. About 20 had this unhappy history even before the boom period?

A. Yes.

Q. You cannot give any information about the capital invested in them?

A. I should roughly take it as five lakhs on an average.

Q. Each of them?

A. Yes, each of them—share capital.

Q. Half the total capital in the industry in Ahmedabad?

A. About that.

Q. Then, turning to management, you make three criticisms. One is about the directors playing no important part, another about heredity and another about one agent having too many mills. But you have not told us how you would prevent this? The great trouble is that the managing agents themselves hold a large number of shares and if they are prepared to vote in their own favour how do you propose to get rid of the trouble?

A. I can get rid of the trouble of the directors. I would make them responsible. In certain articles of association it is said that a director shall not be responsible unless for his personal wilful misconduct. A learned judge of the English courts has laid down that for misconduct there must be conduct, and for wilful misconduct there must be a will. So a Director by some sort of conduct, of misconduct, must willingly refuse to act. That will be wilful misconduct. Only if that kind of misconduct is proved he is responsible. So I suggest that if the directors are made responsible even for their negligence for their negligent action then we shall have directors taking lively interest.

Q. That is to say, there are a large number of directors who do not take sufficient interest?

A. Why should they? People trust them.

Q. You would have legislation and thereby save the confidence of the people from themselves? Anyhow it is a question of legislation?

A. After the ruling of courts there must be legislation. We have got the ruling of Indian courts.

Q. You want to make directors more responsible?

A. Yes.

Q. And how do you get over heredity? If the heir of the previous managing agent inherits 50 to 60 per cent. of the shares, how can you prevent the heir getting the agency as the law stands now? The managing agent evidently has got a large stake in the mill.

A. That is not always so.

Q. To the extent it is so?

A. There are some managing agents here who have very few shares in concerns and still they are hereditary agents. Suppose I have started a concern and I find it difficult to manage. I come to you and ask you to come to my rescue. All the shares remain with me and my co-sharers and you are the agent and you get yourself appointed managing agent with all the powers.

Q. Can any kind of law prevent that? If the shareholders approve of one man how can you prevent that?

A. One man can be trusted but there are difficulties in the way. The first question that will arise is whether that agreement is a valid agreement, whether it offends against the law of perpetuity or not. It is a question to be discussed hereafter when an occasion arises. Then there is also the legal difficulty about indefiniteness. In some cases we find the agents are appointed for a particular number of years. Difficulties there will be. I cannot help that.

Q. Turning to finance, you make three or four suggestions, the first being that agents shall not extend the mills by means of borrowed capital. Would you make a provision for that in the articles of association or make it a part of the new legislation?

A. In some articles so far as I am concerned I have made a provision that the extent of the borrowing shall not exceed a particular amount. In some cases it shall not exceed the subscribed capital. In some specific cases it shall not exceed the paid up capital.

Q. You say that with reserve funds on hand they should not borrow?

A. Quite so.

Q. But when the funds are invested and when they want working funds? Is it not a common practice to invest in extensions?

A. Sometimes it is. If the reserve fund or any other fund is invested in the mill itself that is unobjectionable. Instead of that we find that it is loaned out.

Q. I want to know from your experience to what extent reserve funds are invested in fixed plant in Ahmedabad or used as working funds or invested in securities. In each of these forms it earns interest?

A. On that point I am not in a position to contradict the gentlemen who were before you for two days, because it was emphatically said that the reserve funds are invested in outside securities.

Q. No, not necessarily. A good deal of it is employed in the working of the concern itself, in the buying of more spindles, extension of buildings, etc. That is one use to which the fund can be legitimately put.

A. Then my experience is this. Generally I find that the reserve fund is not liquid. It is almost invariably utilised for extensions of mills.

Q. That is what I want to get from you. If that be so, if the mill wants more working capital to buy stores, etc., should it not borrow?

A. Then it may go to a bank and get it. If my reserve fund is in my hands, in my block account, that is one thing; but if my block account is much less than my capital, my reserve fund and what is shown as cash in hand.....

Q. I understand that. You mean that when you have got your own capital available for use in a liquid form you must not then borrow?

A. I invite your attention to the statement in connection with the Whittle mill. Rs. 33 lakhs shown as with banks and bankers and all their block accounts were paid off.....

Q. Was it really available? The money?

A. They showed it to be available.

Q. You are making a general rule about reserve funds and their relation to borrowing. You are taking a specific example; but generally should not a mill which has invested reserve funds.....

A. If the Articles allow. I generally make a provision in the Articles which I make, that the reserve funds of the company may be utilised for the company's purpose, either for extension or for the purpose of working. Otherwise the reserve fund remains reserve fund. It must be available for special times. It must be invested in proper securities.

Q. Some suggest Government securities. I believe most mills employ the reserve fund in their own works in extensions. It is quite the exception so far as I have seen the balance sheets to keep these funds in the form of liquid assets.

A. Very rarely.

Q. And therefore they naturally would require to borrow when they want more working funds?

A. Then there will be a surplus block account. On that security any bank would finance.

Q. We have not had that evidence before. Several witnesses have been speaking of the difficulties of getting loans. Banks would want something more than the fixed plant as security.

A. Here is an agent getting a lakh of rupees. If all the reserve funds are used up it would be easy to get collateral security. There might be a provision made with the banks or some amendment may be made in the Imperial Bank Act.

Q. You are not opposed to borrowing when the funds are already employed? You object to borrowing when the mills have funds available and do not fully employ them?

A. Or given away to others.

Q. That is a sort of malpractice. Then, you speak of the need for scrutinising the securities. Your suggestion is that some of these may be paper securities with no substance behind them. Have you any provision on this side for such to be shown; if any loans

are given to directors or to firms in which they are interested, is there no any provision for these to be shown separately ?

A. In the model balance sheets we have that.

Q. You have got to show loans given to directors ?

A. Here they do not show good and bad debts.

Q. At least there is a legal provision which can be enforced ?

A. It is not enforced here.

Q. There is a provision ?

A. When they show as cash in hand it is not a loan. If it is a loan to a director or to a concern it might be shown as a loan; but if there is a current account with him it is not a loan.

Q. You mean it is shown as cash in hand but it is really lent to the director ?

A. Yes.

Mr. Majmudar.—You said the directors are not consulted in the matter of contracts. May I know to which contracts you refer ?

A. Any contracts, building contracts, buying contracts, machinery contracts.

Q. Buying contracts ? Do you mean in the regular business of manufacturing ? e.g., purchase of cotton and sale of cloth.

A. Directors are called only once in the course of a year, as I said before. When the balance sheet is prepared they are called to sign. In no business of the concern are the directors consulted. Even if the agent wanted to make any extensions they are not consulted. For additional machinery they are not consulted. For ordinary current contracts you may leave it to the agents, to buy cotton and sell yarn or cloth, but when such important business is to be done the agents must consult the directors.

Q. You mean that even when they spend lakhs of rupees for extensions, the directors are not consulted ?

A. Yes.

Q. I could not follow all that you said about the depression in the industry being due to the loss of confidence consequent to the misappropriation by the agents of some of the companies. It may be true that some agents misappropriated the amount, it may be true that the confidence of the depositors is shaken, it may be true that a thousand people or two thousand people who deposited money have lost. But how does it affect the sale of products of the mills ?

A. They have not got funds.

Q. These people would form about five to ten thousand people. How much cloth would they consume ?

A. Not individually. There are cotton merchants who have dealings with these people to the extent of lakhs of rupees. If lakhs of rupees are available they may be utilised in their own business, in yarn business or assisting cloth shops or in various ways.

Q. But if the mills are selling their produce throughout India through agents and firms, naturally there ought not to be any difficulty in the sale of the produce, because a large number have not suffered due to the misappropriation by a few agents.

A. Ahmedabad goods are sold throughout India. Very often they have their constituents in Ahmedabad—buying agents. A firm in Amritsar wants to purchase goods in Ahmedabad. Say that it wants to purchase goods for 25,000. The firm in Ahmedabad has not got sufficient finance to assist.

Q. It does not mean that the merchant community as such has disappeared from Ahmedabad or from Gujarat. The trade has not stopped.

A. The trade has not stopped; but it has sunk. In 1918 and 1919 a large number of cloth shops were started in Ahmedabad in expectation of good times. They came into existence for a short time and then they disappeared, after 12 months, after a loss.

Q. The present position is that the mills are not able to sell their products and if they are able to sell, it is at a loss. What connection has that with the misappropriation by a few agents that you mention ?

A. The merchants in Ahmedabad or round about are not in a position to stock sufficiently. As regards their sales they have not sufficiently advertised themselves. Some of these mills might be turning very good quality of cloth, but people in Ahmedabad do not know the existence of the cloth in Ahmedabad. When they go to Amritsar they come to know of it. What have they done to popularise the cloth in this district ? Why should they go to Amritsar or Delhi or some other place ?

Q. That depends on the prices they get here and in Amritsar.

A. That is not for a lawyer, but for an expert to say.

Q. So your only argument is that the depression is due to the fact that the merchants having lost money are not able to export goods to the different Centres ?

A. In the same quantity as before.

Q. And that is why remunerative prices of cloth are not realised ?

A. There might have been other reasons also. I cannot say.

Q. So the depression in the industry or the mills not making profits is not due to the misappropriation of money by a few agents ? Misuse of money by a few agents could not be connected with the mills having to sell their goods at below the cost of production. That is difficult to understand.

A. I will try to explain. I am a bad agent ; I have misappropriated Rs. 10 lakhs. Another is a very good agent. In ordinary times I could get deposits at 6 or 7 per cent. and he could get deposits at 5 or 6 per cent. for working capital. As a result of my misconduct he cannot get that deposit. So he must rapidly dispose of his goods.

Q. You mean owing to the want of confidence of the depositors the other mills are not getting money ?

A. Yes.

Q. And therefore those people are cutting the prices ?

A. Yes.

Q. So you mean that the depression is due to the internal competition of the mills to clear off their stocks ?

A. I should think so.

Q. Have you any idea of the remuneration paid to the auditors here ?

A. Yes. They get between Rs. 200 and 350 per audit. That is an yearly audit. We have not got running audit here.

Q. You consider that to be a sufficient remuneration for auditing the concerns ?

A. No ; to audit a turnover of 50 lakhs I expect at least Rs. 1,500 if I were an auditor.

Q. You refer to these small concerns having gone to dogs owing to shortage of finance and also because they were small concerns.

A. They are not small concerns. At one time a weaving establishment of 200 looms was considered to be a fairly good one. The Fine Mills had for a long time 200 looms and the Oriental Mills had about 250 looms. The Srinagar mill had 250 looms. I do not think the smallness of the plant has anything to do with it.

Q. Was it mismanagement ?

A. Yes. Inefficient management.

Q. You mean they could not make profits owing to inefficiency of management ?

A. If I do not know anything of the business I am certain to lose. Most of these concerns were started by sons of noble families who won't stoop their backs to do anything. They could not go to the mill and work and what can you expect from them but failure ?

ANNEXURE A

The *Rajnagar Spinning and Rajnagar Ginning Mills* changed hands by reason of the financial inability and general incompetence of the agents.

The *Hitechhu Mill*, and *Gujarat Cotton Mill (Kakaria)* went into liquidation because of the agents mishandling funds of the company. The liquidation of the latter, the *Hitwardhak* and the *Fine Mills* was due to the smallness of the capital.

The *Jubilee Mills*, the *Motilal Hirabhai Mills* and the *Purshotam Mills* were at one time in the hands of mere ordinary people and they had to part with the agency and the new agents brought these concerns to a good position.

Ahmedabad Advance.—This company had gone into liquidation because its first agents could not arrange about financing it. After it went under the management of *Tatas* it became an ideal concern.

The Jehangir Vakil Mills.—The first agents transferred the agency because they could not work it efficiently.

The Bombay Vaso Mills.—This company was started by a Municipal engineer in charge of the water works. It went into liquidation. It was purchased during the war boom by a party who backed out of the contract and paid damages. It is now working as the *Rustom Jehangir Mills*.

The Ahmedabad Waste Cotton Company—The first agents gave up the agency. The share capital has been reduced and it is now under new management.

The *Zaveri Spinning Company* was originally started by *Lallubhai Raichand* who in difficult times handed over the management to *Nagersheth Manibhai*. During the minority of his son the management was under the late *Sheth Mansukhbhai*, but when the agent came of age he could not manage it efficiently and it was wound up and the property was sold.

The Hathising Mill.—The first agent could not finance it and it has changed hands.

The Hemabhai Mills.—The first agent could not work it so they gave up the agency.

The *Indian Spinning Company* had to change hands because old machinery was purchased during war time at a high price and the agents could not arrange to finance it.

The *Swadeshi Felt Cap Manufacturing Company* went into liquidation because the agents went in for looms and oil mill machinery. The mill did not start; some machinery was unpacked.

The *Oriental Mill* went into liquidation because machinery was purchased at high price during the war boom. Some looms were not erected. The company went into liquidation before it started the mill. Agents could not finance it nor could they arrange for a change of agency.

Manibhai Dalpatbhai Group (about 50 lacs of defalcations)

Saraspur

Edward

Srinagar (saved from liquidation because the agency was transferred).

Nagindas Group.

Whittle Mills	..	Broach.	Nearly one crore of defalcations. False balances were prepared and all manners of frauds perpetrated.
Swadeshi Mills	..	Ahmedabad:	
Asarva Mills	..	Surat.	
Surat Industrial	..		
Virangam Spinning	..	Virangam.	
Virangam Alfred	..		
Virangam Industrial	..		
Nandarbar	..	Ginneries.	
Jhotana	..		
Kathiawad	..		
Colliery	..		
Boring Works.			

The *Ahmedabad New Spinning, Haripur Mills and Ahmedabad Vepar Uttejak*.—These three were under the management of *Lallubhai Raichand*. He speculated in shares to finance which he had utilised the funds of the *Ahmedabad New Spinning Mill* and the same were utilised for financing the other two mills. *Lalshanker* was a partner in the working of the last mill and he took over that management. *Lallubhai's* insolvency

led to the liquidation of all the three concerns. Unsecured creditors and shareholders lost everything.

The Ahmedabad Merchant Spinning Mill, Madia Swadeshi, and Surat Jafarali Mills.—The group of Ambala Sakeral came to grief because of inefficient management and want of finance.

The Gordhan Spinning Mills came to grief because of inefficient management and insufficient funds.

The Bharatkhand Cotton Mills changed hands because its first agent had appropriated its funds for his private purposes.

The Gomitpur Spinning Company and *Vishnu Cotton Mills* went into liquidation because of want of funds.

The Universal Mills went into liquidation because an old mill was purchased during the war boom at a high price.

Witness No. 83

THE MANAGING AGENTS OF THE FOLLOWING MILLS :--

- (1) The Ahmedabad Fine Mills, Ltd.
- (2) The Ahmedabad Shri Ramkrishna Mills Co., Ltd.
- (3) The Shri Vivekanand Mills Co., Ltd.
- (4) The Hirabai Manufacturing Co., Ltd.
- (5) The Shri Laxmi Weaving and Manufacturing Co., Ltd.
- (6) The Raipur Mills Co., Ltd.
- (7) The Ahmedabad Jupiter Spinning, Weaving and Manufacturing Co., Ltd.
- (8) The Mohini Mills, Ltd., Kushtia, Bengal.

Written Statement dated 23rd August 1926

We the undersigned have the honour to submit that our mills are not provided with spinning departments and we mostly consume yarns above 40s count imported from England as our raw material for the purpose of manufacture. We beg to invite your attention to the report of the Fiscal Commission which definitely criticises the levy of 5 per cent. import duty on yarns. When all other mills in India consume cotton as their raw material without the burden of any such duty it is highly inequitable and unfair to tax large consumers like mills at 5 per cent. on finer yarns which are their raw material. We beg to submit that the duty on yarns above 40s be wholly abolished and if this ultimately be not practicable, a rebate of duty should be granted to all the mills who like us consume yarns of counts above 40s as their raw material for the *bona fide* purpose of the manufacture of cloth at the end of the year as is being done in the case of salt used for industrial purposes. We authorise Mr. G. I. Patel, B.A., M.L.C., to give oral evidence on our behalf to the Board and hope you will kindly examine the details of the disadvantages under which we have been labouring since 1921 and will make the necessary recommendations.

Witness No. 84

Mr. G. I. PATEL, Managing Agent, The Ahmedabad Fine Mills Co., Ltd.,
Ahmedabad

Written Statement dated the 28th August 1926

I have the honour to submit the following facts for your consideration and to enclose copies of certain resolutions recorded in the reports of the Ahmedabad Millowners' Association and of correspondence with the Govern ent of India on behalf of certain mills which have no spinning departments and which depend practically on finer (oop) yarns imported from England for their working.

Yarns over 40s counts are consumed by such weaving mills for the manufacture of cloth and practically these yarns are the only raw material to them as cotton is to the spinning or the spinning and weaving mills. When mills provided with spinning or with the combined processes of spinning and weaving consume cotton as their raw material without any burden of duty it is but fair that mills provided with the process of weaving only should not be taxed on their raw material, viz., yarns at 5 per cent.

I beg to therefore request you to consider the details mentioned in the papers enclosed herewith and to recommend the abolition of this inequitable import duty on counts over 40s when several thousands of handlooms and powerlooms in this country are dependent on such yarns. The loss of the revenue to Government may be compensated by an increase in the duty on counts below 40s which directly compete with the production of Indian mills. Such a step will protect the handloom and the mill industry of the country and will materially restrict unfair foreign competition.

I may be permitted to point out that since the imposition of this duty in 1921 two weaving mills in Ahmedabad have gone into liquidation, after suffering losses and at present out of the remaining nine, six are suffering very badly. I shall be glad to give oral evidence on this subject when the Board holds its sittings in Ahmedabad.

ANNEXURE A

(i) *Telegram dated 7th August 1925, to the Commerce Member, Government of India*

We nine simple weaving sheds under continued depressed conditions pay five per cent. duty on English yarns, our chief raw material and also pay on cloth excise duty. Double duty burden has ruined situation. Kindly arrange refunding yarn duty on yarns we actually consume. Letter follows.

(ii) *Letter dated 7th August 1925, to the Commerce Member, Government of India*

I beg to confirm herewith a telegram sent to you to-day, copy whereof is enclosed, and to state that the facts of our said case are printed on pp. 29 to 32 and 51 to 61 of the Annual Report of the Ahmedabad Millowners' Association, for the year 1923, enclosed under a separate cover. Simple weaving sheds mostly consume fine yarns imported from Manchester and it is obvious that in times of acute depression the import duty of 5 per cent. on our raw materials along with 3½ per cent. Excise Duty on the finished manufacture from this *duty paid* raw material would naturally crush the very existence of such mills in India. In view of the strong recommendations of the Fiscal Commission a total removal of the import duty is long overdue, however as a measure of immediate relief to the consumers of finer yarns the system of giving rebate of this duty to the *bona fide* consumers in the manner in which duty on salt used for industrial purposes is refunded will prove of great assistance and relief. In case it is necessary to discuss this matter with you personally the group of the weaving sheds mill agents will be glad to depute two representatives to wait upon you in a deputation.

(iii) *Letter dated 28th August 1925, to the Commerce Member, Government of India*

I have to invite your attention to my letter of 7th August, reply to which has not yet been received by me.

I may be permitted to point out that the Bombay Millowners' Association and the Ahmedabad Millowners' Association have strongly recorded their opinions against the

import duty on yarn. Mr. J. B. Petit, the representative of the Bombay Millowners' Association in his oral evidence before the Fiscal Commission has stated as under :—

“At present I think the Association is of opinion that yarn should be left free of any import duty and that opinion has been arrived at principally because we are convinced that the bulk of these imports is used in the handloom industry.”

The recommendations of the Ahmedabad Millowners' Association are mentioned on pages 29 to 32 and 51 to 61 of the report for the year 1923 which was forwarded with my letter to you of the 7th August. In the present circumstances the refund of duty to the mills using cotton yarns will obviate all difficulties.

(IV) Letter dated 31st August 1925 from the Commerce Department, Government of India.

On behalf of Sir Charles Innes, I acknowledge your letter of August the 28th about import duty on yarns. I am not certain whether you write in your own capacity as a managing agent of a group of spinning mills, or whether you write on behalf of the Millowners' Association of Ahmedabad, of which you are a Joint Honorary Secretary.

2. The points and references in your letter will be noted.

(V) Letter dated 5th September 1925 to the Secretary to the Government of India, Commerce Department

I am greatly thankful to you for your letter No. 281-T.(3), dated 31st August 1925. I have addressed this requisition to the Honourable Member for Commerce on behalf of nine simple weaving mills worked by different millowners in Ahmedabad. This fact will be cleared from my telegram dated 7th August 1925. These weaving mills consume fine yarns which are manufactured by Lancashire mills in the specialised form of long cops wound on small paper tubes for both warps and wefts. The 5 per cent. import duty on such yarns not only affects adversely the easy import of these cop yarns into India but puts such simple weaving sheds which consume them in large quantities in preference to local yarns under heavy strain of paying 5 per cent. import duty on their chief raw material of manufacture on the one hand and of paying 3½ per cent. excise duty on the manufactured article prepared from the same duty-paid raw material on the other. This double tax completely ruins the position of such mills. To quote an example I may be permitted to say that certain mills pay about one hundred, thousand rupees as import duty on yarn and excise duty on cloth manufactured from the same yarn and consequently incur losses on their annual working. One of the weaving mills has already under these circumstances closed down and has gone into liquidation during the last year and if no relief is afforded to such mills the condition of others would be very serious.

With a view to placing before the Honourable Member for Commerce the attitude of the Bombay and Ahmedabad Millowners' Associations on this question I had quoted in my previous letters favourable references from their reports in order to make out a strong and clear case for this request. I further beg to enclose herewith a copy of my evidence before the Indian Fiscal Commission as a representative of the Ahmedabad Millowners' Association and invite your attention to pages 6 and 7 where I have stated : “ I have to pay duty on English yarn which I am importing on the one side and on the other side I have to pay 7½ per cent. *ad valorem* duty on my finished product. I have to pay on the whole 12½ per cent. and the other mills which are weaving from local yarn have to pay according to a particular kind of schedule, etc. ”

In these circumstances, for all simple weaving sheds at whose instance I have approached the Honourable the Commerce Member for the redress of this serious and continued grievance it will be a great relief if he will be kind enough to refund the duty at least on cop yarns to them on the lines on which duty for salt used for industrial purposes is refunded to mills and factories. The agents of these weaving sheds will also be glad to send a deputation, if necessary, to discuss this matter with the Honourable Sir Charles Innes.

(VI) Letter dated 25th September 1925 from the Commerce Department, Government of India

I am directed to refer to the correspondence ending with your letter dated the 5th September 1925, on the above subject, and to say that the Government of India regret that they are unable to reconsider the decision conveyed to you in this Department letter No. 281-T., dated the 24th April 1924.

Witness No. 84

Mr. G. I. PATEL, AHMEDABAD

Oral Evidence recorded at Ahmedabad on the 15th September 1926

President.—I understand that you appear before us now not as Honorary Secretary to the Ahmedabad Millowners' Association, but as representing seven mills in Ahmedabad which have no spindles.

A. Yes.

Q. Your mill is the Raipur Mill?

A. No, the Ahmedabad Fine Mills.

Q. I find that the Ahmedabad Fine Mills has 226 looms, the Shri Ramkrishna has 372 looms, the Shri Vivekanand Mills 224 looms, and the Himabhai Manufacturing Company, 376 looms; I cannot find the Shri Laxmi Weaving and Manufacturing Company in the Millowners' Association's list.

A. That was previously the Swadeshi Felt Cap Company. That has been purchased and it is re-named the Laxmi Mills and the new man has put up several new looms.

Q. How many looms has it got?

A. About 200.

Q. But he has not installed any spindles?

A. No.

Q. That is rather optimistic: The Raipur Mills have 190 looms and the Ahmedabad Jupiter Spinning, Weaving and Manufacturing Company, 388. We shall be interested to know how you reconcile your views in your present capacity with those expressed in another capacity. The Ahmedabad Millowners' Association have advocated a duty on all counts below 60s. They have also maintained that the 11 per cent. protection on cloth has been of no use to the industry whatever. Presumably therefore the 5 per cent. duty on yarn had a still smaller protective effect, but now you argue that the 5 per cent. duty on imported yarn is a distinct burden on these mills.

A. Yes; my suggestion is that duty on imported yarn should be increased on all counts below 40s and that it be abolished or reduced on all finer counts which are manufactured to a very small extent by the Indian mills or that these weaving mills be given a rebate as in the case of salt.

Q. How are you ever going, on your own showing, to encourage the manufacture of counts above 40s?

A. That is what the Association have said, that on all counts below 40s the import duty should be increased on cloth and yarn and that was afterwards extended up to counts of 60s. I have no objection to that. On behalf of these weaving mills also I go to the limit of having a smaller duty or no duty at all on yarns of counts above 60s.

Q. What are the majority of these mills using?

A. 50s and 70s, 60s and 80s and 80s and 100s. So we are nearer the limit that has been prescribed by the Association.

Q. You are now willing to fix the line at 60s?

A. Yes.

Q. Do you consider that the small mills like these without spindles and a very small number of looms can be considered economical and efficient?

A. Of course in Ahmedabad previously when the mills were started they were on a small basis. Some of the mills, for example, the Ramkrishna and the Himabhai, stood fairly well for all these years.

Q. Are they standing fairly well to-day?

A. Not to the extent at which they stood previously.

Q. Is that true of all the mills?

A. Comparatively they are now below the previous level.

Q. It comes to this that you do not ask for protection; what you ask for is the removal of protection?

A. It is a help to the mills which suffer very badly beyond certain counts, because yarn is a raw material to them as cotton is to other mills.

Q. Have you worked out what the rate of rebate would be?

A. The poundage of yarn is shown in every statement of annual consumption with regard to every mill and from that the average might be struck off.

Q. If you struck it off, let us see what it would amount to. It is not much use asking for something unless you know exactly what it is going to cost. You have to work out in two ways. You now say you will be content with protection above 60s.

A. It would be Rs. 2,00,000 every year. That is the saving in duty over all these mills.

Q. If a rebate is given you, it seems a little difficult to see why it should not be given to the handloom industry and then you open up a large question. After all, these yarns above 60s are largely used in the handloom industry.

A. That is for the Board to consider and not for me.

Q. It is also for you to consider because you have to consider the possible effect in all directions.

A. If the duty is removed on all yarns beyond 60s, I would not object.

Raja Hari Kishan Kaul.—Are there any mills which spin lower counts, but import higher counts and weave from them?

A. Hardly any because the mills are mostly installed with their own spindles and they have sufficient yarn to consume.

Q. For the coarser cloth?

A. Yes, and some of them have also surplus yarn which they reel and send out.

Q. Are there any mills which spin finer counts and at the same time weave coarse cloth?

A. Those mills which have weaving machinery cannot spin their yarn.

Q. Those who have both weaving and spinning?

A. Hardly any. If finer counts are paying to them at certain periods they may import to some extent but that is a very rare and far fetched case.

Q. Because if there are any such mills and I believe there are some—the rebate would have been extended to them as well.

A. I do not think any mills are doing it except in solitary and very rare cases. This is hardly possible.

Q. You ordinarily spin up to 30s or sometimes 40s. But there are many mills which are spinning yarn up to 50s which you import.

A. I have no spinning department.

Q. Those which have spinning departments could not spin 60s and 40s?

A. There are only two mills here, the Calico and the New Textile. These have along with coarser, finer yarn spindles.

Q. And they are themselves weaving finer counts?

A. They themselves are weaving all their counts including 60s and 70s. The Calico is also weaving 80s and 100s. They spin their yarn and they weave.

Q. You do not think there are any mills to speak of which import yarn as well as spin yarn?

A. I do not think so. I told you already that, in exceptional cases, when there is a high and abnormal margin possibly some mills may think of importing and weaving a few bales. But this is hardly possible.

Q. Do you consider it economical to import yarn and weave it here instead of spinning it? Can you compete with Lancashire by importing yarn from there and weaving it?

A. We used to compete with it for many years.

Q. Is it on account of lower wages?

A. It is one of the factors and our cost on the total consideration may pay us something in weaving from those yarns.

Q. Because their labour is more expensive? Their overhead charges must be less.

A. I would take it from the other point. If we weave from coarser counts by getting yarn from local mills we have to stand competition with those spinning and weaving mills. There is no chance of making any profit by getting coarser yarn. There is some margin and at certain periods the margin may be reasonable by importing finer counts and producing cloth from them.

Q. You simply save on cheap labour, because ordinarily you will not be able to save on the price of cotton?

A. At least we may sometimes save in the purchase of yarn at a particular time.

Q. But your chief advantage is cheap labour and if on this basis you do not make sufficient profit there will not be much reason to complain?

A. Not in that case.

Q. So that, in the case of these weaving establishments, if there is a depression because of this margin being very narrow there should not be much cause to complain. For after all you are importing yarn from Lancashire.

A. But if the raw material is taxed they have got a reasonable grievance. The yarn works out as a raw material to such mills and according to the Fiscal Commission—partly manufactured articles which work as raw materials to some industries must have some preference.

Q. But your argument is this. It is exactly opposite to the other argument. The Millowners' Association want protection because the margin between the cost price and the selling price is not sufficient. They want to keep out foreign goods and to reduce competition. You want a rebate here to reduce your cost of production in order that you may be able to import goods from foreign countries.

A. On higher counts; that is the main difference. I do not contradict the Association's demand.

Q. They are two opposite grounds.

A. The Association has confined itself to 40s and below in their written statement and in their oral evidence they went to 60s. I still maintain that limit of 40s and subject to that I go higher than that limit.

Mr. Subba Rao.—You say "those that import raw material for the *bona fide* purpose of the manufacture of cloth" and so on. For what other purpose is yarn imported?

A. For selling purposes also. Suppose yarn is imported by a merchant for selling it to another merchant who sells it to a third merchant. Thus there may be selling of yarn also among the merchants.

Q. Ultimately it has to be woven into cloth.

A. By mills or by some other people.

Q. Therefore you want to give a special encouragement to direct purchasers and not to those who unfortunately have got to buy through dealers?

A. Because we are manufacturers and I understand from past precedents that those who consumed large quantities as manufacturers were given concessions in certain forms, as for example, when stores were imported previously there was exemption to the mills.

Q. It is not because of large purchases, because of their use as raw material. Now in the case of yarn don't you think the handloom weaver is, compared with you, at a greater disadvantage? Why do you want to get a rebate and let that man go without it because he has to buy from a dealer?

A. I would support handloom people beyond 60s.

Q. You are in the first instance for the abolition of the duty?

A. Yes and if that is not possible then let a rebate be given as it was given in other cases of salt and stores.

Q. It would be more logical if you abolish the duty beyond 60s and not ask for any special treatment for those weaving establishments.

A. That is an alternative.

Q. Which would you put first?

A. I would put my own first because there comes the question of Government revenue.

Q. After all the import of yarn above 50s is small.

A. But in the other case the amount would be larger that is if you abolish the duty.

Q. The total amount of yarn above 50s is 2 million lbs. and the interest of the handloom weavers is quite as important as that of the few weaving establishments. You are not opposed to that?

A. No, beyond those counts.

Mr. Majmudar.—Which qualities do you manufacture out of this yarn?

A. Dhories, sarees, shirtings, mulls.

Q. Do the handlooms manufacture the same qualities?

A. I think they manufacture them in Calcutta and some other places.

Q. Do you export cloth to Calcutta?

A. Yes, whenever there is a favourable market and there we have competition from the Japanese people in the same sorts.

Q. And you come in competition with English goods also?

A. Yes.

Q. If you are coming in competition with the handloom industry, is it not fair that if the duty is taken away, it should be taken away for both?

A. We are not coming in direct competition with handloom sorts. Our sorts are different. For Calcutta we manufacture with size. For Bombay we manufacture bleached saris and dhories. I do not think that handloom people are

manufacturing goods with size as we are manufacturing for Calcutta people. That is in extremely fine counts.

Q. So your contention is that so far as the handloom industry is concerned you do not come in competition with it.

A. Certainly not.

Q. I find from this statement that some mills are able to make good profits.

A. Yes only in two cases. Out of seven, two are making fair profits and there too in the first the original capital was greatly reduced, while in the other they have built up large reserves during boom periods. The comparative statement will show the variation in the figures of profits of each mill.

Q. At present you are not able to make any profit?

A. No, not at present.

Q. I do not think you have ever compared the cost of production here with the cost of production of English manufacturers? You had no chance to do so?

A. We have no figures of cost for English production.

Q. Are the English goods sold at a lower rate than the goods manufactured by you?

A. Some of the sorts are sold at a lower rate, because they have got a protection of 12½ per cent. owing to exchange.

Q. Is there internal competition in these goods?

A. There may be among the mills that manufacture these sorts—I mean the weaving sheds mostly.

Q. You are not able to get your price due to that or due to the English manufacturers selling at a low price?

A. Both.

President.—Is that not much less competition now from the English manufacturers than there was two years ago when they had not the advantage of the 12½ per cent. exchange of which you speak? Have not the imports from the United Kingdom gone down?

A. But the mills which I represent are practically manufacturing the finer sorts which are mainly being imported from England.

Q. Not being imported to the same extent as they were?

A. That may be for the whole total. But at least the sorts which we receive from England are competing with the sorts which these weaving sheds manufacture from imported yarn.

Q. The competition cannot be as keen as it used to be because there has been a great falling off in British imports?

A. I do not subscribe to that.

Mr. Majmudar.—Have you tried to manufacture these qualities from yarn manufactured in India?

A. We cannot get suitable yarn in India as we get in England. It is not possible to get finer yarn from any of these local mills in the form in which it can be had from England. In England they are wound on a paper tube. We have tried such yarn once or twice through the Bombay mills but that was most unsatisfactory.

Q. So you think there is no other alternative for you? There is no chance of your making profits except if the duty is taken off?

A. Or if the import duty on all cloth imported into India is increased to a high figure. We would not care to have any rebate on yarns provided we get protection by having a high import duty on all cloth imported into India.

Q. It is not possible to reduce your cost of production in any way?

A. It is not possible.

Q. How many looms is each weaver minding?

A. Two looms.

Q. In the case of fine counts in England the number of looms which each weaver minds is greater. Could you not try the same?

A. In my opinion it would be very difficult here because the number of threads in a finer piece is greater than the number of threads in a coarser piece and therefore the weaver has to be very mindful for even a small *chira* or damage.

Q. But the weft cop lasts longer in the case of the fine count than in the case of the coarser. So the cop has not to be changed so often and therefore it ought to be possible for a weaver to mind more looms than in the case of the coarser counts?

A. Our experience is quite the contrary.

Q. Is that because of bad warp?

A. If a weaver is given more than two looms in fine count it is impossible to get the same production and the same quality.

Q. Have you compared your production with that of the handloom? Do you stand to gain by working power looms as against the handloom?

A. If you compare the total cost of a handloom and a power loom including all expenses I think there would be some variation. But I do not know how much it will be. If the variation is very great we would be making very high profits, but that is not the case.

Q. In the case of fine counts you are obliged to run the looms at a low speed. With a high wage to the weaver and all the preparatory expenses, it may happen that your cost of production may work out to such a figure that the handloom weaver might very easily compete with you in spite of the fact that his production would be lower, because your production in the case of fine counts due to the slow speed of the machinery may not be very high as compared to the production of the handloom.

A. In finer counts we have to produce such sorts which have complicated borders and fancy designs and there are no breakages.

Q. So on the whole it appears that there is no particular reason why the power looms for fine count weaving should be encouraged at the expense of the handloom industry?

A. I do not say at the expense of the handloom industry. I have already said on certain counts you should give protection to both. Secondly by raising the import duty on all cloth you give protection to all handlooms and power looms in the country.

Q. You have not tried giving a weaver four looms?

A. We have tried, but we have not been successful.

Q. You have not tried automatic looms?

A. We are working some dropbox looms. But we have not tried any automatic looms.

President.—I do not quite understand the point of the second paragraph of your letter to the Secretary to the Government of India, Commerce Department, in which you say "I have to pay duty on English yarn which I am importing on the one side and on the other side I have to pay 7½ per cent. *ad valorem* duty on my finished product"?

A. That was when the excise duty was levied on mills.

Q. How do you work that?

A. The system of assessing production in Ahmedabad mills was quite different. If in a Bombay mill a sized piece of 6 pounds was assessed at a certain value in the Ahmedabad mills the same piece with less yarn was assessed at the same rate.

Q. So put shortly what you meant was that the 3½ per cent. excise duty worked out to 7½ per cent. on your fine stuff?

A. And to the extent of four per cent. on the coarser stuff produced in Ahmedabad. I will explain further that in bleached sorts we had to pay *ad valorem*, and we were manufacturing mostly all bleached sorts. Therefore the incidence was higher in bleached sorts.

Q. That refers to days gone by. You are now getting an advantage of 7½ per cent. which you had not at this time last year.

A. But it is a common advantage with all the other mills.

Q. You get 3½ per cent. more than they on your own showing.

A. Then our profits will show that next year.

Q. I hope so. I am only arguing from your own figures. You had some correspondence with the Government of India on this subject and they referred you to a letter of 1924. Did they give you any reasons for turning down your request or did they just turn it down without reasons?

A. They said that they were unable to accede to the request contained in the memorial forwarded by us. That was the letter of the 24th April 1924.

Raja Hari Kishan Kaul.—You are asking for protection on yarn which you import from England and manufacture here?

A. Or I am asking for protection on all cloth imported into this country. That is the first thing that I would ask for. If the duty on all imported cloth is increased I ask for no protection. It is protection for the whole industry and I am included in it.

Q. Then you give up your case for the weaving sheds?

A. Of course if the cloth competing against me is highly taxed naturally my margin would be a little better. I would not ask for a separate protection on yarn in that case.

Witness No. 85

THE FINE KNITTING CO., LTD., AHMEDABAD

Written Statement dated Ahmedabad, 2nd September 1926

I want to give you a brief history of my concern "The Fine Knitting Company, Limited, Ahmedabad". In 1905, I read in a monthly journal called the "Economist" that there might be a profit in establishing a hosiery factory in India. Though I had no idea at that time of what hosiery was, I took a fancy to it and began to find one who would feel the same about it as I did. By chance I found one of my school friends Mr. Ratanchand Amichand of this place who had a liking for such an industry. Then we enquired for a hose machine and bought one hand machine for making socks and stockings. We worked the machine by our own hands and found that the working of knitted fabrics is an easy thing. Then we turned our minds to knitted undershirts which were then imported from Germany in large quantities. We came to know that there were small departments for making knitted undershirts in the Petit and Morarji Goculdas Mills in Bombay. We went to Bombay to see the working of machines in those mills, where we saw that they were not turning out such a fabric as was imported from Germany and which had a good sale in the market. Thereupon we bought a world Directory and wrote letters to all the manufacturers of hosiery machinery in the world requesting them to send us their quotations and the samples of fabrics which can be made on those machines. From long correspondence and after many efforts we found out that there were various kinds of machines turning out different qualities of fabrics. At last we selected French loop-wheel machines and ordered one machine for our trial. On receipt we studied its mechanism and working and turned out such samples as were being imported from Germany then, which cost us Rs. 8,000 including all expenses to that date. Thereafter we started a limited concern named as The Fine Knitting Company, Ltd., and registered it on the 2nd September 1908 with an authorised capital of Rs. 1,30,000 divided into 1,000 ordinary shares of Rs. 125 each and 200 deferred shares of Rs. 25 each and appointed Messrs. Ratanchand Baldevdas and Co. as managing agents and gave them rights to subscribe 100 deferred shares of Rs. 25 each, the dividend which they had to get as their remuneration for their services, out of above 200 deferred shares issued. As to the remaining 100 deferred shares the subscriber of 10 ordinary shares at a time had a right to subscribe one deferred share and so they were divided into 100 lots of 10 ordinary shares each. The net profit after deducting the depreciation at 2½ per cent. on building and 5 per cent. on machinery was to be divided half and half between ordinary shareholders and deferred shareholders and thus the agents' firm had to get 25 per cent. of the net profit for their remuneration. Out of the above issue of capital, 810 ordinary and 181 deferred shares were subscribed in the beginning, out of which the agents' firm had subscribed 360 ordinary and 136 deferred shares. As we had to train labourers for this industry we thought we could get a cheap labour in a village and so we bought land in a village Barejadi, the second railway station next to Ahmedabad on the Bombay side and got our factory erected there, spending Rs. 1,779-15-0 in buying land, Rs. 25,156-7-10 in buildings and Rs. 37,237-2-10 in machinery, the total being Rs. 64,173-9-8 and at that time there was a paid up capital of Rs. 60,405. We began the working of the factory on the 1st January 1910 after making great efforts in training the labourers to work on the machines at an exorbitant cost. However we succeeded in turning out marketable qualities which had a good sale but prices realized did not give us a profit. As to the superiority of the quality of our articles, we have been awarded a silver medal in the Allahabad Exhibition in 1910, a gold medal in the Exhibition of Old Bombay at the time of Their Majesties' Coronation in India in 1911-1912 and a gold medal in the Exhibition of Navsari by His Highness the Gaekwar of Baroda in 1912. Also the unsolicited review taken by the editor of the "Textile Mercury" which is published in Manchester in the issue dated the 18th October 1913, on page 311, enclosed herewith speaks highly for our qualities. Also the durability of our articles is such that people in many parts of India demand Barejadi Mill-made articles. In spite of all these circumstances being in our favour the statement of profit and loss enclosed show that we have failed in our efforts. From the balance sheet for the year ending 30th June 1916 enclosed you will see that Rs. 53,220-5-7 were lost out of the capital of Rs. 61,660 and the company was in debt and totally unable to carry on its business. Up to this time the agents' firm had not got a single pie for their labour, their remuneration being on profit, and had to maintain themselves from their own pockets and they being of moderate means and their means being exhausted, they thought it wise to put the management of the affairs of the company in the hands of some man having good means and experience in selling these goods and thereupon they resigned as agents on the 18th May 1916 and the management of the affairs of the company was put in the hands of the new agents' firm styled B. Keshavlal and Co., one of the partners being Baldevdas V. Parikh who had

been one of the partners of the late Agents' firm. He was kept because he was experienced in the working of the company. Another partner was Mr. Keshavlal Punjaram of Messrs. K. Punjaram Bhajji and Co., hosiery Merchants of Bombay, and one of the larger importers of hosiery articles from Japan. Owing to the state of the company at that time, the shareholders had to stipulate for 8½ per cent. commission on the sales to the new managing agents for their remuneration. The chief reason of the bad state of the company was the keen competition with the Japanese goods. Now owing to circumstances resulting from the great war, the company made profits up to 1919 but in 1920 they again began to feel keen competition with the Japanese goods and the profit began to decrease, and the company found it difficult to compete with imported Japanese goods in manufacturing articles from imported hosiery yarns from England and so they decided to prepare yarn themselves here as hosiery yarns were not available in India. Thereupon the company raised their authorized capital from Rs. 1,30,000 to Rs. 11,70,000 but got only a paid up capital of Rs. 5,41,360 and installed a plant of 9,000 ring spindles making a capital debt of Rs. 5,50,000 and transferring their hosiery plant from Barejadi to Ahmedabad in 1923. We prepared special yarn for hosiery articles and you will see from the sample enclosed that it is in no way inferior to the imported Japanese articles of the same qualities but the price realized for the same is not remunerative as similar articles from Japan are sold very cheap. You will please see from the last balance sheet and the statement of profit and loss that the status of the company is day by day weakening and if not timely helped, this hard made industry will expire.

You will kindly see from the statement showing the yearly value of cotton hosiery imported into British India from the different countries during the five years ending 31st March 1926 herewith enclosed that the value of imported hosiery from Japan was more than doubled in 1925-26 compared to 1921-22 and the majority of qualities are more than quadrupled as the prices of hosiery articles are cheaper by 50 per cent. now than they were in 1921. You will also see that in 1925-26 nearly 80 per cent. of the total value of imported hosiery is from Japan and 2½ per cent. only from United Kingdom and 17½ per cent. from other foreign countries.

You will also see from the general tariff of Japan received from His Imperial Japanese Majesty's Consulate that if we were to export such articles as a sample enclosed weighing lbs. 4 8 oz. per dozen to Japan we would have to pay Rs. 7-7-0 on one dozen of such articles which has cost us Rs. 6-11-0 as import duty into Japan, the tariff rate being Yen 166 for 100 kin, that is Rs. 219-12-0 for 132.5 lbs., the exchange rate being Rs. 132 for 100 Yen and one kin being equal to 1.325 pounds (lbs.) and thus the Japanese hosiery manufacturers are protected by 112½ per cent. duty on the imported articles. In this position a Japanese manufacturer can make a profit on his whole production by selling certain portions of his production at a good profit for home consumption and by exporting the remaining portion at less than cost in order to maintain his unemployed brethren and to kill the industries of free trade countries like India with a hope that he will get good profit in future after killing those industries.

Besides this protection, Japanese manufacturers have got advantages in longer hours in working, in intelligent labour, in shipping freights, facilities of banks and a beneficial exchange rate with India. As to longer hours of working in Japan and the failure to observe the Convention adopted at Washington, the Bombay millowners have amply and rightly explained this to you.

As to intelligence of labour, it is a duty of the State to protect the work turned out by such unintelligent labour as in India as long as the means are not provided to give them free and compulsory education.

As to shipping freights, we railed three cases to Bombay by railway receipt No. B22395 on the very date when you kindly visited our factory here, measuring as under:—

Case No. 451	23" × 25" × 35"	: 12½ cubic feet.
Case No. 452	23" × 25" × 35"	: 12½ cubic feet.
Case No. 453	23" × 25" × 39"	: 15 cubic feet.

Total 40 cubic feet. 1 shipping ton.

They contained 91½ dozen of articles No. 776 just similar to sample No. 778 enclosed. They were invoiced for Rs. 594-12-0 the rate being Rs. 6-8-0 per dozen 30" size. The railway company weighed them and charged Rs. 11-10-0 freight for Bangalee maunds 8 10 seers at the rate of Rs. 1-6-6 per Bangalee maund for Carnac Bridge station.

Had the same cases been shipped from Kobe (Japan) the charge would have been Yen 11, i.e., Rs. 14-8-0 for the ton of 40 cubic feet being a slight difference of Rs. 2-14-0 between Ahmedabad to Bombay and from Kobe to Bombay. As to Calcutta and Madras, the shipping freights from Kobe to those ports are less than 11 Yen for 40 cubic feet and the railway freight would have been Rs. 46-12-0 from Ahmedabad to Calcutta at the rate of Rs. 5-10-0 per maund and Rs. 39-10-0 from Ahmedabad to Madras at the rate of Rs. 4-12-0 per maund. We have to sell our hosiery articles to the merchants of the parts as mofussil dealers in those articles buy from them on long credits which we cannot give. Even the dealers of Ahmedabad in these articles prefer to buy articles from Bombay merchants at some what enhanced rates for the facilities of long credits.

As to the facilities of banks, there is no system in India to discount bills which are drawn by the sellers of goods and accepted by the buyers of goods at two or three months sight to facilitate credits to enable the manufacturers to get cash from the banks by paying a small sum of discount for the sale of the goods and to enable the buyer to pay cash when the bought goods are sold to their customers.

Under these circumstances, we request you to recommend the Government of India to levy one hundred per cent. import duty on imported hosiery articles in order to protect Indian hosiery industry which is in its nascent state and we would at the same time say that these percentages are not high looking to Japan and also looking to the protection given by the Government of India of 200 per cent. to the match industry which is also in a nascent state. Also we beg to refute the argument that by protecting the industries, certain sections interested in these industries are benefited at the cost of consumers but when protection is given to an industry, many concerns spring up to manufacture those articles and make a healthy competition and the prices become normal in a few years. Moreover unemployment in the country is reduced to some extent and also the buying capacity of a nation increases and no consumer can grudge a small profit to his home manufacturers. The Governments of the United States and Japan and other States in Europe and America have brought their people to very prosperous states by protecting their home industries by raising high tariff walls. It is the foremost duty of the Government to protect industries in their nascent state and even the British Government which is known for its free-trade principle, has now imposed a high tariff on the import of artificial silk yarn in order to protect the English artificial silk yarn industry.

I will try to send you a Japanese article similar to our sample enclosed with its original invoice in which it is priced if I can get it from one of the Bombay importing firms.

As to shipping freights, now a days owing to fluctuations in the exchange rates, the Bombay importing firms buy their Japanese goods in rupees rates free harbour Bombay and in this case I am unable to show you the shipping freights in the original invoices and so I humbly request you to get this information officially regarding the shipping freights for hosiery articles from Kobe to Calcutta, to Madras, to Bombay and to Karachi from His Majesty's British Embassy in Japan.

I hope that my above stated facts will convince you that my hosiery industry is in need of being protected and so your recommendation to the Government of India to that effect will greatly oblige,

ANNEXURE A

THE FINE KNITTING COMPANY, LIMITED, AHMEDABAD

Statement showing profit and loss, depreciation, dividends and agents' commission from the beginning of the company to 31st December 1925

Year	Profit less Depreciation	Loss with Depreciation	Depreciation	Dividends	Agents' Commission
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
July to June 1909-10 ..	2,038 7 2	Nil.	2,490 12 4	1,822 8 0	Nil.
„ 1910-11 ..	100 8 9	Nil.	Nil.	Nil.	Nil.
„ 1911-12 ..	Nil.	10,106 13 5	Nil.	Nil.	Nil.
„ 1912-13 ..	722 14 8	Nil.	Nil.	Nil.	Nil.
„ 1913-14 ..	Nil.	22,272 2 2	3,539 2 7	Nil.	Nil.
„ 1914-15 ..	Nil.	17,294 13 5	3,539 2 7	Nil.	Nil.
„ 1915-16 ..	Nil.	4,585 14 9	3,540 6 7	Nil.	Nil.
July to December 1916..	6,209 4 3	Nil.	1,770 8 0	Nil.	3,611 3 3
January to December 1917	39,865 7 2	Nil.	3,667 3 6	7,380 0 0	12,148 6 0
„ 1918	25,077 3 7	Nil.	3,685 1 4	12,300 0 0	13,269 0 0
„ 1919	34,470 6 2	Nil.	12,951 3 7	18,450 0 0	11,632 2 0
„ 1920	12,161 14 11	Nil.	5,488 9 8	12,000 0 0	15,705 0 0
„ 1921	25,619 0 11	Nil.	5,944 8 6	25,954 0 0	19,781 11 6
„ 1922	29,579 4 6	Nil.	6,599 8 6	29,150 0 0	17,998 0 0
„ 1923	886 0 4	Nil.	7,281 10 0	Nil.	13,837 10 3
„ 1924	Nil.	28,480 14 7	Nil.	Nil.	Nil.
„ 1925	185 12 11	Nil.	Nil.	Nil.	25,592 11 0
Total ..	1,76,916 4 11	82,740 10 4	60,497 12 9	1,07,056 8 0	1,33,575 12 0

- Q. Is it exactly similar in all respects ? Have you analysed it ?
- A. Yes.
- Q. Did you discover what counts of yarn it is made from ?
- A. Yes.
- Q. What ?
- A. 20 s. Ours is also from 20s. I do not know why they put so much duty on importations into Japan.
- Q. Possibly for the reasons for which you would like to impose them. You have no difficulty in getting suitable yarn for hosiery manufacture because you manufacture your own yarn, I take it.
- A. Yes.
- Q. Mr. Dalal mentions that Japan has a fine type of machine specially suited for manufacturing cheap goods. Do you know anything about that machine or are you aware that yours is the latest type of machine ? What is the date of your knitting machine ?
- A. We imported it in 1919-20.
- Q. Are you aware whether that is the latest pattern ?
- A. Yes.
- Q. Have you any idea of the knitting machines used in Japan ?
- A. Yes.
- Q. What type are they ?
- A. They are making their own machines there. I showed you one Japanese machine in my factory. They are not better than these English or American machines.
- Q. They have no special advantage in regard of the type of the machine, you consider ?
- A. No.
- Q. What about spare parts ? You have to keep many of those ?
- A. Yes. We cannot get them from the bazaar.
- Q. How do you get your bleaching done ?
- A. In our factory.
- Q. Hand bleaching ?
- A. Yes, by the bleaching powder. We have got washing machines.
- Q. Does hand bleaching give as good results as machine bleaching ?
- A. We are doing it in tanks.
- Q. As I said at the outset, I am not clear what advantages Japan has over India in the matter of hosiery that she has not in regard to cotton textile manufacture generally. How can you discriminate between hosiery and other branches of the industry ? Mr. Dalal makes no efforts to do so and merely asks for 15 per cent. additional duty on the hosiery which is very nearly what the Millowners' Association has asked for for the industry generally.
- A. They are asking for 15 per cent. generally. But when protection is to be given, it must be given to the fullest extent, so that other capitalists may be allured to come into the business.
- Q. But you have to explain what advantages Japan has in regard to the manufacture of hosiery which she has not got in regard to the manufacture of other yarn or piece-goods. What special advantages has she got in regard to the manufacture of hosiery which she has not got in regard to the manufacture of cotton goods generally ?
- A. There are no special advantages.
- Q. She has got no special advantages in regard to the manufacture of hosiery that she has not got generally. What I have been trying to get at is the reasons, if any, for special discrimination in regard to hosiery.
- A. It is one branch.
- Q. Which has not yet been developed ?
- A. Yes.
- Q. Just one other point. You say that you have got to sell your hosiery articles to the merchants at the ports.
- A. Yes, because they are allowing long credits.
- Q. How can you hope to succeed if you started your concern with inadequate finance and how can you expect Government to come to your rescue ?
- A. That is why I have asked for banking facilities. There are no such banking facilities here as in England, as I have mentioned.

Q. You say you have to sell to the merchants in the ports. I do not understand why you have to sell only to the merchants in ports.

A. Hosiery merchants in mofussil are of very little means. All these persons are not engaged in selling hosiery only. It is sold by sundry merchants.

Q. But do you mean that you can only sell your hosiery goods in Bombay, Calcutta and Madras because of this credit? Is there no local market for them? Is that what you mean?

A. Because more goods come from Japan and the merchants wish to come to Bombay to buy, to see the competition and other things. They generally come to Bombay.

Q. But you say in another place that people in many parts of India demand your articles?

A. Yes, they are demanding. We are selling in Delhi and in Karachi, but only in these cities and not in the mofussil.

Q. On what terms do you sell there? On cash terms?

A. Yes, we are giving on cash terms.

Q. I do not follow your difficulties in regard to this system of credit. Have you got a different system from the system which prevails in regard to piecegoods?

A. Yes, of course a different system.

Q. Why is it a different system?

A. Because we have to send our goods to big cities.

Q. The dealers in the big cities prefer to buy Japanese goods because of the credit they get?

A. They sell on credit. The bigger merchants always sell on credit. We cannot give credit.

Q. That is made up for in the price anyway. I do not understand how you are at a greater disadvantage than the mills which are selling piece-goods in competition with Japan in this particular point?

A. Because, the merchants in mofussil who are selling hosiery are always sundry merchants, petty merchants. They are not big merchants.

Q. If you were able to give them long credit what effect will that have?

A. Then they can buy from us.

Mr. Subbu Rao.—Do you at all sell your goods in Bengal? Bengal is a good market as you know for underwear?

A. The railway freight comes in our way.

Q. That is the difficulty?

A. Yes.

Q. I want to understand more fully your financial difficulties. You said that the dealers in Bombay are able to give the buyers upcountry long credit. Will you tell me for what period they give credit?

A. The Bombay merchants sell to the mofussil merchants goods on three or four months' credit.

Q. Please explain the transaction.

A. They are not dealing through banks. They are sending hundis.....

Q. Who are sending?

A. Upcountry merchants.

Q. The upcountry dealer gets goods from the Bombay merchants without paying for those goods immediately?

A. Yes.

Q. And these goods are not sent through a bank, but to the buyer directly?

A. Yes.

Q. The buyer within a limited time, when he has got his own funds, will be able to send the hundi in favour of his creditor? How long is the period?

A. Three to four months.

Q. And in your case you would not be able to sell directly and lock up your funds for two or three months?

A. Yes.

President.—Is this system of credit peculiar to the hosiery trade?

A. Yes.

Mr. Subba Rao.—Do you mean to say that the dealers in Bombay who might be selling also piece-goods do not give equally long credit when they sell piece-goods ?

A. Not for piece-goods.

Q. Only for hosiery ?

A. Yes. It is a different market here. It is not related in any way to textiles.

Q. You say a different market ? The people who deal in hosiery in Bombay are not the same group of merchants that deal in piece-goods ? They deal entirely in hosiery ?

A. Yes, entirely in hosiery.

Q. Is it entirely local hosiery or also imported hosiery ?

A. For the most part imported hosiery.

Q. They give long credit whether it be for the local product or imported hosiery ?

A. Yes.

Q. In that case your drawback is you cannot sell directly ?

A. Yes, we cannot sell directly. There is the middleman's profit.

Q. You have got to sell through him and have to pay the commission ?

A. And therefore the competition of the Japanese harms us because the imported Japanese hosiery comes to Bombay and ours also comes to Bombay.

Q. You mean that the dealer finds that the Japanese goods will sell better because they are lower in price ?

A. Yes.

Q. When he puts your goods and the Japanese goods on the market he finds it easier to sell Japanese goods than yours ?

A. Yes.

Q. You suggest there is no system in India to discount bills which are drawn by the sellers of goods and accepted by the buyers of goods at two or three months. Of course you are referring to the English system.

A. In England it is 90 days.

Q. Suppose the same thing were done here, would not any bank discount those bills ?

A. They are not discounting for the present. I asked the Central Bank. I am giving 30 days' credit to Amritsar merchants. I requested the Central Bank but they did not do it.

Q. You offered to give them the bill along with the papers ?

A. Yes.

Q. And they would not discount it ?

A. No.

Q. On any terms ?

A. No. That is not the system here they say. They do not buy trade bills.

Q. But surely there must be a certain amount of trade in trade bills in our country. I do not think I understand you quite. They are not prepared to give you the money in advance before the other party clears the goods and pays. It is not that they object to trade bills as such. They will ask you to wait till the other party not merely accepts the bill but also pays the bill ?

A. Yes.

Q. Therefore from your point of view there is no advantage in drawing a bill if you have got to wait till the other party is able to find funds ?

A. Yes.

Q. That applies only to hosiery trade ?

A. That is not the system in India.

Q. As I understand, the difficulty is not one confined to you but so to speak inherent in the present arrangements of the country in respect of trade finance ?

A. Yes.

Q. You speak of difference in labour in point of intelligence, between your labour and Japanese labour. You say that labour there is intelligent ?

A. I have not seen it, but I have heard they are attending to three or four machines. Our labour is attending only to one machine.

Q. Is it a question of intelligence or lack of training or lack of will to work ?

A. It is lack of ability.

Q. Innate lack of ability ?

A. Yes.

Q. Would it not be a strong argument against the industry if that be so? If labourers are by nature unfitted to do the same amount of work here as elsewhere won't that mean a permanent competition from others whom you will not be able to face?

A. Because they are not given such training.

Q. Therefore it is not that labour is unfit for such work. It is a question of training? You believe if training is given, in course of time labour will improve. It is a question of will and training and not a question of innate fitness or unfitness?

A. That is so.

Mr. Majmudar.—You have got separate profit and loss statements for the manufacture of yarn and for the manufacture of hosiery?

A. Not separate.

Q. Could you say as to whether the hosiery department is paying or the yarn spinning department is paying?

A. Really speaking only the woollen articles are paying to us, not cotton. We are making woollen articles.

Q. What percentage of your manufacture is woollen?

A. We are making Rs. 2½ lakhs worth woollen articles.

Q. Out of a total of Rs. 4½ lakhs worth of output?

A. Yes.

President.—Can you use the same machinery for both?

A. Yes, for wool and cotton.

Mr. Majmudar.—You are selling yarn and you must have an idea as to whether you are making a profit in the sales of yarn?

A. We are not making a profit at this stage.

Q. You are making a loss in the sales of yarn?

A. Yes.

Q. If you take the total amount of yarn manufactured by you can you not find out what loss you have made?

A. Hosiery profits are not separated.

Q. Could you not work out the loss in hosiery and the loss in yarn?

A. Last year we lost Rs. 50,000 in yarn.

Q. How much was made up by hosiery? Was the Rs. 50,000 recouped from hosiery?

A. By woollen hosiery.

Q. Here you say that 'owing to circumstances resulting from the great war the Company made profits up to 1919 but in 1920 they again began to feel keen competition with the Japanese goods in manufacturing articles from imported hosiery yarns from England and so they decided to prepare yarn themselves as hosiery yarns were not available in India.'

A. Yes.

Q. You could not get hosiery yarns from other mills?

A. They usually give the same yarn as they are selling in the market. They could not make specially for us. If we want 25 lbs. from England we can have it while we cannot from the Indian mills. We can import 25 lbs. from England.

Q. If you look to your statement, even in 1920 your profit after allowing for depreciation has been about Rs. 12,000, and again it has gone up in 1921 and 1922. So it may be that the low profit in the year 1920 may be due to some other reason than the reason that you have put forward?

A. No other reason.

Q. If you look to the statement of the Millowners' Association you will find that in the year 1919-20 there were very wide fluctuations in the price of yarn. If you see the prices in the year 1919 you will find annas 20, 23, 25 and 25½ and then in 1920 you find 26, 26, etc., and then when we come to the end of 1920 the prices in December are 20 annas. So there has been a very big drop in the price of yarn?

A. Yes.

Q. If it is probable that you had big contracts for yarn or you were holding stocks in yarn or that the fall in prices affected your sales and that you were not making any profit. It was a very exceptional year.

A. But in 1921-22 the profits are not as much as in 1918-19.

Q. Your profits in 1921 were Rs. 25,000 and in 1922 you went up to Rs. 29,000, even more than in 1921 and more than in 1918.

A. Before, we were making cotton hosiery. Then we turned to woollen hosiery.

Q. When was that?

A. In 1921.

Q. In 1921 you turned to woollen hosiery?

A. When the cotton hosiery did not pay we turned to woollen.

Q. So since 1921 your profits are due to woollen hosiery and not to cotton hosiery?

A. Yes.

Q. Then you say 'owing to the state of the company at the time the shareholders had to stipulate for 6½ per cent. commission on the sales to the new Managing Agents for their remuneration.'

A. Yes.

Q. Is that about yarn and hosiery or only for hosiery?

A. Only for hosiery at that time, because we were not making yarn at that time. But when we installed this plant and increased our capital it was stated that on 10 lakhs worth of sales we are to get 6½ and above 10 lakhs at the rate of 4½ per cent.

Q. According to the balance sheet for 1925, the sales are about 12 lakhs. According to you for the first 10 lakhs they ought to have got at the rate of 6½ per cent. Rs. 65,000 as agents' commission, whereas here you have mentioned Rs. 25,592 as the agents' commission.

A. The Agents company left off 2/3rds of commission and took only 1/3rd of it.

Q. In the boom years 1918, 1919 and 1920 you distributed Rs. 12,000, Rs. 18,000 and Rs. 12,000 as dividend; whereas in 1921 and 1922 when the boom period had passed off, you distributed as dividend Rs. 26,000 and Rs. 29,000?

A. We had first losses and we had to carry some to the loss account. In 1915-16 there was loss amounting to about Rs. 53,000.

President.—Mr. Majmudar is not referring to that, Mr. Parikh. What he wants to know is why in 1921 and 1922 you paid away the whole of your profits in dividend. You made a very small provision for depreciation and paid away the whole of your profits in dividends.

A. This sum we had to pay because we had some calls of new capital and we had also paid dividends on these calls.

Q. I do not follow.

A. When we increased the capital to 11 lakhs of rupees and then 5 lakhs were subscribed newly, of course we had to pay some dividend on these new calls.

Q. But why? In order to get the people to pay up their calls? You declared dividends in order to persuade people to pay up their calls? Is that the point?

A. Yes, Sir. We paid dividends on those calls.

Mr. Subba Rao.—On the calls which have been paid or to induce calls being paid.

A. On the calls that have been paid.

President.—And even so was that sufficient justification for paying away the whole of your profits in dividend? Do you consider that that was sufficient justification for paying away more than your profits in one case?

A. We paid only 6 per cent. in that case.

Q. But you have paid the whole of your profits. Is that sound finance?

(There was no answer.)

Q. On what system have you been making provision for depreciation, Mr. Parikh? I do not quite follow what these amounts are supposed to represent. In 1921 for instance you made a provision of Rs. 6,000. On what basis was that estimated?

A. Five per cent. on machinery and 2½ per cent. on buildings.

Q. What were your machinery and buildings worth?

A. At that time?

Q. Yes. Roughly?

A. Rs. 36,693 for building and Rs. 1,01,674 for machinery.

Q. A lakh and a half for buildings and machinery?

A. Yes.

Q. Two and a half per cent. on buildings is about Rs. 900 and for machinery it is Rs. 5,000.

A. Yes.

Q. Where is the rest of your capital? When did you put in these new spindles?

A. In 1923.

Q. You have not been able to make any provision for depreciation since you put them in?

A. No.

Q. What did they cost you—these 9,000 spindles?

A. Six and a half lakhs for spindles and 2½ lakhs for buildings.

Q. Probably you would have been better off if you had kept your hosiery machinery and had not put in the spindles? Is it the loss on the spinning machinery which is pulling you down, or on hosiery? You made a profit of Rs. 185 last year.

A. We lost Rs. 50,000 in spinning; we gained so much on hosiery.

Q. How much of it did you gain from woollen hosiery and how much from cotton?

A. We are not getting anything from cotton hosiery. We are getting everything from woollen hosiery.

Q. Why don't you stop your spindles and keep yourself on hosiery only?

A. We shall have to pay interest if we stop.

Q. That would be better than losing Rs. 50,000?

A. It will amount to more loss then.

Q. The point seems to be that a mill like yours which has only 9,000 spindles has no hope of paying in these days. You are actually making a profit on hosiery. Are you not?

A. We are making a profit on woollen hosiery.

Q. You are actually making a profit on your hosiery branch?

A. Yes.

Q. You mentioned about the Japanese imports of hosiery. Are those of woollen or of cotton hosiery?

A. Only cotton hosiery.

Q. When you send your returns of hosiery to the Director General of Commercial Intelligence, the returns on which the monthly returns of spinning and weaving of mills are based, do you separate your woollen from cotton hosiery?

A. No.

Q. Then the figures of production of cotton hosiery in India are absolutely unreliable. Is that not so? As far as our enquiry is concerned, the figures are absolutely unreliable because they include both woollen and cotton hosiery.

A. But I can give you the figures separately for cotton hosiery.

Q. But when you are sending returns to the Government you are not doing it. I am not blaming you in any way, Mr. Parikh. Please don't think that for a moment. I am not accusing you of sending incorrect returns. I am only referring to it so that we can have the matter put right. My point is that when you send in your returns to the Government you include both woollen and cotton goods and they are shown in all the cotton returns as production of hosiery although two-thirds in value of your stuff is made of wool.

A. We are making returns for cotton hosiery and I can give you the figures.

Q. But two-thirds of your production is woollen, is it not? Two and a half lakhs out of 4 lakhs. That is, roughly ¾ths of your production is woollen hosiery.

A. Yes, in value.

Q. But it is included in the Government returns as cotton.

A. Yes.

Q. And that seems to be incorrect. Will you let us have figures of your exact production for last year for cotton and woollen goods in pounds?

A. Yes.

Q. You make both under-wear, socks and stockings I think?

A. We are not making socks and stockings, but purely under-wear and sweaters.

Q. Why have you not gone in for socks and stockings?

A. It requires some more skill.

Q. There cannot be very much difference between the machinery required for the one and for the other ?

A. There is a difference.

Q. Before you started this industry you had no special experience other than what you picked up by literature on the subject. You did not actually visit any hosiery factories in other countries or in this country. Did you ?

A. No, except that I visited the Bombay factories of Morarji Goculdas and Petit.

Mr. Majmudar.—When was that ?

A. In 1908.

Q. It was a very old pattern.

A. Yes. That I have mentioned here.

Q. Do you use artificial or spun silk ?

A. No.

ANNEXURE A

The latest quotations of the following qualities of undershirts are as follow :—

Sample No.	Quality No.	Size	c. i. f. Bombay
2	269	26—30"	Rs. a. p. 4 6 0
4	269	30—34"	5 2 0
10	362	30—34"	9 4 0
21	1,390	30—34"	5 12 0
33	6,695	30—34"	6 0 0
46	250	30—34"	5 4 0
49	250	18—26"	3 6 0
94	220	30—34"	3 12 0
93	220	28—32"	3 8 0
114	4,444	30—36"	8 14 0
116	5,065	34—36"	17 8 0
124	112	30—34"	6 6 0
130	8,995	30—34"	6 12 0
155	101	14—22" average	2 4 0
147	5,555	30—36"	9 6 0
26	114	30—34"	8 0 0

The exchange has been calculated at the rate of 133 for 30 days' sight draft.
Please let us know if the above rates are suitable to the Indian market or not.

Mr. R. G. SHAH, AHMEDABAD

Oral evidence recorded at Ahmedabad on 16th September 1926

President.—Your profession is that of an auditor ?

A. I am a certified auditor.

Q. What service have you got ?

A. I graduated from the Sydenham College of Commerce and Economics, Bombay, in 1916. I was in the first batch. Then I apprenticed myself with a firm of auditors at Bombay for about three years, with Messrs. S. S. Engineer & Co.

Q. They are one of the biggest firms of auditors in Bombay, I believe ?

A. In Bombay and Ahmedabad also. Mr. Engineer was also my professor at the Sydenham College. He used to lecture on the subjects of Accountancy and Auditing. I was apprenticed there for about three years and in 1919 I was awarded a certificate by the Bombay Government entitling me to audit accounts of all sorts of limited companies. There are two kinds of certificates an auditor can get. I have got an unrestricted permanent certificate that entitles me to audit the accounts of all sorts of limited companies throughout India. Again in 1920 I was awarded a certificate by the Baroda State to audit the accounts of limited companies floated in Baroda. At present I am the auditor of about 30 concerns in British India and about two dozen concerns in Baroda. I am the auditor of nearly 21 cotton mills in Ahmedabad and three ginning firms and there are six miscellaneous companies.

Q. Will you let us have a list of the mills you audit ? (Annexure A).

I take it you are not related to any of the mill agents of these mills.

A. I am related to two mill agents—Sheth Amritlal Damodardas and Sheth Balabhai Damodardas. They are two brothers who are my distant uncles. Sheth Amritlal manages the Ahmedabad New Cotton Mills, the Ahmedabad Laxmi Cotton Mills and the Ahmedabad Cotton Mill and Sheth Balabhai manages the Sarangpur Cotton and the Silver Cotton Mills.

Q. I see that you audit all their mills with the exception of the Ahmedabad New Cotton Mills.

A. I audit the New Cotton Mill also.

Q. You audit their five mills ?

A. Yes, Sir. I am not the sole auditor. There are two auditors in these mills.

Q. You have heard what has been said here during the last two or three days. Don't you consider that it would probably be better, to say the least of it, if you were not in any way concerned with the audit of the accounts of mills with the managing agents of which you are connected ?

A. It is a mere accident that I happened to be a relative.

Q. It may be an accident but.....

A. I challenge anybody here to show me whether I have failed in my duties, i.e., whether I have been negligent or partial towards anybody.

Q. Quite so. It is not a question of that. Nobody is casting any aspersion on your integrity. I am merely putting it to you whether it is not advisable that an auditor should be absolutely independent.

A. I do not think so, Sir. I am absolutely independent and I can prove it.

Q. It is a matter of opinion.

A. I will quote one fact alone to prove it. This is one of the mills managed by my uncle. Here is a copy of the balance sheet of a cotton mill owned by my uncle. I have shown separately in the balance sheet the amounts withdrawn by them. That means I have not been partial with them, though it was not absolutely necessary for me to do so. I could have easily concealed that amount.

Q. What do you mean by the amount withdrawn by them ?

A. Those managing agents have got shroff business in which at times the surplus funds of the company are put in.

Q. The surplus funds of the company are invested ?

A. Not all. It is called a current account.

Q. The point is that they have a shroff business as well as the managing agency business and they have invested some of their surplus funds in the shroff business, and you have brought this to notice in the balance sheet?

A. Yes, Sir. This is simply to show that I have not been partial.

Q. It is not a question of partiality. It is just a general question.

A. Because, under the Companies Act we have to submit this balance sheet in a particular form. That form requires that any sums due by the agents or directors either severally or jointly should be shown separately. It has been the policy with me to show such sums separately in the case of all the mills wherein I am the auditor. Unfortunately, with some groups of mills which were referred to yesterday that was not the case—I mean the Whittle group. There the auditor had failed in his duty by not showing it. I am sure had he been vigilant this would not have occurred, of course to such a great extent. The same was the case with the Saraspur Mill group which was also referred to yesterday. There also the auditor did not show separately the amounts due by the directors or agents as required by the Companies Act. Now there are two sides to a balance sheet—liabilities and assets. On the assets side, we have to show separately book debts—book debts which are considered good and those which are considered bad and doubtful. Here you will see that I have shown these doubtful debts also. In certain cases they are not shown separately, I mean in the case of the Whittle Mills as well as of the Saraspur Mills. They are simply put in a block without any differentiation. So we have to submit this balance sheet in a particular form required by the Companies Act. On the liabilities side the loans taken on mortgage should be shown separately. Mr. Desai yesterday referred to a case of a certain mill in which a loan taken on mortgage was not shown in the mill account. In that case it so happened that the Company did not publish the balance sheet. I think the last balance sheet published by that company was for 1922. The next balance sheet which was due for 1923 was not published till the company had gone into liquidation. That means a period of about two years.

Q. Which company was that?

A. I think it was the Whittle Mills. During that period of two years the managing agents may have taken a mortgage loan. But my submission is that if balance sheets are published six monthly then such cases will not arise because in that case every six months we have to submit the report. Also at the same time it should be made conditional that the balance sheet should be published within three months from the end of each half year.

Q. I take it that the balance sheet is published yearly, Mr. Shah. What is the general practice in Ahmedabad? How long after the close of the year does the balance sheet appear?

A. It varies from six to nine months after the close of the year. Certain mills publish in June, certain mills in July and certain others in August. They are over by August, I think, for the accounting period ending 31st December.

Q. Have you come across any other cases than these which you mention in which the managing agents have lent money to shroff firms?

A. To firms, to allied concerns.

Q. Can you give me the name?

A. Unfortunately I have not got all the balance sheets. There are so many cases.

Q. Do you consider it a sound practice?

A. I consider that, as far as working capital is concerned, some part of it may be put in the current account but not the whole of it.

Q. But do you consider it is advisable that it should be invested with shroffs connected with the managing agents?

A. Well, Sir, that depends upon the man himself. If the party is very sound one I see no objection at all.

Q. Well, now you say that.....

A. Here the reason, why these bankers get certain some is this. They have got their own shops in the city. The mills are situated outside the walls. Now all the cloth and the yarn merchants have to make payments in the evening and here the custom is that the shroff bazaar is active after 5 p.m. So by the time the accounts are settled it is evening for them and the amounts are left with these agents' shroffs because they cannot go a long way to the mills and keep it there. So it happens. It is also necessary looking to the convenience of the cloth and yarn merchants. In these two cases and in similar other cases also it cannot be called actual withdrawals by agents for personal use because they are very small amounts.

- Q. I do not know. The amounts are 1½ lakhs, and 3 lakhs.
- A. At the end of the year, say after the 26th or so, the banks are closed and it so happen that the amount is greater at that time.
- Q. Here is another balance sheet in which an amount of three lakhs is shown as outstanding with shroffs ?
- A. I do not know why they have got such a big amount for that particular year.
- Q. You mention that it was not necessary for you to bring out this fact in the balance sheet, the fact that the managing agents had withdrawn a certain sum of money. You say that if you had been partial to them ; you could easily not have brought it out in the balance sheet ?
- A. As so many other auditors have done.
- Q. That is not exactly the point I wanted to raise. It is not always brought out in the balance sheet ? It is lumped up together and shown under one general head ?
- A. But according to the Companies Act it is our duty to bring it out ?
- Q. You say that that duty is not always performed ?
- A. It was not performed in the case of the Whittle and the Saraspur groups.
- Q. I am only asking for particulars. You know of other instances, I gather, in which it has not been done ?
- A. Not, as far as I know. I am the auditor of 20 to 21 mills here and I always show it separately.
- Q. But do you know of cases in which it is not shown separately ?
- A. As far as Messrs. Engineer & Co. are concerned they do show it separately. They are auditors for nearly 35 concerns. I am auditor for about 20 concerns. That makes 50. Then, about the remaining 10 or 15 I do not know.
- Q. You say that Messrs. Engineer & Co. audit 35 mills ?
- A. Yes, they are incorporated accountants.
- Q. As regards checking stock and the valuation of stock, what is your practice ?
- A. Our practice is slightly different from that of Bombay. I do not agree with the view given by the Association in that respect. In the Association's answer it is stated :— ' Different systems are adopted by different mills in valuing their stocks for the purpose of balance sheets. Some value these at or below market rates and some at or below cost. No independent valuation is made by the auditors.' I would like to explain something about this. Of course, as far as quantity is concerned, we take the figures prepared by the managing agents.
- Q. You do not check the quantity in any way ?
- A. No, because we are not asked to appear there on the 31st December and we are not paid for that. Apart from that, as far as the price is concerned at least it has been a practice with me to go into details of valuation of cotton, cloth and yarn, because it is very easy.
- Q. Because it is easy ?
- A. I will explain how. For cotton purchased, while auditing accounts we know that a certain sort of cotton has been purchased for a certain price. Then for the whole period we take the average and just find out what is the cost. Supposing it comes to about Rs. 20 or 21, at the time of preparing the balance sheet we say that the cotton is not overvalued, if it is not put at a higher value than Rs. 20 or Rs. 21. It may be lower. We do not mind that. So in that case I think it can be said that we partially value the stock. We take down the average of cloth and yarn sales made during the last month, December and strike out an average and see what the result is. If it is Re. 1-2-0 or 14 annas we just see that the cloth and yarn are valued at a price not higher than that. So in that case also we check the price. As for stores, of course stores come to a negligible figure looking to these big amounts of cotton, cloth and yarn. I think in a mill of ordinary size the amount locked up in stores cannot be more than 30 or 40 thousand rupees, while cloth and yarn might amount to lakhs and lakhs of rupees. For stores, we are not experts in the line and we have to take the price given by the agents, but there also we call for the stock list, look at the several items and find out whether for the bigger items the price put in correct or not. For example, for china clay or tallow which are conspicuous in the list we just tally with the invoice price. And also at the same time, specially for stores, we compare the opening as well as the closing balances and put questions regarding the difference if it is great. As for coal we do not weigh it, but we see that the price of coal put there is not more than the actual cost price.
- Q. I understood that in regard to coal the Ahmedabad mills have a different system from Bombay, that they do not buy coal but buy steam ?
- A. Everybody buys coal as steam is not available here.

Q. As regards quantity, would it not be comparatively easy to check quantity? You do not check quantity?

A. Certainly we are not paid for that.

Q. There would be no difficulty if you were paid for it?

A. Certainly not.

Q. The only reason is that you are not paid for it?

A. Certainly. But here in the Association's evidence it is stated that the Agents' certificates are accepted by the auditors. I would like to amend it by adding 'as far as a quantity is concerned.' Then they say that the valuation of stocks by the auditors would be impracticable. I say it is practicable except in the case of stores. I think it is possible to arrive at the value—either market price or cost price—of cotton, cloth and yarn, of course approximately. I am not going to be very exact as I am not in touch with market prices. Except for stores, I submit it is possible for us to check the prices, and quantities also.

Q. What fees do you get for all these mills?

A. The Ahmedabad standard is much below the Bombay standard. Ordinarily in Bombay it is Rs. 500 or Rs. 600. In Ahmedabad we get only Rs. 150 or Rs. 200 and in a few cases Rs. 250. I submit herewith a statement showing the amount of fees received by me during the year 1926 (Annexure B). It is much less looking to our responsibility and trouble and size of the mills.

Q. How big an office have you got?

A. I have got a small office with two assistants.

Q. Only yourself and two assistants to audit all these concerns?

A. Yes.

Q. A very small number for such a large quantity of work, is it not?

A. We cannot afford to keep a staff. And those shareholders who were speaking here themselves do not want to give more remuneration.

Q. As regards this question of valuation of stock, I take it that in regard to your own audit you do not change the system from year to year? My point is that as the mill-owners have said here that the valuation of stocks can be carried out either at or below market rates or at or below cost rates. It might be to the advantage of a mill one year to adopt one system and to value at the market rate one year and the next year to value at cost rate?

A. It is a principle of accountancy that it can be valued either at cost or market, whichever is lower. Suppose I purchase cotton at Rs. 20. If I am in the habit of valuing cotton at cost now, and if at the end of the year the market goes down to Rs. 15 I think it is possible to put it at Rs. 15. It is to the interest of the company that it should be valued either at cost or below, whichever is lower.

Q. I want to know whether in your experience any mill has changed its system instead of adopting the lower value. Do you think it would be sounder to adopt the lower of the two values, I mean always to adopt the system which gives the lower valuation or to keep to the same method of valuation. You have no objection to keeping the same?

A. If we keep to the same system of valuation, it may happen that it will give higher and not lower total.

Q. That might be so but still there would not be anything wrong about it from the point of view of accountancy?

A. From the point of view of accountancy it may not be, but from the business point of view it is wrong and suicidal.

Q. In your personal experience of your own audit or your knowledge of other audits, has it ever been the case that they have adopted the system giving the higher valuation?

A. No, not in a single case.

Q. I do not want any names, but has it ever been suggested to you that the method should be changed?

A. No. On the contrary, I have suggested to them to cut down the prices looking to the depression.

Q. You have suggested that they should adopt the first of the two alternatives, that is, that they should follow the method of valuation which gives the lower valuation.

A. Certainly; and they have been accepting it because if they do not cut down the price in the current year the loss will come in the next year.

Q. It is bound to come sooner or later. Your suggestion is that they should face it at once?

A. Certainly, that is at the proper time when the market has gone down it must be cut down.

Q. Then your general view, I understand, is that there is nothing really wrong with the system of audit here except that it should certainly be more exhaustive?

A. More exhaustive. And again I should like to say something regarding the provision of depreciation. Here in the statement of the Millowners' Association it is stated we consider the percentage of depreciation to be as under:—

Two and a half per cent. on building; 5 per cent. on spinning, and weaving machinery.

There I would like to make one suggestion. Two and a half per cent. for buildings housing heavy machinery and 5 per cent. or 7½ per cent. for other buildings which are of less substantial construction, for example, godowns, and so on. Five per cent. on spinning and weaving machinery is all right. Then, "the depreciation fund is being utilised by certain mills for the improvement of machinery." I disagree here. It is very rarely so used. "While some utilise it in extensions": in many cases that happens "Though the real purpose of this fund is to effect the upkeep and renewal of machinery." It is not upkeep but it is replacement of machinery. Unfortunately the system of upkeep followed in Ahmedabad allowed by the Articles of the Company is to deduct the amount for these current repairs which is in fact a charge against revenue from the depreciation fund instead of debiting it to profit and loss account. It is not in the interests of the company because the provision of depreciation fund should be such that at the end of 20 years or so or after a particular period, the company must have certain funds available in order to replace the whole machinery. It is not the practice here to do that. So my objection is that firstly, provision for depreciation must be made compulsory, at least when they are going to declare dividends, if not in the years in which they have made loss, and secondly, they must not be allowed to debit these repairs charges, to depreciation fund.

Q. That is a very important point. I quite agree with you. But would you have the Companies Act amended to make depreciation a first charge on profits if there are any?

A. Our duty is to audit the accounts in the light of the Articles.

Q. Do you consider that would be a useful measure?

A. Yes. The Rajnagar Spinning and Weaving Company in the year 1924 has made a gross profit of 2 lakhs of rupees without making any provision for depreciation. After this they have taken 1 lakh to depreciation fund which does not come to 5 per cent. and at the same time if you see the depreciation fund account, you will realise that though the actual amount taken out as depreciation fund is 1 lakh and the amount actually credited is much less because the amount of repairs have been deducted therefrom. So they have credited 1 lakh of rupees as depreciation. It is not the full allowance. The full depreciation comes to 1½ lakhs. They provided partial depreciation only. So in fact they have credited only Rs. 50,000 instead of Rs. 1,50,000. Still the company is paying dividends at the rate of 20 per cent. It is why I should say Ahmedabad mills are distributing dividends. This is not the only case. Such things do happen in many cases. So my point is that they should not be allowed to provide for less depreciation. They must have full depreciation and they must not be allowed to deduct these repairs from the depreciation fund, at least when they are declaring dividends. It may be different in the years of loss. Further, this amount of depreciation fund should be invested outside the concern, preferably in gilt edged securities so that it can readily be available at the time of replacement and it should not be utilised in extensions; because I know there are mills quite well off who have not made extensions and they are able to replace the whole machinery. Some are at present replacing machinery because they are in a position to do so, as they have not invested their funds in extensions. So it is desirable that it should be invested in gilt edged securities. Again there is a clear provision in the Articles in some of the companies here that the amount to the credit of the depreciation fund is even available for distribution as dividend. It seems to be absurd from the accountancy point of view.

Q. Is that common?

A. It is provided in many Articles, though in practice it may not be so common. So in a lean year they can declare dividends even from depreciation fund and outsiders may think that Ahmedabad mills are prospering. So some amendment to that effect should also be made.

Q. *Raja Hari Kishan Kaul*.—The remarks which you have made about the valuation of stocks apply to cotton as well as cloth?

A. Cotton, cloth and yarn.

Q. You are quite sure that in no case has cloth been overvalued ?

A. Yes, at least as far as the concerns I have audited. I can say so also in the case of those Messrs. Engineer also audit. We follow the same principles.

Q. In the case of reserves, when they have reached the limit where they are sufficient for renewals of machinery, would you have any objection to the surplus being used in extensions ?

A. I do not think that from any balance sheet of any company in Ahmedabad, it may safely be said that it has reached the necessary reserves, because they are eaten up by the system of current repairs.

Q. We have seen certain cases in which the reserves accumulated on account of depreciation and other items are fairly heavy. They will enable the mills completely to replace the old machinery. In such cases have you any objection to utilizing reserve for extensions ?

A. There would be no objection.

Q. Would you keep the depreciation fund intact to the extent of being able to replace the machinery at any time when it became necessary ?

A. Yes.

Q. Talking about good and bad debts, don't you think there is much room there for negligence on the part of the auditor ?

A. Certainly.

Q. What are good debts and what are bad debts ?

A. But for that our practice is that we ask the company to furnish a list which they consider to be good or bad.

Q. Do you check them ?

A. Yes, we check them with the ledger.

Q. You satisfy yourself so far as the accounts are concerned whether the debts are good or bad. But you cannot say whether they are really good or really bad debts ?

A. We cannot say. We have to rely upon the certificate given by the agents, unless we know the particular man individually. Of course I happen to know because I am connected with so many concerns here and I am in touch with local people.

Q. But generally an auditor could not in every case be expected to detect a bad debt even though the mill agents certified that it was a good debt ?

A. Nobody on earth can do that.

Q. As regards the inadvisability of an auditor being related to the managing agents, if the auditor is upright enough, there is no fear that he will be partial or that he will connive at the misdeeds of the agent. But supposing he is under the influence of the agents he can, as you say, be capable of not doing the proper thing ?

A. Yes. But that will apply to a relative as well as to a stranger if he is under the influence of the managing agents.

Q. Has not a relative a greater chance of being under the influence of the mill agent than a person who is not related ?

A. It is not my personal experience. I can safely say that I do not come under anybody's influence.

Q. As a general principle, don't you think that a relative has more chances of trying to be partial ?

A. That may be so. But at the same time we have got our own responsibilities.

Q. That is true, of course. It is only when one does not discharge his responsibility properly that all these failures occur. We have been told that all these failures are due to people not being honest in the discharge of their functions.

A. Rather they were negligent.

Mr. Majumdar.—In your firm, you have got any other chartered accountant ?

A. No ; I am the only one. There is no partner or anybody.

Q. You suggested the publication of six monthly balance sheets. Do you think that would improve matters ?

A. Here the balance sheet is published at an interval of 15 months.

President.—How do you mean 'at an interval of 15 months' ?

A. Suppose a company has published the balance sheet of 1925 in June or July. Next year they will publish it in August or September. In that case the interval will be 14 or 15 months.

Q. But the following year they would have to get back to July.

A. But then it is required by the Act that the balance sheet of a company should be published within 15 months from the date of the last general meeting; but in any case it should be before the 31st December. So nobody can go beyond December. I think the publication of the balance sheet half yearly just as in the case of banks and some jute mills is preferable.

Mr. Majmudar.—The general experience in the case of the cotton mills is that one of the half years is not as good as the other and therefore they prefer to publish the balance sheet for the whole year.

A. Yes; but as far as the declaration of the dividends is concerned, they may not be declared during the first half of the year.

Q. If the mills issue the balance sheet every half year, naturally the shareholders will expect dividends. In the case of the banks, so far as I know, they hold meetings once a year. But when they issue balance sheets, they have to declare the dividends. Is there any particular advantage in the issue of a six monthly balance sheet as against the yearly one?

A. I was driving at a certain point of view. Yesterday Mr. Desai told us that a certain mill agent had mortgaged the mill. Suppose in that case the shareholders come to know of it earlier. Under the Companies Act we have to show separately the liabilities, secured and unsecured. If it is secured we have to show how it is secured. For instance, take the Marsden Spinning and Weaving Mill.

Q. That could be met by making a provision in the Act that the balance sheets should be published within three or four months after the closing of the year.

A. I am not particular about it.

President.—I take it that your real reason for suggesting publication of a six monthly balance sheet is, you think it would keep the shareholders up-to-date with what is going on?

A. Yes, specially with liabilities and so on, not particularly for profits.

Mr. Majmudar.—I have got some balance sheets here. It is not clear there whether the agents' firm have borrowed any amount or not.

A. It is not shown separately. It may be that they may not have drawn any because the agents have put in 20 lakhs as their own. They cannot withdraw when they have put in 20 lakhs to their credit.

Q. The very fact that you have not mentioned it, means that there is none drawn by the agents' firm?

A. Yes. The particular mill agent to whom you are referring has got no shop.

Q. When the amount is lent to the mills would it not be better to mention the names of the mills to whom the amount is lent?

A. It is better.

Q. You do not insist on doing so?

A. No. I do not insist that it should not be shown. In the Companies Act it has been stated that debts due by directors or other officers of the company or any of them, either severally or jointly, be separately stated in all cases. It is a separate entity. So it is not shown.

Q. I want to know whether it would not be advisable to mention the names of the mills to which the money is lent.

A. But here the practice is not to put in one mill. So it will be a very big list.

Q. So far as I know the Bombay mills show the amounts of deposits with the various banks separately though they may have deposited even in five banks.

A. Yes. In this case it will not be less than 15.

President.—Even if it is 15, would it not be advisable?

A. Yes, it will be advisable.

Mr. Majmudar.—Then you mention that the system of putting money with shroffs is good if the firm of shroffs is a sound one. Who is to decide whether the shroff's position is a sound one? Do they issue balance sheets?

A. They do not. But anybody in the market can tell you. Even the share brokers themselves can tell you. Of course it cannot be definite in any way.

Q. But the shareholders cannot be expected to know the financial position of the shroffs merely from the names?

A. No; they cannot know.

Q. As regards the use of the depreciation fund for extending the mills, your view is that that amount should not be spent on extensions ?

A. Yes.

Q. You agree that the depreciation amount is to be used for putting in new machinery when the old machinery is not of any use ? Would not extending the mills mean putting new machinery in anticipation of the old machinery going out of use in the near future ?

A. When you keep both of them working ?

Q. Suppose a mill has been running for 15 or 20 years and after 10 years the machinery has to be replaced. They would extend the mill beforehand so that when the machinery is useless or uneconomic they would stop it.

A. The practice followed is that many times extensions are not made for earning profits.

President.—Your point is that owing to the Ahmedabad system of commission on sales the extensions are not carried out for profits ?

A. Yes.

ANNEXURE A

Audit in British India

1.	Ramchandra Narshi Ginning Co., Ltd.	..	..	Viramgaum.
2.	Marsden Spinning and Manufacturing Co., Ltd.	..	..	Ahmedabad
3.	Bharatkhand Cotton Mill Co., Ltd.	..	..	Do.
4.	Bharatkhand Textile Mills Co., Ltd.	..	..	Do.
5.	Jehangir Vakil Mills Co., Ltd.	..	..	Do.
6.	Gujarat Cotton Mills Co., Ltd.	..	..	Do.
7.	Maneklal Harilal Mills Co., Ltd.	..	..	Do.
8.	Universal Trading Agency, Ltd.	..	..	Do.
9.	The Ganesh Printing, Ltd.	..	..	Do.
10.	New Cotton Mills Co., Ltd.	..	..	Do.
11.	Sarangpur Cotton Mills Co., Ltd.	..	..	Do.
12.	Ahmedabad Cotton Mills Co., Ltd.	..	..	Do.
13.	Ahmedabad Laxmi Cotton Mills Co., Ltd.	..	..	Do.
14.	Aryodaya Spinning & Mfg. Co., Ltd. (No. 1 & 2)	..	..	Do.
15.	Aryodaya Ginning & Mfg. Co., Ltd.	..	..	Do.
16.	Rajnagar Spg. & Mfg. Co., Ltd. (No. 1, 2 & 3)	..	..	Do.
17.	Commercial Mills Co., Ltd.	..	..	Do.
18.	Bharat Laxmi Cotton Mills Co., Ltd.	..	..	Do.
19.	Silver Cotton Mills Co., Ltd.	..	..	Do.
20.	Swadesh Laxmi Cotton Mills Co., Ltd.	..	..	Do.
21.	New Textile Mills Co., Ltd. (No. 1 & 2)	..	..	Do.
22.	National Mills Co., Ltd.	..	..	Do.
23.	Panchal Brass & Iron Works Co., Ltd.	..	..	Do.
24.	Vepar Uttejank Ginning & Mfg. Co., Ltd.	..	..	Viramgaum (Recent).
25.	Ahmedabad City Mills Co., Ltd.	..	..	Ahmedabad.
26.	Nagri Mills Co., Ltd.	..	..	Do.
27.	Whittle & Co., Ltd.	..	..	Wadhwan Camp.
28.	Whittle Andusion, Ltd.	..	..	Viramgaum.
29.	Joint Ginning Co., Ltd.	..	..	Do.
30.	Lalbai Trikamlal & Co., Ltd.	..	..	Ahmedabad.

Audits in Baroda and Bhavnagar State

1.	The Maharaja Mills Co., Ltd.	..	..	Baroda.
2.	The Maharaja Woollen Mills Co., Ltd.	..	..	Do.
3.	The Sayaji Mills Co., Ltd.	..	..	Do.
4.	Kadi Industrial Co., Ltd.	..	..	Kadi.
5.	The Baroda Spg. & Mfg. Co., Ltd.	..	..	Baroda.
6.	The New Baroda Spg. & Mfg. Co., Ltd.	..	..	Do.
7.	Bulakhidas Mills Co., Ltd.	..	..	Petlad.
8.	New Jehangir Vakil Mills Co., Ltd.	..	..	Bhavnagar.
9.	The Ghanashyam Pharmacy Co., Ltd.	..	..	Baroda.
10.	Kadi Laxmi Cotton Co., Ltd.	..	..	Kadi.
11.	Kadi Ginning & Pressing Co., Ltd.	..	..	Do.
12.	Mahandra Ginning & Pressing Co., Ltd.	..	..	Itola.
13.	Kalol Cotton Mills Co., Ltd.	..	..	Kalol.
14.	Gujarat Prindent & Industrial Co., Ltd.	..	..	Baroda.
15.	Indian Death Insurance Corp., Ltd.	..	..	Do.
16.	Imperial Life & Death Corp., Ltd.	..	..	Do.
17.	Gujarat Cattle Co., Ltd.	..	..	Do.
18.	National Mutual Death Bempt. Co., Ltd.	..	..	Do.
19.	Dabhoi Electric Power Co.	..	..	Dabhoi.
20.	Messrs. Narhari Kalidas & Co., Ltd.	..	..	Kadi.

30 British India.

20 Baroda State.

Total .. 50 Companies.

ANNEXURE B

No.	Names of the Mills of Ahmedabad	Spindles	Looms	One or two auditors	Fees received in 1926 for auditing accounts of 1925
1	Marsden Spg. & Mfg. Co., Ltd.	10,000	352	1	250
2	Bharatkhand Cotton Mills, Ltd.	21,028	417	1	225
3	Bharatkhand Textile Mfg. Co., Ltd.	22,544	480	2	125
4	Jehangir Vakil Mills Co., Ltd.	27,108	521	1	200
5	Maneklal Harilal Mills, Ltd.	28,000	600	1	250
6	New Cotton Mills Co., Ltd.	28,516	576	2	200
7	Sarangpur Cotton Mills, Ltd.	26,764	576	2	200
8	Ahmedabad Cotton Mills, Ltd.	29,132	688	2	200
9	Laxmi Cotton Mills Co., Ltd.	35,157	..	1	225
10	Aryodaya Spg. & Mfg. Co., Ltd., Nos. 1 & 2	40,270	1,216	2	200
11	Aryodaya Gg. & Mfg. Co., Ltd.	36,000	560	2	125
12	Bajunagar Spg. & Mfg. Co., Ltd. No. 1	18,912	528	}	} Two mills. 300 Three mills.
	No. 2	19,120	..		
	No. 3	12,672	644		
13	Commercial Mills Co., Ltd.	28,148	572	2	150
14	Bharat Laxmi Mills Co., Ltd.	(Under construction)		1	100
15	Silver Cotton Mills Co., Ltd.	19,036	..	1	150
16	New Textile Mills, No. 1 & 2	32,412	928	1	250 Two mills.
17	National Mills, Ltd.	15,196	400	2	100
18	City of Ahmedabad Mills, Ltd.	21,296	406	1	150
19	Gujarat Cotton Mills, Ltd.	29,892	616	2	125
20	Swadesh Laxmi Mills	(Under construction)		1	100
				Total	3,625

Average per Mill about Rs. 180.

In 11 mills there is one Auditor.

In 9 mills there are two Auditors.

Witness No. 87

Mr. LALBHAI BOGILAL, AHMEDABAD

*Written Statement.**Section I.—General.*

1. There is more depression in Bombay Mills than in upcountry Mills.
2. The causes of depression are of a permanent nature so long as the Mill agents and the Government do not make any reform in the management and the commission system.
4. If cotton goes down and the price of cloth and yarn be steady the mills will not close and will work with a margin of profit.
6. If cotton goes down the mill may work more profitably and there may be an improvement in the condition of the mills.
10. The mills lose 5 to 7 per cent. in earning due to mismanagement only.
11. In Bombay due to depression in trade some mills are closed, sold and have gone into liquidation while in Ahmedabad due to mismanagement of the agents about ten mills have gone into liquidation.
12. There has been a decrease in the export of Indian yarn on account of the mills established in China and Japan.

Section II.—Nature and extent of competition between imported goods and those of Indian manufacture.

32. The Indian mills suffer greatly because due to high exchange foreign cloth is sold cheaper and people use it.

Section III.—Internal competition.

35. We do not believe that Ahmedabad mills and upcountry mills have preference to Bombay mills in buying raw materials.

38. As stated in the British Industry Act the management should be carried on economically but in Ahmedabad and Bombay the mills are not managed economically. On the other hand they are managed expensively.

As far as we know the managing agents do not do the work which they have to do but they employ their own men or relatives with very large salaries. They are also very careless in buying cotton stores and coal and in selling cloth and yarn. Thereby the mills suffer greatly.

40. Ahmedabad mill agents should be compelled to take commission on profit as is done in the Bombay mills. In Ahmedabad the agents take commission on sale or on production of cloth and yarn and thereby the share holders get very little as dividend. If this system of taking commission on sale or on production of cloth and yarn continues longer there is a possibility of Ahmedabad mills going into liquidation.

Before the year 1917 most of the agents of the Ahmedabad mills took only three pies per lb. on production as their commission. Thereafter in war times due to big profits they changed their system of commission and fixed 3 to 4 per cent. commission on the sale of cloth and yarn. In this way the commission is increased to three to three and a half times the commission which they took before the year 1917. It was then only three pies per lb. on production of cloth and yarn. The agent who got Rs. 40,000 commission before the year 1917 now gets Rs. 1,40,000 as commission. At present when there is a depression in trade and the share holders do not get dividends and the Government has come forward to support the industry by abolishing the 3½ per cent. cotton excise duty, the agents do not make any change in their huge commission and they do not even reduce their commission in such time of depression in trade. Therefore we pray you to recommend to the Government to pass a special resolution in the Council to compel the mill agents to take their commission on profit and not on sale or production as hitherto. In Ahmedabad only eight mills have not increased their commission as others have done.

During the time of the increment of commission they have built new mills or have purchased the old mills and have changed the names and at the same time they have inserted in the Articles of Association of the company a clause providing 3 to 4 per cent. commission on sale of cloth and yarn. The names of such mills are as follows :—

1. The Ahmedabad Jupiter Mills.
2. The Rama Krishna Mills.
3. The City of Ahmedabad Mills.
4. The Ashoka Mills.
5. The Aryodya Ginning Mills.
6. The Indian Spinning Mills.
7. The Marsden Mills.
8. The Vivekanand Mills.
9. The Silver Cotton Mills.
10. The Fine Spinning Mills.
11. The New Shorrock Mills.
12. The Shorrock Mills.

The mills that increased the commission in the year 1917 by changing the deed of the company by special resolution are as follows :—

1. The Calico Mills.
 2. The Rajnagar Mills.
 3. The New Cotton Mills.
 4. The Laxmi Cotton Mills.
 5. The Ahmedabad Cotton Mills.
 6. The Sarangpur Cotton Mills.
 7. The New Textile Mills.
 8. The Bharatkhand Textile Mills.
 9. The Manekchowk Mills.
 10. The New Manekchowk Mills.
 11. The Sarangpur Mills.
 12. The Kaiserihind Mills.
 13. The Raipur Mills.
 14. The Maneklal Harilal Mills.
 15. The Gujerat Cotton Mills.
 16. The Gordhan Mills.
 17. The Himabhai Mills.
 18. The Vaso Mills.
 19. The Jehangir Mills.
 20. The Waste Cotton Mills.
 21. The Bharatkhand Cotton Mills.
 22. The Astodi Mills.
 23. The Industrial Mills.
 24. The National Mills.
 25. The Bechardas Mills.
 26. The Commercial Mills.
 27. The Baroda Mills.
 28. The Shri Nagar Mills.
41. If the managing agent does business other than managing the mill it is not beneficial to the mill.
43. The mills that have bought machinery in war time at very high prices do not earn.

Section V.—Mill Finance.

48. The agent who has two or more mills in his management uses the reserve funds of the good concern in his other unsafe concern and thereby puts that good concern in difficulty. Due to this reason only ten mills in Ahmedabad have gone into liquidation. This system should also be abolished and the reserve funds should be invested in Government securities.

Section VI.—Costs of Production.

61. It is not a good system to speculate in forward delivery of cotton and to make forward contracts of cotton because sometimes the agent behaves dishonestly and in this way the mill greatly suffers. This system should also be abolished.

General.—If there be the following reforms in the current system of the management of the mills there may be much improvement in the present bad state of the mills.

1. Here in Ahmedabad there are many mills in which there are such persons as directors who are either agent's commission partners or agent's relatives. They do not look after the management at all and thereby the interests of the share holders are not watched. Therefore there should be outsiders as directors.

2. Here in most of the mills there are auditors who are relatives or the men of the agent's who sign the balance sheet without carefully auditing. Therefore auditors should be appointed by the Government.

3. In most of the mills in Ahmedabad the agents put the stock in the balance sheet at one-quarter of the value of the goods and in this way they do not show the real earning to the share holders. Their motive in doing this is that even in bad times they can take away their full commission. Therefore the minimum price of a stock in the balance sheet should be fixed by the Government. Then only the Government will get the real Income Tax and the share holders will get the real dividend.

4. The hereditary system of agentship which is prevalent in Ahmedabad is not good because no matter how illiterate an heir may be he becomes the agent and ruins even a good mill. The following companies in Ahmedabad have gone into liquidation due to this reason only :—

1. The Virangam Spinning Mills.
2. The Whittle Spinning Mills.
3. The Swadeshi Mills.
4. The Asarva Mills.
5. The Alfred Mills.
6. The Saraspur Mills.

5. The agents who have many mills and are travelling or are ignorant of the mill industry employ their relatives or their own man at a larger salary that even a civilian in England cannot draw. These men are also paid from the mills instead of being paid out of commission.

6. The Government should appoint an officer who is expert in the mill industry who can supervise the management of the mills and can also inquire into the management of the mill if requested to by the share holders who complain about the mismanagement of a certain mill. The expense entailed should be collected from the mills.

7. It should be seen to that the agent cannot extend the mills by increasing the debt of the company :—

8. If the commission be reduced and the management be carried on economically the mills can stand against Japanese competition. If the present system of commission continues, the agents will become wealthier and wealthier and the country will be ruined.

In short, the following suggestions should be taken into consideration for the prosperity of the mill industry :—

There should be new machinery (the machinery should be renewed every twenty years).

There should be an honest agent.

There should be commission on profit.

The salaries should be paid according to qualifications.

The hereditary system of agentship should be abolished.

The municipal taxes and the railway freight should be reduced.

Witness No. 87

Mr. HIRALAL KESHAVLAL SHAW AND OTHERS, AHMEDABAD*Written statement dated 1st July 1926*

We the following signatories to the petition are share-holders of Ahmedabad mills (limited companies) and most respectfully take this opportunity to bring to your honours' notice the various irregularities and mal-practices practised thereon, as far as our information goes.

1. Some mills have very big reserve funds, and when the mill is not in need of money, the agents lend money to others, and the mills are put to a loss unnecessarily.
2. Some mills have directors, either relations or connected with the agents, and under the influence of the agents, or commission-holders in the agency commission, and the interests of the share-holders are not safeguarded. Therefore persons having no concern with the agent must be appointed directors.
3. The benign British Government, to safeguard the interests of the share-holders, has ordered that the certified auditors must be appointed to examine the accounts, but the agents appoint their relations or their acquaintances as auditors, and issues balance sheets as they desire. A check should be put to this.
4. In some companies, the balance is put 25 per cent. of the actual value, and therefore the companies' profits are not properly shown. The result is that the share-holders do not get proper dividend and the Government does not receive the proper income-tax. All this is done with a special object in view that the agents might get proper commission next year (in times of depression). Strict inquiry should be pursued by your honours in this matter.
5. The agents of the mill companies used to get as their commission 3 pies per lb., but during the great war, the agents of many mill companies at Ahmedabad increased it, and they charged 3 to 4 per cent. on sales. Your honours would be most graciously pleased to carefully inquire into the matter, and report to the Government that the agents of the Ahmedabad mill companies ought to charge commission, *on profits only*, as the agents of the Bombay mill companies do. According to the increased rates, the agents of the Ahmedabad mill companies, who used to get Rs. 40,000 (forty thousand) as commission now get about one lakh and a quarter, thrice as much. Your honour would be pleased to make matters alright, and help the share-holders who have also contributed to the *growth* (prosperity) of the company.
6. The agents of some mill companies with a view to get big commission extend the mill to an extent greater than the capital of the companies and make the companies indebted. Therefore the share-holders do not get dividend at all and sometimes the company goes into liquidation. Proper inquiry should be made in the matter.
7. In many mill companies, the agency of the mill is hereditary. The agent for the time may be clever and good, but the heir may be inexperienced and therefore some mill companies get into difficulties. That system must be stopped.
8. The agents of some mill companies with an object of benefiting their relations and acquaintances do not superintend work, which they ought to do, but employ their relations and acquaintances on a very big salary, and pay them from the company. The salary should be paid from their agency commission. Efforts must be made in this direction.
9. According to our information the agents of some mill companies start business shops in the name of their relations or acquaintances to buy and sell yarn, cloth, and to purchase cotton and store. The agents have a substantial part in the shops. Inquiry should be made into this matter, and it must be checked.
10. The agents of some mill companies buy forward cotton for the company in their names and do not get the contracts registered in the company. In order that the agents may not derive undue advantage, owing to the fluctuations in prices, forward contracts must be registered at the times in the company when they are made.
11. A special officer must be appointed by the Government in order that no undue advantage may accrue to any body by the sale and purchase of goods by the companies and share-holders may communicate their grievances to him. Every mill company should contribute rateably towards the expenses of the special officer's department.

12. The undersigned most humbly and respectfully request your honours to carefully and exhaustively inquire into the matter and do the needful into the matter. Special attention must be paid to the increase in agency commission, as sometimes Rs. 25,000 are distributed to the share-holders and the agents take away Rs. 75,000, thrice the amount for their commission. In times of the depression of the industry, the companies would greatly suffer. Your honours would be most graciously pleased to inquire into the whole matter very carefully and report to the Government to make necessary changes and thus save the textile industry from ruin, and law may be changed to suit the changed conditions.

13. Lastly, we bring to your honours' notice that we are willing to give evidence, if there be any need and if ordered by your honours.

Witness No. 87

Messrs. LALBHAI BOGILAL AND HIRALAL KESHAVAL SHAV

AHMEDABAD

*Oral Evidence recorded at Ahmedabad on the 15th September 1926**(Translated into English from Gujarati)**President.*—What is this Association of which you are a Director, Mr. Bogilal ?

A. I am a Director of the local Stock Exchange.

Q. Are there many Directors, or only one ?

A. There were eight or ten directors in the beginning but at present there are fifteen in all including President and Secretary.

Q. Who is the chairman of the Directorate ?

A. Mr. Chandulal Chamanlal.

Q. How many members of the Association are there altogether ?

A. About 400.

Q. How long has the Association been in existence ?

A. About 32 years.

Q. Is it purely a Brokers' Association ?

A. Purely a Brokers' Association.

Q. Are you connected directly with any mill ?

A. No.

Q. You say that mills lose 5 to 7 per cent. in earning due to mismanagement. What are your reasons for saying that ?

A. The mills have to incur more expenses in buying stores, cotton, coal and other materials.

Q. Do you mean that if they were to manage things properly they would get stores, cotton, etc., cheaper than they do now ?

A. Yes. As the managing agents employ high salaried men the expenses are high.

Q. They naturally are. If you pay more on your salaries, your expenses are naturally higher.

A. It is the duty of the agents to do all this work. They ought to pay these high salaried persons from the commission they get from the mills.

Q. In what capacity are these high salaried officers employed ?

A. As managers.

Q. What do you mean by managers ?

A. By manager I mean secretary. He has to sign letters and do all such things.

Q. Is the secretary's pay debited to the mill ?

A. It is debited to the mill account.

Q. The pay of the secretary ?

A. Yes.

Q. Although his work is entirely in the managing agent's office.

A. Yes. The secretary works in the managing agent's office. It is the work that the managing agent ought to do.

Q. What pay does he get ?

A. Rs. 1,500 to Rs. 2,000.

Q. In how many mills are there secretaries on Rs. 1,500 to Rs. 2,000 ?

A. In about ten mills.

Q. Can you give us the names of a few ?

A. The Becharadas Mill, the Gujerat Cotton Mill, the Calico, the Jubilee, and there may be others. If you will enquire into the matter, you will find more.

Q. Your complaint is that these people do purely secretarial work which is the work of the managing agents ?

A. Yes.

Q. They are not men with technical experience who have been through the mills themselves.

A. They have no technical knowledge of the spinning, weaving or engineering departments.

Q. How do you know that managing agents are "very careless" in buying cotton, stores, and coal and in selling cloth and yarn? What reason have you to say to that?

A. The mill agents have got their own firms. Some have stores. Some have their own collieries.

Q. Which of the mill agents here has collieries?

A. Sheth Mangaldas Girdardas.

Q. Where?

A. It may be in Calcutta.

Q. Are you sure there is a colliery?

A. I do not know whether the colliery is in his name; but that he has interest in the colliery, I am sure.

Q. Which mill bought machinery in war time at very high prices?

A. The Aryodaya Ginning, the City of Ahmedabad and the Calico.

Q. And are all those mills not making any profits now?

A. They do earn profits; but the profits are very small. The Calico which used to give a dividend of Rs. 125 is now giving a dividend of Rs. 18.

Q. Are you not lucky that you get a dividend at all? There are other mills which did not buy machinery in war time and which pay no dividend at all.

A. Those mills which have not extended in war time are able to give good dividends.

Q. Which mills are giving good dividends?

(The names of the mills were written down and shown to the President.)

A. Each and every mill which has not extended is paying good dividends.

Q. Really the state of affairs of Ahmedabad is fairly satisfactory? Except for those exceptional cases, the mills are paying quite well?

Mr. Majmudar.—Are they able to declare dividends? The question is as to whether the mill assets are good or whether the mill gives good dividends?

A. The mills give dividends well because they have good reserves and they are getting interest on that. The mills are earning some profits and these are supplemented by the interest on the reserves and also they have no interest to pay on the working capital and therefore they are able to give dividends.

President.—Both of you suggest that outsiders should be appointed Directors of the Company. How is that going to be done?

A. In 90 per cent. of the cases the Directors are the agents' nominees.

Q. But if the agents have got the majority of shares, how are you going to get outsiders as Directors?

A. Government may legislate that a certain proportion of the Directors will be nominated by the Government just as is done in the Municipal Board.

Q. Where are the Government going to get people from who know sufficient about the working of the mills, to be nominated as Directors?

A. The Indian Civilians will take up all this work. Government is carrying on such a big administration and it will not be difficult for the Government to do this.

Q. It would be very expensive.

A. The amount may be recovered from the mills.

Q. There have been complaints in the past—I do not know about Ahmedabad—about the way in which the Bombay Stock Exchange is run. Do you suggest a Government Director should be appointed for your Stock Exchange?

A. Government has already appointed Directors in Bombay Share Market.

Q. What are their names?

A. They have appointed an Advisory Board.

Q. They have appointed a Committee to enquire into its working.

A. The same Act will be applicable to the whole Presidency.

Q. Are there many agents here who have got two or three mills?

A. Yes. There are many. Ambalal Sarabhai has two mills. Mangaldas Giridardas, four mills. Amritlal Damodhara Das, three mills in Ahmedabad. Motilal Hirabhai, three mills. Jivanlal Giridharalal, two mills. Kasturbhai Lalbhai, two mills. He is managing a third mill also and getting a certain remuneration.

Q. Mr. Bogilal, you represent here the shareholders of these mills. Cannot you refuse to invest in concerns with the management of which you are not satisfied?

A. If it is a question of new investment, the share-holders will think twice before they invest. But we have already invested and so there is no way out of it.

Mr. Subba Rao.—Can't you sell out ?

A. We are sharebrokers. We are dealing in shares. And if we ourselves sell, what are we going to do afterwards ?

Raja Hari Kishan Kaul.—Are there any managers in any mills ? Is any mill here employing a manager ?

A. For the inside work they have managers. Some agents are obliged to engage capable men as they themselves do not know the work.

Q. I want to know whether any managers are employed.

A. In some cases managers are employed besides the secretaries.

Q. Can you give instances ? Or is it that the secretary is a sort of substitute for the manager and he assists the mill agent in carrying out the work of the manager ?

A. Whether he is called a manager or secretary, as the managing agents have to keep a man because either of their incompetence or of any other reason, his salary ought to be debited to the managing agents and not to the mill account.

Q. You think that no protection is needed ?

A. Both protective duties as well as improvement in internal management are necessary.

Q. But here you say "if the commission be reduced and the management be carried on economically the mills can stand against Japanese competition. If the present system of commission continues, the Agents will become wealthier and wealthier and the country will be ruined".

A. We believe that if the commission is charged on profits, the management will improve and they will be able to withstand not only Japanese competition but also English competition.

Q. Then no protection is necessary ?

A. If the commission is charged by the agents on profits and if the internal management is improved, we think it is not necessary. In the case of the Aryodaya mills the commission is the same as in the pre-war. (The witnesses presented balance sheets of certain mills.) These are two concerns, one a small one and the other a big one. The Agents' Commission in the case of the bigger concern has been only Rs. 58,000 whereas in the other case it is Rs. 1,99,000. That is the Raipur Manufacturing Co. Here is another mill, the Himabbai, which has distributed only Rs. 14,000 in dividend, whereas the agents have taken Rs. 72,000 as commission in 1924.

President.—Do you wish us to examine the balance sheet to see the different rates of commission paid by the different mills and the variation in the commission of different mills ?

A. Yes. Also the Managing Agents have increased their commission during war time to a great extent. After 1917 they have increased their commission.

Q. We will examine all these balance sheets.

A. Also we wish to say this. The Directors do not look to the affairs of the company. The auditors also do not audit the things properly. They simply go on the balance sheets. There is the case of Saraspur Mills with a reserve fund of 12 lakhs, the original capital being 6 lakhs and the mill now in liquidation.

Q. How long after the mill declared its last dividend did it go into liquidation ?

A. Some time in July or August 1923 the last dividend was declared and it went into liquidation in 1924. The agents took away 37 lakhs of rupees from the mills. They misused it and the mill lost the money.

Annexure A

1. Mills in Ahmedabad could show a handsome profit only if appropriate changes are made in the internal management of the mills as well as in buying of cotton, coal, stores, etc., and in the selling of cloth and yarn. To make an improvement as above-stated directors should be elected avoiding the relations of the agents and experienced auditors should be supplied by the Government. Further an able government officer conversant with the industry should be engaged as a director to keep the agents in check and compel them to issue balance-sheets in conformity with the rates of cloth, cotton and stores prevailing in the market at the time. Ninety per cent. of the directors in the mills in Ahmedabad are mere puppets of the agents and we believe they are kept to endorse their actions only.

2. In certain mills in Ahmedabad the balance of the stock-in-trade is put 75 per cent. below the market value, e.g., if the prevailing rate of cotton be Rs. 20 per maund, it is put at Rs. 5 per maund in the balance-sheet. In the same way cloth is shown at 4 annas per lb. only though it is sold in the market at Re. 1 per lb. Similarly yarn and stores are dealt with. Thus one cannot come to the definite conclusion as to how much the mill has earned. It is our belief that the agents prefer this mode of issuing balance-sheets to make their commission safe in the ensuing year. Thus the share-holders do not get a proper dividend and the Government can not collect sufficient income-tax. To verify this statement we quote the following examples:—Refer Balance-sheets:—The Sarangpur Cotton Mills, The Ahmedabad New Cotton Mills, The Raipur Mills and the National Mills for the year ending December 1924. You will satisfy yourselves by asking the agents of these mills to supply you with the rates of the various items in the stock-in-trade of the year ending December 1924. If the agent is not upright, the profit may vanish, hence the agents should be forced to issue balance-sheets denoting stocks at market value.

3. The system of hereditary agency prevails in most of the mills in Ahmedabad, through which a fool succeeds an able father. As a fruit of this several mills have been forced to liquidation. This system accompanied with directors being the relations of the agent has put ten mills into liquidation and hence the public has to suffer a loss from two to three crores of rupees. We quote some of them. The enclosed balance sheet of the Saraspur Mills is for the year ending December 1922. It was issued in 1923. The company had been able to show a decent profit after allowing full depreciation and had declared a dividend of Rs. 70 per one share of Rs. 100 which was increased to Rs. 77 in the general meeting of the share-holders. This shows the strong financial position of the company. The company had to its credit a sum of Rs. 18½ lakhs including the capital and reserve and in the assets there was a block of Rs. 13½ lakhs after deducting depreciation leaving a balance of Rs. 5 lakhs to be employed in the management. In spite of this fact the agents borrowed deposits and pocketed Rs. 37 lakhs and put the company into liquidation in the year 1924 and thus the creditors and the share-holders had to suffer very heavy losses. The following others followed suit. The Edward Mills, The Whittle Mills, The Viramgam Mills, The Ahmedabad Swadeshi Mills, The Asarva Mills, The Viramgam Alfred Mills, The Kalol Kapadia and the Surat Industrial Mills. We had submitted some of the balance sheets of these mills when we gave our oral evidence and herewith we send the balance sheets of the Viramgam Spinning, the Saraspur Mills and the Asarva Mills and for the rest you will apply to the proper place (i.e., the liquidator).

4. Some of the agents through their greed for increased commissions have extended the mills and have thus pushed the company into indebtedness. So the shareholders do not get a proper dividend and there remains a lurking danger of the company being wound up. We quote the following example together with its balance-sheet. The Ahmedabad Calico Mills had a surplus of Rs. 30 lakhs which vanished and brought in its stead indebtedness to the extent of Rs. 26 lakhs as the mill was extended. As a result the share-holders get a meagre dividend of Rs. 18 instead of Rs. 125 and the agents commission swelled to Rs. 2 lakhs and 62,000. It is more than the Viceroy gets. The rate of charging the commission has also increased and at present stands at 4 per cent. How can the mill be expected to show a better result with this enormous commission? If commissions were charged on profit basis since the year 1924, there would have remained very little need to ask for help from the Government and the mills would have been able to distribute good dividends and the present state of depression would not have arisen. In a similar way the Aryodaya Ginning Mills and the Ahmedabad City Mills have been extended having incurred debts and hence they show poor results which will be seen from the accompanying balance-sheets.

5. Some of the agents open shops to sell cotton, stores and cloth having their relatives as partners and naturally the agents claim the lion's share in the business. The mills suffer a loss to the extent of 5 per cent. to 7 per cent. as the agents cannot be just to both the parties. They engage high-salaried relatives for jobs which they themselves should

fulfil. These officials should be paid out of the agent's commission and not from the funds of the company. These jobs are created because the agent has to care for his other business or if he has to move to other places or if the agent be an inexperienced minor. Hence it is our strong desire that they be paid out from the agent's commission.

6. The subject of commission is of vital importance. If the Government through legislation changes this system into that on profit basis which is current at Bombay and other places, the mill industry will certainly improve and the public be saved from further losses. If commissions are charged on profit the agents will have a stimulus to earn more and will be more careful in the internal management and will work economically. Since the year 1917, commissions are enormous and they play an important part in the present depression of the industry. It has been increased to 4 per cent. on sale of cloth from 3 pies per lb. on either production or sale, hence from twenty thousand it swells to eighty thousand or to one lac of rupees. We quote some of the examples with their balance-sheets. You will refer to the balance sheets of the various years, we mention herein.

In the case of the Sarangpur Mills in 1914 it was Rs. 31,000 and in the year 1922 it came to Rs. 1,20,000 at rate of $3\frac{1}{2}$ per cent.

In the case of the New Maneckchowk Mills in 1912 it was Rs. 29,900 and in 1922 it amounted to Rs. 93,300 at the rate of $3\frac{1}{2}$ per cent.

In the Ahmedabad New Cotton Mills in 1913 it was about Rs. 32,000 per 3 pies per lb. and in 1924 it arrives at Rs. 1,20,000 at the rate of $3\frac{1}{2}$ per cent.

In the case of the Himabhai Mills in 1912 at the rate of 3 pies per lb. it was Rs. 13,924 and in 1924 it amounted to Rs. 70,000 at the rate of 4 per cent.

In the Rajnagar Mills in 1912 it was Rs. 29,700 at the rate of 3 pies per lb. while it has been increased to 1,25,000 at the rate of 3 per cent.

In the case of the Purushottam Mills in 1923 it amounted to Rs. 19,600 at the rate of 3 pies per lb. while in the case of the Bharatkhand Cotton Mills having the same number of spindles and looms it came to Rs. 92,000. These two mills are compared because we do not obtain the balance sheet of the Bharatkhand mills for the year 1912. In the case of the Commercial Mills having an equal number of looms and spindles the commission amounted to Rs. 98,800 on $3\frac{1}{2}$ per cent. basis.

In the case of the City of Ahmedabad Mills which has 20,000 spindles and 400 looms the commission amounted to Rs. 82,000 in 1924 while it distributed Rs. 32,000 as dividend to the shareholders. Through the extension of the mills due to the agent's greed the company incurred a big debt and hence can not earn satisfactorily. In 1925 the company made a profit of Rs. 2,000 only, while the agent's commission stood at Rs. 74,000 from which the agent relinquished Rs. 24,000 for the distribution of a dividend according to the terms of the deed, and the rest, i.e., Rs. 50,000 he accounted for himself. No dividend was allowed and there is a debt of Rs. 13 lakhs to the company.

In the case of the Ramkrishna Mills the rate of commission is 5 per cent. and in 1924 it amounts to Rs. 94,000. It has only 400 looms with no spindles. The Vivekanand Mill is included into this same category.

In the case of the Aryodaya Spinning Mills having 40,000 spindles and 1,200 looms the present commission is Rs. 58,000 at the rate of 3 pies per lb.

In the case of the Raipur Mills having 36,000 spindles and 850 looms the commission amounts to Rs. 1,99,000 in the year 1924 at the rate of $3\frac{1}{2}$ per cent.

In the case of the Asoka Mills having 26,600 spindles and 600 looms the commission amounts to Rs. 1,73,000 in the year 1924 at the rate of 4 per cent.

For the above facts you will refer the balance sheets we are sending herewith.

Due to heavy commissions the agent having more than one mill to manage excels in income in the Viceroy's. The commissions are increased since the year 1917. The agents forego any part of their commissions and hardly any such opportunity arises. This system injures the public and makes only a few rich and is one of the present causes of depression. If you will cast a glance at the balance sheets of the year 1917 and after you will be convinced in what a big proportion the commissions have increased. In the case of the Hiralal Spinning Mill the commission was increased from 3 pies to 4 per cent. at which one of the shareholders filed a suit and judgment was delivered by the court on 13th September 1926 annulling the increase. So the government should

fulfil. These officials should be paid out of the agent's commission and not from the funds of the company. These jobs are created because the agent has to care for his other business or if he has to move to other places or if the agent be an inexperienced minor. Hence it is our strong desire that they be paid out from the agent's commission.

6. The subject of commission is of vital importance. If the Government through legislation changes this system into that on profit basis which is current at Bombay and other places, the mill industry will certainly improve and the public be saved from further losses. If commissions are charged on profit the agents will have a stimulus to earn more and will be more careful in the internal management and will work economically. Since the year 1917, commissions are enormous and they play an important part in the present depression of the industry. It has been increased to 4 per cent. on sale of cloth from 3 pies per lb. on either production or sale, hence from twenty thousand it swells to eighty thousand or to one lac of rupees. We quote some of the examples with their balance-sheets. You will refer to the balance sheets of the various years, we mention herein.

In the case of the Sarangpur Mills in 1914 it was Rs. 31,000 and in the year 1922 it came to Rs. 1,20,000 at rate of $3\frac{1}{4}$ per cent.

In the case of the New Maneckchowk Mills in 1912 it was Rs. 29,900 and in 1922 it amounted to Rs. 93,300 at the rate of $3\frac{1}{4}$ per cent.

In the Ahmedabad New Cotton Mills in 1913 it was about Rs. 32,000 per 3 pies per lb. and in 1924 it arrives at Rs. 1,20,000 at the rate of $3\frac{1}{4}$ per cent.

In the case of the Himabhai Mills in 1912 at the rate of 3 pies per lb. it was Rs. 13,924 and in 1924 it amounted to Rs. 70,000 at the rate of 4 per cent.

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In the case of the City of Ahmedabad Mills which has 20,000 spindles and 400 looms the commission amounted to Rs. 82,000 in 1924 while it distributed Rs. 32,000 as dividend to share-holders. Through the extension of the mills due to the agent's greed the company has incurred a big debt and hence can not earn satisfactorily. In 1925 the company made a profit of Rs. 2,000 only, while the agent's commission stood at Rs. 74,000 from which the agent relinquished Rs. 24,000 for the distribution of a dividend according to the terms of the deed, and the rest, i.e., Rs. 50,000 he accounted for himself. No depreciation was allowed and there is a debt of Rs. 13 lakhs to the company.

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For all the above facts you will refer the balance sheets we are sending herewith.

Due to these heavy commissions the agent having more than one mill to manage excels in income even the Viceroy. The commissions are increased since the year 1917. The agents do not forego any part of their commissions and hardly any such opportunity arises. This system ruins the public and makes only a few rich and is one of the present causes of depression. If you will cast a glance at the balance sheets of the year 1917 and after you will be convinced in what a big proportion the commissions have increased. In the case of the Motilal Hiralal Spinning Mill the commission was increased from 3 pies to 4 per cent. against which one of the shareholders filed a suit and judgment was delivered by the court of 13th September-1926 annulling the increase. So the government should

come to the help of the shareholders and through legislation force the agents to restore their rates of commission to its former level and refund these extra sums to the various companies which they have taken illegally. A single share-holder cannot fight out the case against wealthy mill-agents, so there is a dire need for Government intervention. If commissions are charged on the profit basis according to our desire, the industry will certainly improve and the agents will be forced to work with all their zeal and the public be saved from ruin. You will, Sirs, we earnestly hope, move in this matter and make a strong recommendation for the removal of the grievance in your report to the Government.

7. At present balance sheets are not issued in details in order to keep the share-holders ignorant of real facts. They have left off the practice of showing the details in support of which we send balance sheets of the year 1915 and 1916. Further it has become a general rule to publish balance-sheets very late. One for the year ending December 1925 which ought to be issued in March 1926 is actually sent to the share-holders in August or September 1926. The dividend is also distributed in August or September, while the agent takes his commission as soon as the official year of the company ends. You will, Sirs, recommend the showing of balance-sheets in details and that the same be issued earlier.

8. The following Mills charge at rates of commissions as below-mentioned :—

5 per cent. The Ramkrishna Mills. The Vivekanand Mills

4 per cent. The Ahmedabad Calico Manufacturing, The Asoka Mills, The Silver Cotton Mills, The Bharat Laxmi Cotton Mills, The Ahmedabad Sarangpur Mills. The Kaiser-i-hind Mills, The Himabhai Mills, The Marsden Mills and the Waste Cotton Mills.

The rest charge at rate of 3 per cent. to 3½ per cent.

We have supplied you with the list of mills which increased their commissions during the time, when we gave our written statement first. The Government have abolished the excise duty and has thus favoured the mills with an amount of two crores of rupees while the agents cannot forego a part of commissions which is but increased only five or six years ago. So, Sirs, if commissions on profits basis be introduced at the rate of ten per cent. on profits just as agents in Bombay do, these agents will take an extra interest in the management, will cut their expenses and show an appreciable result. The mills will be able to stand against the Japanese competition and there will not remain any need for a bounty or protection.

9. Some five or seven mills in Ahmedabad have earned considerable amounts during prosperous times and have formed good reserves and show a surplus of more than twenty lakhs. Now some of these agents intend to make use of these reserves to create another mill besides the old one and one of them has actually laid a foundation for the same with the sole aim to have his commission increased. The directors are their own toys and so without taking the permission of the share-holders they push their interests very far. The following mills have a surplus as denoted :—The Sarangpur Cotton Mills 27 lacs. The New Cotton Mills 15 lacs. The Raipur Mills 7 lacs. Over and above this there is a profit of 5 to 7 lacs in the stock-in-trade shown in the last balance-sheet. If the Government will not interfere in this matter these agents for their benefit will ruin these mills with good reserves and run them into indebtedness. So if commissions were charged on profits, this activity of the agents will die. The following mills have good reserves. The Sarangpur Cotton Mills, The Ahmedabad New Cotton Mills and the Raipur Mills. There are others of this type, but we have not been able to procure their balance-sheets.

Finally we beg to say that you will, Sirs, take into consideration the above facts and trust that you will recommend what you think best.

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The rest charge at rate of 3 per cent. to 3½ per cent.

We have supplied you with the list of mills which increased their commissions during the time, when we gave our written statement first. The Government have abolished the excise duty and has thus favoured the mills with an amount of two crores of rupees while the agents cannot forego a part of commissions which is but increased only five or six years ago. So, Sirs, if commissions on profits basis be introduced at the rate of 4 per cent. on profits just as agents in Bombay do, these agents will take an extra interest in the management, will cut their expenses and show an appreciable result. The mill will be able to stand against the Japanese competition and there will not remain a need for a bounty or protection.

9. Some five or seven mills in Ahmedabad have earned considerable amounts during prosperous times and have formed good reserves and show a surplus of more than two lakhs. Now some of these agents intend to make use of these reserves to create another mill besides the old one and one of them has actually laid a foundation for the same. The sole aim to have his commission increased. The directors are their own toys and without taking the permission of the share-holders they push their interests very far. The following mills have a surplus as denoted :—The Sarangpur Cotton Mills 2½ lakhs. The New Cotton Mills 15 lacs. The Raipur Mills 7 lacs. Over and above this there is a profit of 5 to 7 lacs in the stock-in-trade shown in the last balance-sheet. If the Government will not interfere in this matter these agents for their benefit will ruin the mills with good reserves and run them into indebtedness. So if commissions were based on profits, this activity of the agents will die. The following mills have good reserves. The Sarangpur Cotton Mills, The Ahmedabad New Cotton Mills and the Raipur Mills. There are others of this type, but we have not been able to procure their balance-sheets.

Finally we beg to say that you will, Sirs, take into consideration the above and trust that you will recommend what you think best.

Mr. B. C. SUTARIA, AHMEDABAD

Written Statement dated August 1926

SECTION I

General

1. The present depression has specially affected Bombay and has generally affected Ahmedabad and up-country centres.
2. The present depression is due to the operation of world factors and specially due to the competition with Japanese goods and to exchange.
3. If the exchange is not improved the present condition will remain the same or perhaps it may become still worse. Just now the Currency Committee Report has been published and it has been settled at 1s. 6d. This will have had effects on the present depression.
4. The price of raw cotton depends upon the American cotton market and the price of yarn and piece-goods depends upon world markets. If Indian mills are not helped by the Government the mills will be compelled to close down on account of undue disadvantage of exchange and Japanese competition.
5. Most of the Bombay mills are selling at a loss and some of the Ahmedabad mills are also doing the same. I do not know the condition of the up-country mills.
6. If the price of the raw cotton is decreased the price of piece-goods is sure to decrease?
8. Labour is generally doubled and the prices of mill-stores are high. The price of cloth has gone down a little due to the fall in the price of cotton but the result is not satisfactory due to above reasons.
9. Undoubtedly, there has been a fall in the purchasing power of the ryot since the war. Formerly there was a calculation of 12½ yards per head, now it has gone down to 7½ yards per head (this can be seen in the columns of *Sanj Vartman* of 6th August 1926 as stated by Sir Victor Sassoon).
10. We do not agree that owing to low prices of gold and silver, consumers prefer to invest their savings in the precious metals and restrict their purchases of cloth to a minimum. The reason is general poverty prevailing throughout the country.

SECTION II

13. There is some effect in the loss of the Chinese market for yarn, but now-a-days most of the spinning mills of India have opened weaving works side by side and thus consume their manufacture of yarn. The present depression is due to foreign competition, scarcity and dearness of freight and reasons stated above. It is not due to the expansion of the weaving industry in India as the expansion has been very small in comparison to the growing needs of a vast and thickly populated country like India.
14. The present depression in the industry is specially due to the increasing competition both in regard to quantity and price of imported yarn and piece-goods from Japan and piece-goods only from other countries.
15. Yarns below 40s compete with the production of Indian mills. Chiton, shirting and other manufactures below 40s compete with Indian mills, specially coming from Japan.
19. Even though the import of yarn be less than 1·3 per cent. of the production of mills it will have its serious effect upon the Indian industry, because imported goods are cheaper than the production of this country and the cheaper goods have more effect upon the market and I think the percentage will surely increase.
20. We accept the view that before the war not more than 3 per cent. of the imports of the piece-goods from the United Kingdom competed directly with the production of Indian mills and that since the war the percentage has not been more than one per cent.
21. Seventy per cent. of imports of piece-goods from Japan compete directly with the production of Indian mills. The percentage may be still more.
23. The import of piece-goods into India from the United Kingdom, Japan, Italy and other countries may increase, if the imported goods be cheaper.
24. The competition of Japanese goods will depend chiefly upon its price and the price of the goods from other countries. The competition may still increase if the price of the Japanese goods remain cheap as it now is.

26. If exchange remains at 1s. 6d. the competition of piece-goods from the United Kingdom will certainly increase. The same condition can be expected of other countries according to their exchange.

27. If the rupee is stabilised at 1s. 6d. the Indian mill industry will have to suffer a great deal.

28. The more assistance is given to the mill industry the more it will flourish.

31. If the exporting countries pay more attention to requirements and preferences of Indian middlemen and consumers they can increase their export business.

32. Japan manufactures goods according to the requirements of India and keeps prices cheaper than Indian-made goods and therefore they are able to increase their export business.

33. Sheeting (16×16) has been stopped by Japanese competition. Rangati Takas (16×20) competes strongly with Indian-made cloth of that kind. Now susi made in twill has begun to compete with Indian-made susi.

34. Now-a-days India is paying attention to the manufacture of finer qualities and people prefer Indian-made finer goods to foreign made. But if the foreign manufacture is cheaper than Indian manufacture, people will prefer foreign manufacture.

SECTION III

Internal competition

35. New mills established up-country do not specially compete with Ahmedabad or Bombay mills.

36. Bombay is a port. Its foreign requirements are cheaper. It can get coal and now electricity at cheaper rates. It has special rates for importing necessary materials from up-country, and exporting its manufactures to the country. It is given facility in freight for exporting to foreign markets such as China, Burma, Egypt and other parts it can get some advantage. Commission on profits is not burdensome.

37. No special advantage. There are miscellaneous advantages. They can't effect the industry.

38. On the contrary duty on foreign yarn is burdensome to the handloom industry, because imported foreign yarn is specially used by handlooms and of such counts which India is not manufacturing now and will not be able to supply according to their requirements for, a very long time. Of course counts below 30 or 40 can compete to a certain extent.

39. Hand spun yarn is insignificant. Handloom piece-goods are of different kinds.

1. Khadi of 10s count.
2. Khadi of 20s count.
3. Carpets of below 10s.
4. Silken cloth.
5. Fine dhoti, sadi and some embroidery work of 50s, 70s, 80s, 100s and some still finer to 150s and 200s even.

SECTION IV

Mill management

41. The managing agency system though defective is workable in India, and any substitute for it will bring about a great revolution. But the following safeguard is necessary :—

No hereditary agency system and no debt on block accounts should be allowed.

42. In Bombay managing agents charge commission on profits. In Ahmedabad agents charge commission on the price of sale and some on weight of manufactured goods. I prefer commission on profits generally.

43. Different mills have different systems. Bombay mill agents receive an allowance or office expenses. Many agents charge a minimum commission irrespective of profits

SECTION V

Mill Finance

45. The present depression has nothing to do with over-capitalisation or under capitalisation.
46. Not specially. Examples here are the Asoka mills and the Marsden mills.
47. Not the least.
49. In Ahmedabad small deposits are accepted. In Bombay no such deposits are accepted. I do not know about up-country mills. This system is not so sound. Government must ask the Imperial Bank to lend necessary working capital to the mills at bank rates after taking full security.
50. Not so much. If there is such a practice anywhere it is not advisable.
51. They experience some difficulty in obtaining finance.
52. Not more than 8 per cent. in India.

SECTION VI—COSTS OF PRODUCTION

A—General

53. Sixteen thousand spindles and 300 looms or 15,000 spindles and 200 looms for a weaving shed only. Ten blocks for 15,000 spindles and 300 looms. Rs. 7,00,000 for 15,000 spindles and Rs. 2,50,000 for 200 looms. There will not be much difference in Bombay or Ahmedabad.
In 1914 Rs. 35 per spindle.
In 1926 Rs. 50 per spindle.
54. Many mills are conducive to economical working in Bombay and Ahmedabad and up-country.
59. Bombay can spin 22s from cotton from which Ahmedabad can only spin 20s.

B—Raw Material

60. Ahmedabad mill agents buy cotton from adatis who open their shops in cotton districts under the supervision of their own men. They give only adat but not middleman profit. I do not know about Bombay, Lancashire or Japan.
61. Speculative purchases have nothing to do with the present depression. I cannot suggest how the element of speculation could be reduced. But I can suggest that cotton and yarn and other requirements purchased for mill purposes should not be sold either at a profit or a loss; and if such sales are necessary a special item of profit and loss should be shown in the balance-sheet; and this should be done with the sanction of the board of directors. Without the sanction of the board of directors they should not be allowed such a transaction.
62. I do not agree that the prices at which cotton is purchased by Indian mills are often higher than prices paid for cotton for export. Those who can advance money to cultivators and buy cotton direct from them can generally get it cheaper than those who buy from merchants.
63. The present depression has nothing to do with the purchase of cotton at prices higher or lower than those now prevailing.

C—Labour

64. I agree with the Bombay Millowners' Association that the present increased cost of manufacture is due to the higher wages of labour as compared with pre-war years. That equally applies to Ahmedabad.
65. They distributed a larger bonus to operatives when they earned more but there was no unduly large distribution of bonus. It has no special effect in the present depression of the industry.
66. Weaving production has not suffered as a result of the reduction in the hours of labour. Spinning production has suffered to a certain extent. In a twelve hours day 6 to 7 ounces per spindle of 20s yarn can be spun while in a ten hours day 6 to 6½ lbs of 20s yarn can be spun.
72. The budli system affects to a certain extent the efficiency of labour.

74. The labour supply in Ahmedabad is ample. Bonuses and provident funds are not common. The grant of long service bonuses and institution of provident funds can secure continuity of labour.

75. Ahmedabad mills do not supply houses to labourers. Improved housing conditions would result in an improvement in the efficiency of labour.

76. The efficiency of labour could be improved by increasing facilities for technical education.

77. Generally wages in the cotton textile industry are higher than those in other industries in India.

78. There is no marked change in the standard of living of operatives since the war.

81. I cannot accept the figures given by Bombay Millowners' Association. But I generally agree with them that double shifting will reduce costs of production.

82. Double shifting may be possible but not advisable.

83. Legislation in recent years has not affected the cost of production.

D—Overhead Charges

84. Local taxation in Ahmedabad is only compulsory water tax, at 2½ per cent. on the rental valuation of the mills if they have no water connection. If they have water connection Re. 0-8-0 per 1,000 gallons of water consumed with a minimum equivalent to 2½ per cent. more on rental valuation.

Drainage tax is charged for actual water drained and not on rental value, this is the practice for the whole city.

85. Insurance is affected for safety against fire. The present method is satisfactory.

86. The correct percentage for depreciation should be 5 per cent. on machinery and 2½ per cent. on buildings. Depreciation may be utilised for replacing old machinery as well as putting in new machinery. Depreciation should be reckoned as a charge on the cost of production and not as a charge on profits.

Nearly all the mills practise the above method. Sometimes if they do not earn sufficient to give the necessary dividends they do not put aside a sufficient sum for the depreciation.

87. Cotton is valued at cost price or bazaar price if the cost price is higher than the bazaar price. Stores are valued at cost price, and manufactured goods at less than actual selling price. There is no independent valuation.

Auditors are contented with certificates from the managing agents.

88. Audit of mill accounts is yearly generally. I would prefer half-yearly audited balance-sheets just like the jute mills of Calcutta. Those balance-sheets must be published within one month after the expiry of that period.

E—Sales

89. Different systems are adopted by mills in selling their products—

1. Local brokers get ¼ per cent. on sale proceeds.

2. Commission agents get 1 to 2 per cent. on sale proceeds.

3. Different commission agents selling in consuming centres get 1½ to 2 per cent.

90. Long credit sales are not prevalent.

92. Cloth merchants may experience some difficulty in obtaining finance. But this being temporary its effect on the depression will not last long.

F—Transport

95. Railway freights have been increased according to the following table:—

	Pre-war time		In 1926.	
	Rs	a. p.	Rs	a. p.
Ahmedabad to Nagpur	1 12 0	2 4 0
.. .. Bombay	0 13 6	1 1 6
.. .. Calcutta	1 13 0	2 10 8
.. .. Madras	1 13 0	2 10 8

SECTION VII—SUGGESTIONS AS TO REMEDIAL MEASURES

(a) *Suggestions put forward by the Bombay M. O. A.*

96. Generally I favour abolition of Custom duty on machinery, on mill stores and other materials used in mills. This will save a few thousand rupees.

97. I prefer the abolition of the company income-tax instead of company super-tax.

98. I recommend the abolition of town duty of Re. 1 per bale in Bombay.

99. There are no railway facilities for the movement of cotton, yarn or piece-goods. On the contrary there are many inconveniences. I suggest the following improvements :

- (1) The railway must issue a temporary receipt for the goods on the very day that they get them in the compound.
- (2) A formal receipt must be issued on the next day.
- (3) Railway freights must be reduced to a certain extent.
- (4) Freight, at railway risk should not be more than 10 per cent. higher than at owner's risk.
- (5) All kinds of goods must be accepted at R. R. Under different pretences they do not accept them now.
- (6) In the rainy season they mark " *wet by rain and mud*" on any bale, whether it may be wet or not. They do not hear our complaints.
- (7) All goods must be sent in covered wagons.

100. There is much force in the argument for reducing railway freight on cotton, yarn and piece-goods.

101. The Government of India must help the industry by negotiating with steamship companies to reduce shipping rates from Bombay to all ports. I cannot give a comparative statement.

102. Trade Commissioners, if appointed, can help the export trade of India.

104. I am in favour of an additional duty to be imposed on yarn and piece-goods imported from foreign countries which compete with Indian manufacture. I am not in favour of imposing additional duty only on Japan nor on all imports; but I am in favour of imposing additional duty on yarn below 30s or not above 40s and on piece-goods manufactured from below 30s or 40s. There should be no duty whatsoever on yarn above 40s, as the manufacture of this count and above is not much in comparison with the import of that kind, and because those counts and above are specially used by handlooms. This industry must not suffer.

105. From time to time we shall have to consider about this additional duty.

106. This will not affect the cost of the middle and lower classes.

107. I do not propose to impose additional duty on all kinds of yarn and piece-goods so there is no fear of any undue increase in the selling price. Still if there be any undue increase Government can take necessary steps by reconsidering the additional duty.

108. Internal competition between Indian mills would operate to restrict the increase in the price of yarn and cloth throughout the whole of India.

109. I am not in favour of any duty on yarn. I am in favour of additional duty on piece-goods where necessary. So there is no fear of any increase in the price of yarn and cloth to consumers.

110. There is no special rise in the price by 11 per cent. import duty, as we are handicapped by the policy of exchange to the extent of 12½ per cent. nearly.

111. If there is no duty on yarn and if there is an extra duty on cloth, it would not act as a restriction on the consumption of yarn and cloth. I agree with the idea of the Bombay Millowners' Association that the consumption of cloth in India has not been increased according to the increase in the population.

112. If there is no duty on yarn there will be no effect on overseas markets, as the export trade of India in piece-goods is not so much.

113. I am dead against any duty on yarn. Still if necessary a certain amount of duty may be imposed on yarn below 30s.

115. The present 11 per cent. and an additional 13 per cent. will be quite sufficient for the protection of the cotton textile industry.

(b) Other Suggestions

116. I am not in favour of any export duty on cotton. By the exchange of 1s. 6d. cultivators have to suffer much in price and by an export duty their position would be still worse.

117. I am not in favour of any duty on cotton.

118. It is necessary to make some arrangement with the Imperial Bank of India to lend money with full security to the mills at bank rate specially on stock.

119. If the millowners combine in the purchase of cotton, etc., the position of the industry can be improved. Standardization of lines and prices is not possible as there is always competition in manufacture and in sales.

120. There cannot be any effect on the condition of the industry by spinning finer counts, i.e., above 30. in India.

121. Indian mills are not equipped for specialisation. This policy is not possible, as every now and then the demand is changed from one kind to another kind.

122. Mills are paying due attention to different markets such as Calcutta, Madras, Bombay, Cawnpore, Delhi, the Punjab, etc.

123. Mills are paying due attention to bleached and dyed goods and the manufacture of blankets from waste. The manufacture of printed goods is very costly.

124. The remission of the excise duty has not benefited the industry at all, as the price of piece-goods has decreased to that extent as the demand was very poor. Its effect will be felt more in future.

Witness No. 88

MR. B C SUTARIA, AHMEDABAD

Oral Evidence recorded at Ahmedabad on 16th September 1926

President.—The first question I should like to ask you, Mr. Sutaria, is what is your exact connection with the cotton textile industry?

A. I am a cloth merchant. I buy cloth from the mills directly. I was a selling agent for the Ramkrishna and Vivekanand Mills.

Q. Is the Vivekanand an Ahmedabad Mill?

A. It is a weaving shed. Now I am not working since the last six months.

Q. You have retired?

A. Yes. I am managing my own business.

Q. What is your business?

A. Cloth business.

Q. What goods do you deal in?

A. All kinds of mill made goods.

Q. Do you deal in any imported piecegoods?

A. No.

Q. Have you any experience of them?

A. Not the least.

Q. I suppose you have a certain amount of knowledge of the extent to which they come into the Ahmedabad market. Are any imported piecegoods coming into the Ahmedabad market?

A. Japanese "chiton"—sheetings made out of 20s warp and 16s weft, 37 or 40 yards in length.

Q. You say some of the Ahmedabad mills are selling at a loss. "Most of the Bombay mills are selling at a loss and some of the Ahmedabad mills are also doing the same." Would you say therefore that there are fewer Ahmedabad mills selling at a loss than the Bombay mills?

A. In Bombay, many mills are selling at a loss.

Mr. Subba Rao.—Not so many here as in Bombay?

A. No. Ahmedabad is in a better position than Bombay.

President.—What is the reason for that?

A. In Bombay the merchants are a separate party in the home market and in Calcutta and other centres they are another party. There the outside merchants won't get any goods from the mills directly. Here they can get directly from the mills. Here the merchants and exporters are one party. I am both a merchant and an exporter, and I export to Madras, Calcutta and other places. Here we are charging only 12 annas per hundred rupees. That is our commission. We buy goods directly from the mills. Here the profit goes into the pockets of the mills. In Bombay the middlemen's profit is increased.

Q. Why does that make so much difference?

A. Suppose Bombay mills sell 500 bales of one kind to the merchant and that merchant sells his goods to the exporter. His profit will be increased.

Q. But that can hardly be the only reason why Bombay is selling at a loss as compared with Ahmedabad. There must be other reasons.

A. If a merchant buys 500 bales, he will keep a margin of 2 or 3 per cent.

Q. He sells through the commission agents?

A. Commission agents as well as the exporters.

Q. To whom do they sell?

A. They sell to the merchants in Bombay and the merchants sell to the exporters.

Q. You mean they have got an extra commission to pay in Bombay?

A. Yes.

Q. But that cannot be the only reason why Ahmedabad should be better off than Bombay.

A. That is the system from the beginning.

Q. But it cannot be the only reason. There must be some other reasons why Ahmedabad is in a better position than Bombay.

A. The agents give attention daily here. They attend the mills daily. They come in contact with merchants.

Raja Hari Kishan Kaul.—Are you interested in any of the weaving sheds?

A. No.

Q. You have no longer any interest?

A. No. My brother is the selling agent and I am helping him.

Q. You say that the consumption of cloth has fallen from $12\frac{1}{2}$ yards to $7\frac{1}{2}$ yards. That is not correct, because the present consumption of cloth is about 11 yards, if we leave out of account the cloth produced by the hand looms, so that the difference is not so great.

A. I have taken these figures from Sir Victor Sassoon.

Q. They are not correct. What is this "rangati takas"?

A. It is for dyeing purposes.

Mr. Majmudar.—How do you know that the Bombay mills sell at a loss?

A. From the balance sheets.

Q. You are judging from the results?

A. Yes.

Q. How do you know about Ahmedabad?

A. From their balance sheets.

Q. At present are they selling at a profit or at a loss?

A. Some of the mills may be selling at a loss.

Q. Have you any direct knowledge?

A. I have direct knowledge. I am always buying cloth from the mills. They are selling Rs. 1-3-0 in 20 and 30 counts cloth and they are selling at one anna or $\frac{1}{2}$ anna profit. Those who are selling at less than Rs. 1-2-0 are selling at a loss.

Q. Have you a fair idea about the cost of manufacture, as to what it costs to the mills to manufacture cloth?

A. I cannot say as to what the actual cost to them is. But I guess it, as certain managers of good mills tell me what the cost price is. I compare the price with that in the other mills and judge from that as to whether mills are selling at a profit or at a loss.

President.—In answer to Question 20, you say 'we accept the view that before the war not more than 3 per cent. of the imports of the piecegoods from the United Kingdom competed directly with the production of Indian mills and that since the war the percentage has not been more than one per cent.' What are your grounds for accepting that view?

A. I might have taken this from the papers.

Q. We want somebody who can confirm the figures in the papers.

A. The goods from the United Kingdom are different from the mill made goods here.

Q. You say 'sheeting (16s warp and 16s weft) has been stopped by Japanese competition. Surely a good deal of it is still being made by the Indian mills.

A. In Ahmedabad it has already been stopped.

Q. Did they ever make it?

A. I think they are not making it now. Formerly they were manufacturing, before the war time.

Q. They were never making very much of it.

A. Now they are not manufacturing.

Q. Were they ever making much of it?

A. They were formerly manufacturing it in large quantities.

Q. You say they have given it up?

A. Yes; it has been reduced to a great extent.

Raja Hari Kishan Kaul.—You say 16s x 16s has been given up. Why? Was it because some other superior cloth began to compete with it?

A. Because Japanese goods were better in quality and cheaper in prices.

Q. Japanese goods which can be used for the same purpose are superior in quality and cheaper in price?

A. Yes.

Q. What about "rangati takas" ?

A. It means some dyed pieces. Here are some samples of the Japanese goods, No. 502 (striped shirting) manufactured by Maruima Menpu Kabushiki Kaisha. It is a 30 yards piece competing with Ahmedabad and Bombay mills. It is sold for Rs. 8-12-0. (The witness produced certain samples),

Q. In reply to Question 13 you say 'The present depression is due to foreign competition, scarcity and dearness of freight and reasons stated above'. We have been told that the depression in Ahmedabad is not due to foreign competition but is due to internal mismanagement.

A. I cannot say about mismanagement. I do not know about it.

Q. You do not think it is due to mismanagement ?

A. I do not know.

Q. You cannot express any views on it ?

A. I cannot express any views about the mismanagement. Regarding the expansion of the mills, still India can have more mills and they can manufacture more goods.

Q. There is a limit to the fineness of the cloth which the Indian mills can produce and there is a great deal of fine cloth imported from outside. As long as the Indian mills cannot produce cloth of that fineness the scope for fine cloth cannot be considered unlimited.

A. I do not agree. They can manufacture all counts of cloth. We import cloth from 30s to 40s—dhoties—30s warp and 40s weft. We can also manufacture it in India.

Q. Have you ever tried to work out how much demand there is for fine cloth above 30s and 40s ?

A. There is a small demand. Not so much.

Q. You think the imports from the United Kingdom are mostly of those counts, viz., 30s to 40s.

A. Yes.

Q. To that extent can the demand be met by Indian mills ?

A. I cannot say.

Q. You are manufacturing cloth higher than 30s to 40s ?

A. Very little.

Q. So to that extent the Indian mills are at present not equipped to meet the demand ?

A. Yes.

Q. I just want to clear up this point. In answer to Question 32, you say that Japan manufactures goods according to the requirements of India and keeps prices cheaper than Indian made goods and therefore they are able to increase their export business. Do I understand you to mean that whenever an Indian mill manufactures a particular sort which becomes popular, the Japanese begin to import cloth which is finer in quality than that cloth ?

A. I can explain that. Here are some samples. This kind of cloth was manufactured in the beginning by the Asoka Mill and they were selling at a very good price—Rs. 9-4-0 or something like that.

Q. What counts were used ?

A. 20s to 30s. And this quality is now manufactured by Japan. It is a good quality, it is durable and it is cheap. It is made of 30s. And now this kind of cloth is so popular throughout India, in Nagpur, in Muzaffarpur, Calcutta, Bombay and throughout Berar. I am exporting goods to Berar and I am visiting each and every village and see that every shopkeeper buys it, and they have stopped buying this kind of cloth from Ahmedabad.

Q. We were told that this was of a slightly higher count.

A. (Showing the sample) This is coarser.

Q. What it comes to is that the Japanese are sending out a cheaper variety which is superior in quality and which the people prefer to the local manufacture ?

A. Quite so.

Mr. Majmudar.—In answer to Question 30, you say that the more assistance is given to the mill industry the more it will flourish ?

A. It may be supporting the industry.

Q. To what extent ? You could go on giving anything the industry asks for ?

A. No. Regarding this exchange question if they are all suffering on account of the exchange policy, the import duty must be increased to that extent. A second thing is

when they are in want of money they do not get it from the Imperial Bank. Here the Imperial Bank is very reserved.

Q. The only thing that I wanted to know was as to whether you suggest a very high duty?

A. A high duty, and assistance in regard to money—what kind of assistance can be given by the Government.

Q. Then in regard to Question 33 can you give us the price of these sheetings for 1924-25 and now and how many qualities were manufactured?

A. I cannot give you the price just now.

Q. You will get it afterwards?

A. Yes.

Q. So the Japanese sheetings came during the years 1924 and 1925 also?

A. It was introduced during the war time—ten years back. It was in 1916 that Japanese sheetings were first introduced in Ahmedabad.

President.—When prices were very high?

A. When the prices of the Indian made and foreign made goods were very high, it was introduced by Japan at a very low price. There was a difference per piece of Rs. 2 or Rs. 3. It was at once very popular among the printers and now they are using the same Japanese goods though our goods are equal in price.

Mr. Majmudar.—What was the position in 1924-25? Were the mills in Ahmedabad manufacturing those qualities?

A. They were manufacturing, but in very small quantities, because the demand for Japanese goods was very great.

Q. How did the prices compare in 1924-25?

A. In the beginning there was a difference of Rs. 2. Now the price is nearly equal and in some cases 2 annas or 4 annas more.

Q. Do the Japanese sell at a higher rate?

A. No.

Q. It is popular even at a higher rate?

A. Yes, because the quality is good. It is liked by the customers.

Mr. Subba Rao.—They have got used to it?

A. Yes. In printing they use less colour.

Mr. Majmudar.—The Japanese cloth requires less colour in printing than the Indian make?

A. Yes. I have got this knowledge from the *cheepas*. I asked them why they preferred this and they say it requires less colour.

Q. Can you get us printed samples of both?

A. Yes, of Japanese and Indian.

Q. What is the weight of these Japanese *susis* and the Asoka Mill *susis* of 20s and 30s?

A. The Japanese weight is 8 lbs.

Q. And that of the Asoka Mills?

A. I do not remember the weight.

Raja Hari Kishan Kaul.—The width is not the same?

A. Nearly the same.

Mr. Majmudar.—Dimensions?

A. 27 × 24. This is 28 × 30.

Q. It is but natural that cloth produced out of coarser counts is cheaper than the cloth produced out of 20s and 30s.

A. People like this quality.

Q. Because it is coarser? The coarser cloth is always cheaper.

A. Yes.

Q. Therefore it is no wonder that the Japanese cloth is cheaper than the Asoka Mills cloth. I do not know the reed and pick.

A. This is 8 lbs. in weight.

Q. When the counts are coarser the prices are low. So you cannot complain that the Japanese are selling at a lower price.

A. They compete with this kind of cloth.

Q. Are there any mills producing any exact quality like this ?

A. I do not know. I showed these samples to some of the mills.

Raja Hari Kishan Kaul—In answer to Question 35, you say 'new mills established upcountry do not specially compete with Ahmedabad or Bombay mills.' Whom do they compete with ?

A. They have got their markets and we have got our markets.

Q. Don't you send your goods to Cawnpore, Lahore and other places ?

A. We are sending to Cawnpore.

Q. Is there no competition there ?

A. Not so much.

Q. All the cloth produced by them is sold in the market where you used to sell cloth ?

A. I think there is ample demand for Indian made goods if they are good in quality.

Q. What you mean is that their competition has no effect ?

A. No effect on us in Ahmedabad or Bombay.

Q. Then you say that Ahmedabad has no special advantage. Have you not got cheaper labour ?

A. There is an increase of 100 per cent. since the war.

Q. Do you know what the rate in Bombay is ?

A. Here one labourer gets Rs. 36 to 45 in a fortnight in a weaving shed.

Q. You can perhaps tell us what the rate of interest is ?

A. Not more than 6 per cent.

President.—You say that in 1914 the cost per spindle of establishing an efficient mill in Ahmedabad was Rs. 35 and that it is now Rs. 50. Where do you get these figures from ?

A. From the spinning master here.

Q. Has it not gone up much more than that ? We were given to believe that it has gone up very much more than that.

A. I asked him what will be the price now and what was the price before and I got these figures from him.

Q. You have no personal experience of the inside of mills. You have no technical knowledge of the mills ?

A. No.

Q. All your evidence on this point of cost of production has been obtained from other people ?

A. From my friends.

Mr. Majmudar.—You say "16,000 spindles and 300 looms or 15,000 spindles and 200 looms for a weaving shed only". How have you arrived at these figures ?

A. I have taken these figures from a spinning master.

Q. But a spinning master does not know anything about weaving ?

A. He said so.

Q. You do not know how he has arrived at these figures ?

A. No.

President.—I think you got these figures of weaving production from the Shri Rama Krishna Mills.

A. Yes, Sir. I have so many times had talks with other agents and other spinning and weaving masters and they say there is not much difference in weaving by the reduction of two hours. There is some difference.

Q. You know all about sales. That is your own special line. You say different systems are adopted by the mills in selling their products, and mention three systems,—selling through local brokers, through commission agents and through different commission agents selling in consuming centres. I want to know what the exact difference between these systems is.

A. Here in Ahmedabad they are selling through the local broker giving only 6 to 8 annas per cent. Some mills sell through commission agents. I was getting 2 per cent. as commission agent of Rama Krishna Mills.

Q. You sold all their cloth ?

A. No. On the cloth I sold. They had one agent in Calcutta. They were selling in Calcutta.

Q. When they sell through the commission agents, do the commission agents only get commission? They do not get profit?

A. No.

Q. There is not much difference then if you are selling through a broker and selling through a commission agent?

A. There is no difference. Sometimes the commission agents get good prices and sometimes the brokers.

Q. Why do brokers get $\frac{1}{2}$ per cent. commission and commission agents get 2 per cent.?

A. Because the commission agents have to incur other expenses. They have to keep an establishment at their expense. They have to go to Bombay and other centres for selling their goods and they have to incur all these expenses. The local brokers have not to spend anything.

Q. Who pays the commission?

A. The mills.

Q. Not the buyer?

A. No, not the buyer.

Q. So, if you sell a bale of cloth worth say Rs. 500, you get Rs. 10?

A. Yes.

Q. What does the buyer pay? Does he pay Rs. 500 or Rs. 510?

A. He pays Rs. 500.

Q. The same with the broker?

A. Yes.

Q. With your special knowledge of sales, can you tell us how far the depression has affected the cloth merchants?

A. On account of the depression they have no courage to buy in large quantities. They cannot hold large stocks. They are suffering losses year to year.

Q. They are buying from hand to mouth?

A. Yes.

Q. How long do they expect to go on buying from hand to mouth?

A. Unless prices are settled we cannot buy in large quantities.

Q. So you really have no idea. You cannot give us any idea of what the impression is as to the probable duration of the depression?

A. On account of the fluctuations I cannot say definitely.

Mr. Majmudar.—The commission agents have to make up the losses due to the failure of the merchants?

A. They have to suffer the losses of the merchants just like guarantee brokers.

President.—Commission agents are like guarantee brokers?

A. Yes.

Q. They have to suffer the losses?

A. Yes.

Q. Does not the broker do that?

A. Sometimes, but they are not responsible to that extent.

Q. Is that the reason why the commission agent gets a higher commission?

A. Quite so.

Mr. Majmudar.—Do not these commission agents sell cloth on long credit? In answer to Question 90 you say that long credit sales are not prevalent.

A. The commission agents are only two or three.

Q. Only two or three mills sell through commission agents?

A. Yes. All the rest sell through local brokers.

Q. All the commission agents do sell on long credit?

A. One month's credit to those merchants who want it. Some merchants would not like to have credit.

Q. Because they have got money?

A. It is a question of credit.

Q. They are afraid that their credit will suffer?

A. Yes. They do not like the idea as it is not the general system.

President.—Now, we come to the suggestions put forward by the Bombay Millowners, Mr. Sutaria, why do you prefer the abolition of the company income-tax? What justification is there for it?

A. They are in favour of the abolition of super-tax. I am not in favour of the abolition of super-tax.

Q. And why in favour of the abolition of income-tax?

A. Companies must pay some tax. Income-tax is refundable. Super-tax is not.

Q. Is there a special company income tax?

A. You take income-tax from the companies and you refund to the respective shareholders according to their income.....

Q. But you do that now?

A. We are doing that now. By paying super-tax nothing will remain further.

Q. I do not understand the point. You prefer the abolition of the company income-tax?

A. On the mills.

Mr. Majmudar.—The practice is this. Supposing a man gets Rs. 100 as dividend from a mill; as the mill pays income-tax on the whole amount the shareholder gets a certificate that income-tax has been paid on the Rs. 100, and on the strength of this certificate he gets a refund of the amount of income-tax paid by the mill.

President.—What you mean is that the income-tax should not be collected from the company but from the shareholders?

A. Yes.

Q. It is a question of collection. It has nothing to do with the industry really. It would not make any difference to the depression.

A. While preparing their balance sheets and settling their income they are deducting their income-tax. The mills show less profit.

Q. It does not really make much difference. Somebody has to pay. As regard railway facilities, you say all goods should be sent in covered wagons. Surely all piecergoods are sent in covered wagons?

A. Not always. Very often they are not sending. They do anything they like.

Q. I do not understand your answers to Questions 104, 107 and 109. In replying to Question 104 you say "I am in favour of an additional duty to be imposed on yarn." Then in replying to Question 107 you say "I do not propose to impose additional duty on all kinds of yarn." Then you say in reply to Question 109 "I am not in favour of any duty on yarn"?

A. I can explain that. There is the qualification 'which compete with Indian manufacture'.

Q. Then you say "I am not in favour of any duty on yarn"?

A. I am in favour of imposing an additional duty on yarn below 30s. I say that in answer to Question 104.

Q. There is very little yarn coming in below 30s now. It would not have much effect if you did have a duty.

A. Yarn above 30s and 40s is used in large quantities by handlooms.

Raja Hari Kishan Kaul.—You say that super-tax need not be abolished.

A. If income-tax cannot be abolished, then super-tax must go.

Q. But the abolition of the income-tax on companies does not help you in any way, because in any case the income-tax on that income must be paid. I do not understand how it helps you.

A. Income-tax is also paid by the mills, and therefore there will be some great profit to the mills.

Q. Yes, there will be some saving, but the shareholders will have to pay more.

A. The shareholders can give taxes from their income. If they have got income they should pay. I say the Central Government when collecting their revenue should transfer the burden from the mills to the shareholders. I do not think that Government will like to reduce their income. They won't.

Q. What is your object in not wishing yarn to be assessed to import duty? You say "I am not in favour of any duty on yarn." Do you give up that position or do you still maintain that position?

A. If necessary you can put a duty on yarn below 40s. But my information is that there will be no difference, because here in India except the Bombay Presidency, say

for example in Central Province, there are so many handlooms working on foreign and Indian yarn which is cheaper and which is good in quality and they are not competing with the mills.

Q. And there are also mills which are manufacturing cloth from imported yarn ?
A. Very few.

Q. You have not their interest at heart ? You are speaking from the point of view of handloom industry ?

A. Yes. I can show you samples of cloth made by handloom, Indian mills cannot manufacture this kind of yarn. This seems to be 50s and 60s. I have brought only two samples.

(The samples were handed over to the Board.)

Q. You think that the handlooms are manufacturing from counts below 40s ?
A. Yes. They are using about 34s or 40s imported yarn.

Q. That is why you think that it should not be taxed.
A. Yes. As cotton is useful for mills, yarn is useful for the handlooms.

Q. In reply to Question 112, you say " If there is no duty on yarn there will be no effect on overseas markets as the export trade of India in piecegoods is not so much." The export trade in piecegoods is greater than the export trade in yarn.

A. Imported yarn is used by the handlooms mostly, nearly 90 per cent. of it. Goods made by the handlooms are not exported. They are consumed in India.

Q. I do not understand what you mean by saying that it will have no effect on overseas markets " as the export trade of India in piecegoods is not so much. "

A. If there is no duty on yarn it will not affect it.

Mr. Majmudar.—You say " The railway must issue a temporary receipt for the goods on the very day that they get them in the compound. " Why do you want that ?

A. Here they do not give receipts for a very long time, for three or four days. If we get our receipts, we can send them to our customer.

Q. How can they give a receipt unless the bale is put in the wagon ?

A. In Bombay we are given it the same day, whether the goods are loaded or not. If they issue the receipt they will try to load the goods the same day.

Q. Is it only in Bombay ?
A. I do not know of any other place.

Q. Do you suffer in any way by the railway not issuing a temporary receipt ?
A. Sometimes we lose our bales and unless we get our receipts we cannot be sure.

Q. Does not the railway pay you for the loss ?
A. Very often they do not pay. If we fight out the case and file a suit they will pay.

Q. They do not admit the claims themselves ?
A. No ; they do not admit it. There is the railway risk and owners' risk and there is much difference.

Q. In answer to Question 108, you say " Internal competition between Indian mills would operate to restrict the increase in the price of yarn and cloth throughout the whole of India, " whereas in reply to Question 35 you say " New mills established upcountry do not specially compete with Ahmedabad or Bombay mills. "

A. I talk of internal competition. Ahmedabad mills compete internally. Bombay mills compete internally.

Q. You say internal competition between Indian mills.
A. Between local mills.

Q. You mean upcountry mills do not compete with Ahmedabad mills and Ahmedabad mills with Bombay and so on ?

A. Not so much.

Q. Then the restriction in prices will be only at those places where there are many mills ?
A. Yes.

Q. At other places there will not be much difference ?
A. There will not be much difference.

Q. It is not very clear how that could happen. If the price at one centre, say if the price at Ahmedabad is reduced, the price at Berar is bound to be reduced.

A. If there is much difference, it will affect prices. But the Ahmedabad price will not affect the price in Berar. They are manufacturing quite separate things.

Q. But all the same, they keep in touch with the market conditions at the various centres.

A. There is much difference between Ahmedabad mills and other mills. The quality is quite different. The customers are different.

Q. In the case of Japanese goods their quality is different. But still when the price of Japanese goods goes down, the price of the Indian goods goes down. The same thing is sure to happen in the case of Indian mills. If the price of one quality of one mill goes down the prices of other qualities are affected.

A. In upcountries there are one or two mills and they have their own customers.

Q. Now the mills upcountry are increasing. For example, Baroda has three mills, Broach has two.

A. Broach sells goods in that centre to a great extent. I was purchasing there.

Q. You know the Broach Fine Spinning Mills ?

A. Yes. Only Broach Fine Spinning Mills stuff was selling in Bombay.

Q. It does not always happen that it sells the whole of its produce in one district only.

A. Not the whole, but a great.

Q. Therefore the prices are bound to be affected by competition. If there is good demand they are not much affected.

Witness No. 89

Messrs. KASTURBHAI LALBHAI & Co., AHMEDABAD

Written Statement dated 14th September 1926

SECTION I

General

1. The depression in the cotton trade is of a general character, though it varies in different centres of the industry. All mills in the same centre feel the depression.

2. (a) World factors do contribute to the present depression inasmuch as some of the European countries who are large consumers of Indian raw materials, have not fully recovered from the after-effects of the great war. If the purchasing power of these European countries is recouped, the Indian cultivator will obtain a better price for his raw produce, and thereby be able to buy more cloth. Prices of food grains have not risen so high as cotton manufactures have done. This will be evident from the index prices taken from *Labour Gazette* which are as under :

Year	Food grains	Cotton manu- factures
July, 1914	100	100
1922	152	255
1923	119	211
1924	133	232
1925	133	208
1926	141	180

(b) The exchange policy of the Government of India which gives a bounty of 12½ per cent. to foreign imports.

(c) Inefficient labour and unfair railway freights.

3. Causes such as world factors are of a temporary character, while others such as exchange policy and unfair foreign competition are of a permanent nature.

4. Yes, some of the mills may be compelled to close down.

5. Old mills started with small capital, and possessing large reserve funds show a profit, while some make both ends meet, and some work at a loss.

6. A fall in the price of raw cotton will not necessarily bring prosperity to the industry, if the chief causes of the depression are not removed.

7. Owing to the continued falling prices of raw cotton, yarn, and piece-goods, the merchants have no faith in the present level of prices, and their purchases are of a hand to mouth character.

8. The fall in the price of cloth has corresponded to the fall in the price of raw cotton, though it may not have corresponded with the fall in the prices of other commodities. Reference is invited to index prices given in paragraph 2.

9. The purchasing power of the ryot has much decreased inasmuch as the prices of finished goods have not fallen as much as those of raw produce, as will be evident from the index prices given.

10. No.

11. Millowners do not seem to have made any serious effort :

(1) To investigate and remove the causes that led to the loss of some of the principal foreign markets.

(2) To explore possibilities of opening new outlets.

(3) To establish research institutions and technical colleges, etc.

These however cannot be said to be the chief causes of depression, though efforts in the above directions would have helped the industry to some extent.

12. The lists of mills which closed down, went into liquidation, or changed hands owing to depression in the industry are not quite correct. None of the mills given

in the lists can be said to have closed down, to have gone into liquidation, or to have changed hands, simply because of trade depression. In one case at least, the mills have resumed working under the same management. Some of these concerns were boom floatations, some possessed old machinery, and some were short of finance. Most of these concerns are working under new management.

However it can be said that if there had been no severe depression in the trade, these mills could have kept working under old management, as sufficient funds would have been available.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. The loss of the market in China created a surplus of yarn, which could not be exported elsewhere, and therefore the demand for home-spun yarn was overwhelmed by supply. Naturally, therefore, looms were increased to consume this surplus of yarn. The loss of the China market may be attributed to the rapid expansion of the textile industry in China, and the successful competition of Japan in China.

14. The Bombay Millowners' Association have given these figures, which show that the depression is due to Japanese imports in particular and other imports in general.

15. Yarns : Counts up to 40s.

Piece-goods : Shirting, drills, sheetings, and dhoties in grey, and shirtings and dhoties in bleached. Goods made from 12s to 40s.

16. Qualities differ.

17. We have learnt from a reliable source in Japan, that Japanese yarns and piece goods are being dumped in this country. Spinning and weaving mills in Japan are so organised that a particular mill works on particular sorts for particular markets. Prices for the home market are kept higher than those realised from sales in foreign countries such as India. Our friends tell us that they are quoted separate prices for goods meant for India, and that there is a heavy penalty, if the goods are resold in the Japanese market. That spinners and manufacturers who cater for the home market naturally reap benefits from higher prices, but a certain percentage of these benefits have to be given over to the controlling association, which gives rebate, and allowances to spinners and manufacturers who produce for foreign markets, and who therefore suffer loss at times.

We support the contention of the Ahmedabad Millowners' Association that regular dumping in 2/4s was resorted to in 1923, when that yarn was placed in the Indian market from Rs. 1-2 to Rs. 1-4 per lb., while the cost of manufacturing the same yarn in India was about Rs. 1-8 per lb. The cotton price during the year 1923 was Rs. 510 per candy, when this yarn was being sold at from Rs. 1-2 to Rs. 1-4 per lb. Today when the cotton has dropped to Rs. 340, the price of that yarn still is Rs. 1-4 to Rs. 1-5 per lb., English 2/40s at this period being sold at Rs. 1-9 to Rs. 1-10.

In piece-goods grey sheetings called "C" and "Nine dragons" measuring 36" x 30 yards, was selling at about Re. 1 to Re. 1-1 per lb., when the Bombay mills could not manufacture the same at or below Rs. 1-4. We tried various mills in Bombay, and none could manufacture the sort at the price of the imported article. We tried in Lancashire, and Lancashire also could not compete.

This article and a similar one from Chinese mills gave a deadly blow to the local manufacturers in grey. Sheetings are consumed in large quantities by local and up-country printers.

19. To correctly determine the nature and extent of competition of imported yarns with Indian yarns, it is necessary to take into consideration the yarn offered for sale by Indian mills, with imported yarns. We consider the competition very serious inasmuch as imports in counts 1 to 20s suddenly jumped to 13 millions lbs. in 1922-23 from 7 millions lbs. in 1921-22, and 1½ million in 1913-14. Out of these, 12 millions were received from Japan as against 5 millions in the preceding year. In 1921-22, the United Kingdom maintained her position in higher counts, but Japan practically dominated the market in lower counts, in which she is a strong competitor with Indian mill-made yarns. Of the total imports in 1922-23, which rose to 60 millions from 57 in 1921-22, 47 in 1920-21, and 44 millions in 1913-14, 52 per cent. came from the United Kingdom, and 45 per cent. from Japan.

As Japanese imports are increasing in coarser and medium counts, we fear the local industry will be paralysed, if the imports are not checked in coarser and medium counts.

20. Though it is difficult to estimate the exact percentage of the imports of piece-goods from the United Kingdom, competing directly against the production of Indian mills, we confidently say that the competition from the United Kingdom is the least. The qualities imported from the United Kingdom either in grey, bleached or fancies, are hardly produced in this country, though no doubt English goods in medium counts are imported. However the sizing in grey, and bleaching and finishing in white goods of English make are so superior and prices so high, that there can be no competition between Indian and English products.

21. We think possibly more than 70 per cent. of the imports of piece goods from Japan compete with the production of Indian mills directly. The reason being that Japan produces grey goods in coarser and medium counts, which sell much cheaper than Indian goods.

22. We accept the figures that about 70 per cent. of the imports of piece-goods from countries other than United Kingdom and Japan, compete directly with the production of Indian mills.

23. We fear imports from the United Kingdom, Japan and Italy, will increase if exchange is fixed at 1s. 6d., giving an advantage of 12½ per cent. to foreign goods. Moreover, the depreciated exchanges of Italy and Japan will help those countries still more to compete in the Indian market.

24. Imported piece-goods from Japan severely compete at present with grey shirtings, and drills from the United Kingdom and recently Japan has been importing white shirtings, and grey Calcutta dhoties. We think competition between Japan and the United Kingdom will increase in future.

25. Competition from Japan has been accentuated by the fall in Japanese exchange, but we fear, even when Japanese exchange becomes normal, the Japanese menace in yarns and piece-goods will not decrease.

26-27. Competition of imported goods from Italy and Belgium is also due to the depreciated exchanges of those countries. If the rupee exchange is fixed at 1s. 6d., the competition will not cease but will increase.

28. In Japanese mills, women are largely employed, while Indian mills mostly employ men and children. Women and children in Japan work also at night, which is not allowed in India. Labour in Japan and western countries is very skilful, efficient, and organised. In India on the other hand, labour is illiterate, inefficient, and disorganised. Labour saving appliances are used in western countries, which we cannot do owing to unskilful labour. So long as these differences in conditions of labour continue, the competition of imported piece-goods is facilitated.

29. We cannot say definitely how far State assistance in foreign countries is responsible for the present competition in imported yarn and piece-goods. But we know on reliable authority that in Japan, shipping, purchase of cotton, production, distribution and sale of yarns and piece-goods are controlled by an association.

30. Exporting houses in foreign countries do get credit facilities. Export credit insurance schemes in the United Kingdom are well known.

It is a matter of common knowledge that Indian buyers often get 60 to 90 days credit facilities. Moreover long term warehouse facilities largely help to promote the imports of foreign goods.

31. Exporters of foreign piece-goods do pay much attention to the requirements of Indian middlemen, and consumers, in regard to matters such as finish, quality, packing, etc., and this does facilitate foreign imports to a small extent.

32. Formerly, Japan paid attention to grey goods only, and that mostly in sheeting, shirting, and drills. Recently bleached shirtings, and grey dhoties are being imported.

33. Indian counts from 6s to 20s are ousted from the Chinese market by the Japanese yarns. Japanese yarns in 30s, 32s, 40s, and 2/42s have replaced the Indian yarn in the home market.

34. It is the cheaper and coarser kind that sells easily in the Indian market. No tendency for finer cloth is noticeable in the home market.

SECTION IV

Mill Management

40. Unless an industry is carried on with reasonable efficiency, and economy, it can lay no claim to State assistance. This criterion is satisfied by mills in India, whose agents are alive to the interest of their companies.

41. The managing agency system is defective inasmuch as it is hereditary. It carries with it all advantages, and disadvantages that are generally found in a hereditary institution. If the agent of the company places the interests of the company above all things else, the company prospers, otherwise it suffers. As a remedy we suggest that the managing agency of an individual or a firm should be legally terminable after a definite period of 15 or 20 years. After the managing agency system ceases, the management should be handed over to a manager responsible to a vigilant body of directors. There should be at least five directors, two of whom should be technical men.

42. We prefer commission on profits to that on sales or production. It is an open fact that if commissions are charged on profits, the management will be more economical, and efficient. In days gone by, when capital was shy, and competition not so keen, commissions on sales or production might have been necessary to induce people to undertake industrial enterprises, and invest funds therein. But now the times have changed. Capital is forthcoming wherever sound investments are offered, and the pioneers of the textile industry have sufficiently reaped the fruits of their labour, and ability. Hence there is no reason why the old system should prevail particularly when the industry is threatened with ruin.

43. Managing agents do not openly receive commission on purchases of cotton, mill stores, machinery, and coal, on sales of cotton yarn, and piece-goods, insurance, advertisements, and other such activities. But if they or some of them do it, it cannot be proved.

The question of minimum commission irrespective of profits does not arise as most of the Ahmedabad mill agents charge their commission on sales or production.

44. Some managing agents are associated with other business, and it is but natural that in proportion to the time and energy they spend upon other business, they will attend less to the mill management.

SECTION V

Mill Finance

45. Overcapitalisation has not affected Ahmedabad mills, though it has affected some mills in Bombay.

46. Extensions of mills, and replacement of machinery, when prices were high, are not important factors in the depression of Ahmedabad mills.

47. There have been very liberal distributions of profits by certain mills in Ahmedabad between the years 1917 and 1923. But this is generally due to the shareholders who always clamour for fat dividends.

48. No.

49. At times working capital is obtained by offering commissions on cotton, stores, yarn, or cloth. Short term loans are prevalent to some extent, though the system is not sound.

50. The investment of funds in allied concerns is not bad in itself, provided proper care is taken.

51. After the boom period, mills experience much difficulty in securing adequate finance. This is due to loss of confidence of investors in the textile industry which is passing through depression.

52. We agree with the statement made by the Ahmedabad Millowners' Association,

SECTION VI

Costs of Production

(e) Sales

89. Most of the local mills make their sales through brokers in the local market, and commission agents in up-country markets, while a few depend upon their salaried salesmen. We prefer the former to the latter, because brokers and commission agents can have their own selling organisation. Brokers who are merchants, and act as buying agents for up-country customers, have been able to show better results, inasmuch as they have their own in up-country centres, whose requirements they know, and to whom they give long term credits.

90. We regret we do not understand the question fully. Usually whole-salers' and retailers' profits plus transport charges are added on to Bombay godown prices of imported goods, before the goods reach the consumer. Similar profits and charges are added on to mill-made goods, sold mill delivery. We do not think there is any variation in these profits or charges in either class of goods, from what they were in 1913. The amounts of profits added on the original *ex-mill*, or *ex-godown* prices depend upon the nature of the goods in each class.

91. The system of long term credit is not prevalent in Ahmedabad. A rigid system of 12 days payment is recently enforced. This adversely affected sales. If reasonable long term credit is granted to offset the usual facilities enjoyed by importers and dealers in imported goods, there will be some improvement in sales.

92. Dealers in piece-goods do experience now greater difficulties in obtaining finance than in pre-war times. Owing to declining prices, merchants have suffered severe losses, and this has curtailed their holding capacity. Consequently their purchases are much restricted. Formerly dealers in piece-goods here used to enjoy 25 to 30 days credit from mills. Now when bad times have set in, those facilities are curtailed, and this has certainly added to the general depression in the trade.

SECTION VII

Remedial measures

(a) Suggestions put forward by the Bombay Millowners' Association

96. We are in favour of the proposal that the customs duty on machinery and mill stores should be abolished. We also agree with the difference of 2 to 3 pies on the cost of yarn consumed in the manufacture of cloth, shown by the Ahmedabad Millowners' Association.

97. We are against the abolition of company super-tax.

98. We favour the abolition of the town duty of Re. 1 per bale levied in Bombay.

99-100. We agree with the replies given by the Ahmedabad Millowners' Association.

101. We consider it very necessary that the Government of India should negotiate with the steamship companies for reduction in freights from Bombay to Calcutta, Madras, Colombo, Singapore, Penang, Zanzibar, Mombasa.

102. It is essential that the Government of India should appoint trade commissioners in the principal export markets of Indian raw materials, and finished goods. Their selections should be made from suitable Indians fully conversant with the different lines of export trade. It goes without saying that if suitable appointments are made, Indian export trade, particularly of cotton goods, will be stimulated, as manufacturers and exporters will be more able to study the requirements of the export markets.

103. Overseas markets can be recovered, extended, and opened by railway, and steamship freights, better banking facilities, concession rates to exporters, and generally by adopting those measures which would lighten the burden on industry.

104. We favour an additional duty of 13 per cent. *ad valorem* on yarns and piece-goods of all counts and description, imported from foreign countries, save the United Kingdom. Piece-goods of all kinds should be subject to the present 11 per cent. duty, and yarns below 40s count should be subject to the present 5 per cent. duty. Counts of 40s and above should be duty free.

105. Alterations in the tariff indicated above should be revised every 10 or 15 years.

106. By the alterations specified above, a temporary increase in the price of coarser yarn, and grey cloth of coarser counts may result, but this rise will disappear owing to internal competition, which will grow further, if more margin is left to home spinners and manufacturers. The consumers of Indian goods will not be thus affected to any great extent.

107. Increase in duty will lead to greater sales by Indian mills at least in proportion to the displacement of foreign goods.

108. Internal competition will restrict higher prices throughout the whole of India.

109. Increased import duty should not be levied if the consumers are permanently made to pay higher price, and if the home industry is not likely to supply the country's requirements at competitive prices immediately or within a reasonable time.

110. The raising of the import duty to 11 per cent. did not raise the prices of cloth or check the consumption, as the effect of the duty was nullified owing to higher sterling exchange, or depreciated currencies in exporting countries.

111. Alterations in the duty as suggested by us will not restrict the consumption. The year 1913-14 was an abnormal year.

112. If the diversion of imported yarn and cloth affects the state of Indian yarn and cloth in foreign markets, special measures will have to be adopted to keep up foreign markets. But this consideration should not deter us at present.

113. A wholesale duty of 18 per cent. on imported yarns will totally destroy the handloom industry. Most of the yarns in count 40s and above, are consumed by the handloom industry. As cotton is to spinning mills, so yarn is to handlooms. It will be the most unwise step if 18 per cent. duty is levied on yarns of 40s, and higher counts. The handloom industry has been carried on from times immemorial and it supports a large number of men. The spinning mills in this country are not producing counts of 40s and above. A few solitary efforts are being made, without much success to spin finer counts, but even this production is not offered on the market. The contention that heavy import duty on counts 40s and above will give an impetus to local spinners to spin finer counts is far fetched. In counts below 40s, Indian spinners have got all the natural advantage in the shape of raw material, market, etc. If unfair competition from Japan is nullified, they should be able to withstand the competition of the United Kingdom whose coarser counts are subject to the present 5 per cent. duty.

114. We support *ad valorem* duty on all kinds of cloth as imported from all countries, on all kinds of yarns imported from countries other than United Kingdom and specific duties on yarns imported from United Kingdom as specified in paragraph 104.

115. We do not consider additional protection for making allowances for depreciation to plant and machinery is necessary.

(b) Other suggestions

116. We do not favour an export duty on cotton, as it will reduce the income of cotton growers in proportion to the duty levied as cotton is not the monopoly of India. The area under cotton will be reduced in proportion to the better prices available in other crops. The price of cotton in India will be reduced to the extent that foreigners displace Indian cotton by other kinds. Cotton prices in overseas markets will suffer to the extent that other cottons are available comparatively cheaper.

117. Though it is difficult to estimate the exact proportion of displacement of Indian cotton by other cottons, we think that displacement will surely take place particularly when strong attempts are being made in other countries to grow cotton.

118. We agree with the statement of the Ahmedabad Millowners' Association.

119. We consider that better organisation and co-operation among mill agents in matters such as standardisation of lines, will lead to better results. Mills should divide among themselves different markets. Some should work for overseas markets. Others for home markets. Home markets should be divided also. Even in specified markets, some mills should work in grey, some in bleached and some in coloured goods. After markets and sorts are divided, mills should stick to the special qualities they produce, as far as possible. If qualities have to be changed, owing to adverse conditions, the mills should be able to produce exactly the same quality even after ten years. It is this standardisation of sorts that can help to promote the export trade. If necessary, mills working for overseas markets may be given rebates by the association.

120. If India could spin finer counts satisfactorily, the country will be much benefited but this is difficult owing to climate, and inefficient labour.

121. The reply is given under paragraph 119.

122. Ahmedabad mills have been doing their best in this respect.

123. Local mills have been producing bleached and dyed goods though not printed.

124. No appreciable effect of the remission of Excise duty is felt in the present severe Japanese competition.

Witness No. 89

Messrs. KASTURBHAI LALBHAI & Co., AHMEDABAD

*Oral Evidence of Mr. C. B. Mehta recorded at Ahmedabad on the 17th
September 1926***President.**—What is your special connection with the cotton industry ?

A. We are practically looking after the Rajkot State cotton mills and again we are acting as merchants, brokers and importers.

Q. Are you the Managing Agents for those mills ?

A. No; we act as buying and selling agents and practically the whole management is left to us.

Q. Is your mill a member of the Ahmedabad Millowners' Association ?

A. No.

Q. How many spindles and looms has it got ?

A. It is a weaving establishment at present.

Q. How many looms has it got ?

A. 150.

Q. How long ago has it been started ?

A. It is an old concern. But it has come into our hands for the last 12 months.

Q. When was it started ?

A. About 20 years back.

Q. Who was the Managing Agent ?

A. There is no Managing Agent as the mill is owned by the State.

Q. What cloth do they turn out ?

A. Grey cloth, bleached, in coarser counts.

Q. Where do you get your yarn from ?

A. Till now from the Ahmedabad mills. But as it is not profitable we are now importing English yarns.

Q. You find those are cheaper ?

A. Yes; comparatively we find that the English yarns are cheaper.

Q. How does the price compare ?

A. We look to the quality of the yarn, to the transport charges and other things and we find that the English yarn is better than Indian yarn. We have to pay heavy transport charges on Indian yarns.

Q. What difference does that make ?

A. The English yarn we receive on cops but the Indian yarn we have to get on beams and bobbins.

Q. Why can't the Indian mills spin their yarn on cops ?

A. They have not got that facility. Only those mills which have mule spindles can supply yarn on cops and even where there are mule spindles nobody could supply them satisfactorily. Even when we were buying yarn on bobbins we found many complaints, whereas by using English yarn our task is much facilitated.

Q. What counts of yarn are you using ?

A. 40s. to 80s.

Q. Is the mill making any profit ? How is it doing ?

A. It has ceased to make any loss. While we were working on Indian yarn, we were having tremendous losses. But on English yarn we have stopped losing though we are not making much profit, we are making both ends meet.

Q. Since when is that ?

A. Some four months back.

Q. You say you 'have learnt from a reliable source in Japan that Japanese yarns and piece-goods are being dumped in this country.' What was your source ?

A. That is because we are importing Japanese yarn and piece-goods.

Q. To what extent ?

A. To the requirements of the local market.

Q. How much business in Japanese goods do you do in a year ?

A. About a lakh and a half.

Q. Can you let us have some samples of the Japanese goods you are selling here ?

A. Yes.

Q. And also let us know at what prices you sell them ?

A. Most of the qualities will not stand comparison with local goods, particularly piece-goods.

Q. How do you mean ?

A. Because the counts are different, the sizing is different and the texture is totally different. We have tried many experiments in Ahmedabad as well as in Bombay and we find that no mill can compete with Japanese goods. We selected one quality and I have mentioned the name of that quality—what is known as C and 9 Dragons.

Q. There are two qualities, C Dragon and 9 Dragon. They are not the same. Are they ?

A. Only the stamps differ ; otherwise the qualities are exactly the same. There is another make from the Japanese mills, what is known as Kunja. It is this particular quality that has affected the local production in sheetings.

Q. Do you know what the counts are of the yarn from which the C Dragon is made ?

A. 14s. to 16s.

Q. You say these sheetings were selling at Rs. 1-1-0 per pound in the Bombay market. When was that ?

A. I think it was in 1923 or the beginning of 1924.

Q. You say that the Bombay mills could not manufacture at or below Rs. 1-4-0. Can they manufacture it at or below Rs. 1-4-0 now ?

A. Now the Japanese make is selling at 0-14-0 a pound whereas I do not think it is available here below Re. 1.

Q. Are you selling any of it here, C Dragon and 9 Dragon ?

A. No. At times we are selling the other Chinese make which is more popular in Ahmedabad.

Q. What is it selling at ?

A. 14 annas per pound.

Q. Can you let us have some of that ?

A. Yes ; I can supply you samples of that. The local printers are using this particular quality.

Q. Do you also deal in Indian piece-goods ? Do you sell your own mill products ?

A. Yes. We are acting as selling agents to another mill and besides we have got our retailshops.

Q. How do you consider the quality of Japanese goods compares with the quality of the Indian goods ?

A. Supposing we want to have a quality from Indian mills with the same counts of yarn and the same reeds and picks, you will find that the Japanese quality is a little superior and cheaper in price.

Q. Do you import your Japanese piece-goods direct from Japan ?

A. Yes.

Q. Not through a house in Bombay ?

A. No. We import direct from Osaka.

Q. Do they give you any special treatment in regard to credit or any special facilities of that kind which you would not get from an Indian mill ?

A. They are giving us sixty days or ninety days at times.

Q. That is usual in international business.

A. Yes.

Q. You get the same terms from England, don't you, for your English yarn ?

A. Yes : we get even better facilities from England. The Japanese trade lies in the hands of the Japanese Houses.

Q. Do you import any piece-goods from the United Kingdom ?

A. Yes.

Q. Sheetings ?

A. No. We import white shirtings.

Q. Have you any idea of the counts of yarn from which these shirtings are manufactured ?

A. Yes.

Q. What will they be ?

A. From 24s. warp and 32s. weft.

Q. From the United Kingdom ?

A. Yes.

Q. So there is an export of cloth of counts under 40s. from the United Kingdom ?

A. We particularly selected this coarser quality. We find even in the coarser quality, that although the texture is similar to what we produce here, the sizing, bleaching and finishing are superior and they charge extra rates.

Q. Can't you get these shirtings you get from the United Kingdom as good and as cheap from Japan ?

A. No, because they have not made sufficient development in bleaching. They have specialised in grey goods, though they have recently imitated Liepman 1,500 in white shirtings. It is manufactured in Belgium or Holland.

Raja Hari Kishan Kaul.—You say prices for the home market are kept higher than they are in India. Have you any basis for that ?

A. I had a personal talk with a shipper when he came to Ahmedabad. In a letter he wrote to me that there were certain things about Japanese trade which could not be understood from a distance. He told me that there was an association and that the association controlled exports as well as the purchases of cotton.

Q. The Spinners Association ?

A. The Spinners Association and the Manufacturers' Association, both I think. There might be other associations regulating the business of piece-goods as well, because this matter related to piece-goods.

Q. What did he tell you ?

A. He said there are separate prices for export market and for home market, and that if a contract was made with us they must ship things and they cannot sell them in the home market.

Q. He told you that the prices in the home market were higher than the foreign exports ?

A. Yes.

Q. Did he give you any instances—about any particular goods selling at say Re. 1 per pound in Japan, the export price being 14 annas ?

A. He gave the instance of 2/42s. in yarn. He said the price was one anna more than what he got in this place.

Q. What was he ?

A. He was a shipper.

Q. Japanese shipper ?

A. Indian shipper.

Q. Had he been to Japan ?

A. He has got a permanent office there.

Q. You refer to lower counts here. Do you mean lower counts below 30s. or count between 31s. and 40s ?

A. My idea was below 40s.

Mr. Subba Rao.—In answer to Question 11, you say "Millowners do not seem to have made any serious effort to investigate into and remove the causes that led to the loss of some of the principal foreign markets." Have you any idea yourself as to what causes led to the loss of these markets ? What markets have been lost ? Have you any idea ?

A. Penang, Cairo, Egypt, Singapore.

Q. Singapore ? I will give you the figures. In the last 15 years the grey goods were reduced from 450,000 yards to 434,000 yards. Coloured goods have risen from 10 million yards to 22 million yards.

A. What was the decrease in the grey goods due to ?

Q. That is different. You say the market was lost.

A. Because the Indian production is mainly composed of grey goods.

Q. The point is this. You say the market is lost. The market has merely changed its taste from one kind of Indian product to another.

A. I looked to the various markets and that was my impression. If you were to examine all the export markets that receive Indian goods, you will find that most of the markets were being lost,

Q. But your exports of cloth have risen from 70-80 million yards to 180 million yards.

A. Perhaps you are not taking into consideration the increase in production in the Indian mills.

President.—That does not mean that you are losing your market.

A. But what is the proportion ?

Mr. Subba Rao.—You will find the proportion of exports is not very different from the increased proportion of production. You find the yarn exports have fallen but not the cloth exports.

A. I will look up the figures again. I have also received reports from those markets that Indian piece-goods were falling out on account of Japanese competition.

Q. Will you put in those reports ? Will you give us extracts from those reports ? We would like to have them. It is possible some markets have been contracting ; but I would like to know your data for making that statement.

A. Yes.

Q. Then, what do you suggest to develop these markets ? What do you think should be done by the millowners to increase the trade in these markets ?

A. They could have sent deputations to enquire into the condition of the markets, as to what qualities are favoured there and what are not favoured.

Q. And you think they have not done it so far ?

A. Yes.

Q. In answer to Question 104, you say 'we favour an additional duty of 13 per cent. *ad valorem* on yarns and piece-goods of all counts and description, imported from foreign countries, save United Kingdom piece-goods of all kinds should be subject to the present 11 per cent. duty'. It is a sort of Imperial preference. That is on all foreign countries except the United Kingdom ?

A. Yes.

Q. What is the idea ?

A. The idea is this ; that piece-goods imported from United Kingdom do not compete with Indian production.

Q. To any extent ?

A. If at all, they compete to a very limited extent.

Q. What kind of cloth from the United Kingdom competes with Indian cloth ?

A. In white piece-goods there is hardly any competition. In printed goods there is no competition from any country.

Q. In grey goods ?

A. From Japan.

Q. You want to exempt England from your high duties, because there is no competition between English and Indian goods ? I am asking you whether grey goods do not compete to any extent with grey goods made in India ?

A. Not to a very appreciable extent.

Q. Where will you put the percentage ?

A. It is very difficult to get it. No transaction could take place in English grey shirtings through us.

Q. English grey shirtings do not sell in our country ?

A. Not to a very large extent. Unless the consumer specially wants English stuff they would not go in. If he wants better qualities he goes in for the Japanese and for cheaper qualities he goes in for the Indian.

Q. So the English goods are lower in quality than the Japanese ones ?

A. No. It is not lower in quality but is very high in price.

Q. In point of quality ?

A. In point of quality too.

Q. In any case you propose to exempt English imports from this higher duty ?

A. Yes.

Q. Then would not the position be met by putting a duty not on goods from any one country or from countries generally but on certain lines of goods that competes because English goods do not compete with Indian goods ? Therefore why not make a broad classification of goods that compete with Indian goods and tax them ?

A. That may apply to all foreign countries.

Q. Yes.

A. But even in that case, I think the classification will have to be made separately for separate countries. Japanese are not producing coloured piece-goods to an appreciable extent.

Q. Not sending or not producing ?

A. Not producing for foreign markets, but only now for the last six or eight months we have been watching that they have made a beginning. So if you make a particular classification to-day that will be inoperative after six or eight months.

Q. You mean those goods which were exempted might come from Japan later on ?

A. Yes.

Q. You exempt it because it comes from England now but it might come later on from Japan also. But all these changes are not final.

A. They are not final, but at what period can revision be made ?

Q. It is for you to answer.

A. It would be at least ten or twelve years before that revision can take place, and during that time Japan would be at a great advantage.

Q. Therefore you would prefer taxing by countries and not taxing by classes of goods ?

A. Yes.

Mr. AMBALAL SARABHAI, AHMEDABAD*Written Statement dated 14th September 1926*

I. *Conditions prevailing in the textile industry in Japan.*—The recommendations of the Tariff Board will constitute an important chapter in the history of the Indian textile industry. The immediate future will depend to a large extent on the action Government will take as a result of its recommendations. As conclusions will depend on information available to the Board, it is of paramount importance that it is correct, reliable and complete. If the Board possesses it in regard to conditions prevailing in Japan about labour and direct or indirect subsidies (in which are included State bounty, subsidised shipping and transport, preferential tariffs, easy finance, etc., etc.), then the Board should publish it for general information. There seems to be a mystery about conditions prevailing in Japan. The controversy in the papers between Bombay millowners and Japanese textile interests, leaves a lot to be read between the lines and various different and conflicting conclusions are to be drawn. It is not possible for witnesses, or for those who submit representations to the Board, to frame their recommendations without Japanese conditions being known. If as a result of the present ambiguity continuing, the Board bases its recommendations, after assuming a certain state of conditions to be prevailing in Japan, which are different from those conceived by the Millowners' Association, the recommendations of the Board will give many surprises. This will not be fair to the Board, to the industry, to Government and to the country at large. However, if the information obtained by the Board is not complete and reliable, the Board will fail to discharge its functions. It is therefore very necessary for the Board to visit Japan and make enquiries on the spot. If in Japan information is withheld, the Board will be justified in drawing its conclusions. For purpose of investigations in Japan, it may be advisable to co-opt two representatives of owners and two of labour on the Board, who should retire on completion of the report of investigations in Japan.

II. *What should be the policy with regard to imports in India from foreign countries and goods coming from Native States, in which conditions due to natural or artificial causes, reduce the cost of production, as compared with those in India?*—It is generally admitted,—I have derived my information from the press and from the evidence submitted to the Tariff Board—that restrictions regarding hours of employment, female and child labour, are different in Japan to those prevailing in India. If wages and efficiency are the same in Japan as in India, then regulations in Japan would result in the incidence of wages in the cost of production being lower there than here. If the present regulations in India regarding hours of employment, female and child labour, are considered necessary in the interests of labour, then it makes no difference as to how the existing conditions came about. It is beside the point to consider whether or not they are due to the Geneva recommendations, due to legislation in India or due to grant by employers of labour demands. If the present Indian regulations are not considered beneficial to labour, then Government should take early steps to make regulations in India similar to those prevailing in Japan. I, for one, would be very sorry, if they are altered. Irrespective of the condition of the Indian textile industry, it is only fair to give protection to the Indian industry to the extent that the cost of production is low in Japan due to unsatisfactory labour conditions and direct or indirect aid. For example, if due to State aid and labour conditions, the Japanese cost of production is less by one anna than the Indian cost of production of 2/42's yarn, an import duty of an anna per lb. should be levied. It is assumed that the Board will readily see that the argument that might be advanced against such an imposition on the ground that it will increase the burdens of Indian consumers, is not worth considering. Benefiting the consumer by inhuman exactions, or artificial state assistance at the cost of persons in other countries, is immoral. The Government of India have taken this view, and in support of this I cite Indian Opium Policy. If due to international treaties and obligations, it is not possible to discriminate against a particular country, luckily in this particular case it is possible to impose a levy based on fineness of counts, and on cloths woven from those counts, which will substantially affect imports from the particular country, without touching to any considerable extent imports from other countries.

III. *Causes of Depression.*—If causes of the present depression in the industry have not to be ascertained with a view to remedying them, it will serve on useful purpose to

do so. Below are given causes, which, if remedied, would assist the country more than the benefits that will result to labour and to capital :—

- (a) *Exchange at 1/4*—The balance of trade is in favour of India. That being the case the value of exports exceeds the value of imports. I take it that in case of every family the same holds good. Even if it is admitted that exchange at 1/4 will raise prices in India, the benefit due to increase of incomings will more than make up for the increase in outgoings. It has still to be proved that prices in India responded fully to fluctuations in exchange in 1919 and 1920. For India to be self-dependent for its prime necessities, a reversal to 1/4 would give that impetus to agriculture and industries which is so imperative. It is difficult to say what effect this will have on factory employees whose earnings in rupees may not go up. They may be depended upon to secure higher wages if the industry is in an apparently permanent prosperous condition.
- (b) *Labour*.—Labour is inefficient and undisciplined.
- (c) Labour and owners are not properly organised.
- (d) There is an excess of imports as stated by Mr. J. A. Wadia in Bombay.
- (e) There is a crude tariff which can make it possible for foreign countries to sell their goods in India below the cost of production of similar goods made in India. For goods competing with Indian goods, the following suggestions are made :—
- (i) At some stage a certain amount of protection is necessary for every industry other than a monopoly one. In this connection a reference to the protective legislation of the textile industry in England will serve to indicate the efforts that are required. At the same time, protection should be resorted to only when necessary and for the minimum period possible.
- (ii) Inefficiency should not be at a premium and the cost of production of important items, or which can be produced in fairly large proportions of the total requirements of the country as ascertained from the figures of the most efficient Indian concerns, should form the basis. With this as a basis and adding 8 per cent. for total capital employed in business, after making full provision for depreciation, the fair selling price of important items should be determined. For this purpose it would be necessary to take prices of raw materials which fluctuate from time to time. Tariffs should be so fixed that if any foreign goods are imported into India at prices below those as ascertained above, a levy of duty on those imported articles would make the prices of those articles the same as the price determined for Indian articles. For example, 2/42's grey yarn may be taken. The average price of particular suitable cotton from 1st January to end of March is 10 annas per lb. Percentage of loss due to waste is, say, "X". Cost of "X" is 2 annas. So the price of clean cotton after allowing for waste and loss is 12 annas per lb. Cost of manufacturing charges inclusive of profit and depreciation is, say 8 annas. Thus from 1st of April till end of June, such amounts should be levied on imported 2/42's yarn as would make its cost price in India Rs. 1-4-0 per lb. It may be argued that this is very difficult to work in practice. With the growth of civilisation elaborate devices are necessary and what appears elaborate and complicated becomes simple after some time. The Government of India, Commerce Department, may undertake these duties, but before fixing a quarterly basis of prices of raw materials, various associations and trade interests should be consulted (the same as was done by Government when fixing tariff values for cotton goods for the purpose of the cloth excise duty). It may be argued that this will encourage false invoices being submitted, etc., etc. The Board will readily condemn such criticism. In spite of the Penal Code, offences continue to be committed. The Penal Code is not therefore considered unnecessary. Similar treatment as suggested above should be given to cloths and yarns produced in Native States and coming into British India.

IV. *Summary of recommendations—*

- (1) The Board should visit Japan and also ascertain conditions prevailing in Indian Native States.
- (2) A levy to the extent that cost of production is low in goods coming into British India as a result of unequal labour regulations and outside aid, is necessary.
- (3) There should be levies to the extent which will make prices of goods coming from abroad or Native States equal to the prices determined for similar goods made in British India.
- (4) Early adoption of measures to make labour efficient.

ITEMS WHICH (THOUGH IRRELEVANT FOR THE PURPOSE OF THE PRESENT INQUIRY) ARE
DEEMED USEFUL FOR CONSIDERATION BY THE BOARD

1. *Government Patronage.*—Very little is being done to-day to encourage Ahmedabad mills to tender for supplies to Government. Though there is a Central Indian Stores, Purchase Department, it is not definitely laid down that all purchases, —Provincial, Central Government, the Army and other Government main departments,—shall necessarily be made through the Central Department. There should be a Local Office of the Department. The Bombay Government, if it does not make purchases through the Indian Stores, Purchase Department, should make them through the Director of Industries assisted by an Advisory Board. Government have laid down “quality being suitable and prices not high” (wording is mine), “preference should be given to Indian goods”. It should be modified to, “quality not being unsuitable and prices not unduly high preference should be given to Indian goods”. A good deal depends on officers making purchases whatever orders there may be on paper.

2. *How to make labour more efficient ?—*

- (a) Free and compulsory education.
- (b) Special elementary, secondary and technical schools for millhands—children as well as adults—.
- (c) Encouragement by employers in the form of wages at increased rates to those who have passed examinations. (I suggest a scheme similar to one in Java in sugar factories. I regret I have not got reliable particulars or submission to the Board).
- (d) Total prohibition of liquor and harmful drugs. Strict supervision on licensees.
- (e) Efficient administration by municipalities, particularly, in so far as it refers to building bye-laws, open air spaces, street lighting, detection of adulteration of articles of food, etc., etc.
- (f) Non-employment as full time workers of women who are mothers. Employment of women in departments, in which women work in foreign countries, but in which men exclusively work in India, such as weaving.
- (g) Abolition of employment of labour under 16 years of age. Age to be raised in four years from 12 to 16. Legislation for prosecution and punishment of guardians who make children under 16 work in two shifts in two different mills. Also improved methods of preventing two certificates under two names being given to the same child.
- (h) Better housing through local bodies.
- (i) Compulsory arbitration in disputes between employers and employees in regard to wages. (I make this conditional on Government accepting this principle in case of their own lower subordinate servants such as post-men, primary school teachers, police-men, etc., etc.)
- (j) Raising the standard of living which is very low. Men can earn more if they work more, which they are not willing to do, due to there being no unemployment without mentioning and their wants being few. On account of these stoir ideal efforts are made to lower the standard of living.
- (k) Tangible expression of sympathy for employees by employers.. (Very little is being done by employers or their employees. Companies which set aside meagre amounts each year from profits for charitable purposes, do not spend even these amounts exclusively for the benefit of employees). They are generally spent for feeding dogs and cows, for carrying fish from drying tanks to others building temples and dharamshalas and for running benevolent institutions for the benefit of others than mill employees. (These remarks refer to local mills).

A STATEMENT OF ADVANTAGES AND DISADVANTAGES OF MILLS IN BOMBAY AS
COMPARED WITH THOSE LOCATED IN AHMEDABAD

Advantages in Bombay

- (a) Better plant arrangements and equipment to manufacture varying qualities of goods.
- (b) Humid atmosphere.
- (c) Cheaper mill stores and machinery (Bombay being a port).
- (d) Cheaper freight to other ports.
- (e) Higher moral calibre of men as a result of stronger public opinion.

Disadvantages in Bombay

- (a) Expensive land.
- (b) Higher power producing cost inspite of hydro-electric supply.

(I am convinced about this, but I am investigating causes which increase incidence.)

- (c) High water tax. I am told well sinking is not successful.
- (d) Offices away from mill premises which increase cost and interfere with close touch with the mill.
- (e) Levy of Rs. 1 per bale of cotton.
- (f) Dearer cotton due to purchases in Sewree. Transport go-down, insurance and other charges are saved when purchases are made up-country.
- (g) Higher wages.
- (h) Want of adaptability to turn out sorts in demand.
It is difficult to say at the present stage to what extent advantages countervail disadvantages.

Local Labour Organisations

Locally the labour union movement is gaining strength. The Union runs many institutions, such as, day and night schools, a Montessori infant class, a lying-in hospital. A weekly paper is published. As the leaders are non-co-operators, the Union takes no part in Council elections. None of the leaders are members of the municipality or of the Legislative Council or Assembly. Relations between the Union and the Millowners' Association are not unfriendly. Membership being low the Union does not carry great influence with owners except when in good times it is possible for the Union to call out men. During strikes and lockouts the Union provides work for strikers. More often than otherwise the attitude of the Union is not "die hard". Local leaders act under the advice and guidance of Mahatma Gandhiji. Their activities are confined to local labour. With a view to doing their best for local labour they refuse invitations from outside for leadership.

All India Labour Organisations

Some of the leaders have All-India and International status. Recognition of them as such by Government has resulted in their appointments in legislatures and international conferences and congresses. Labour has thus been deprived of a few public men keeping in close touch with it. If All-India labour leaders possess knowledge of labour conditions, such as, hours of employment in Native States, make charges which they can substantiate, care more for effect of speeches and evidences on those whom they wish to influence in favour of labour than on their admirers outside, recognise that labour cannot advance without the industry and the country prospering, co-operation between labour and capital will be more real than at present. It is a sad result of past, and perhaps continuing indifference of employers towards employees which makes it possible for labour to go under such All-India leadership, which to say the least, is harmful to labour interests.

Witness No. 91

Mr. C. C. DALAL, AHMEDABAD*Written Statement dated the 8th October 1926*

I am the proprietor of the Gujarat Hosiery Factory, Ahmedabad. The factory was established in the year 1908 and has been since then manufacturing cotton knitted underwear.

There are in India about 50 concerns manufacturing cotton knitted goods, worked by motive power, which are distributed as follows :—22 in Bengal, 16 in Madras, about 7 in Bombay, 1 in the U. P., 2 in Mysore State. The value of the goods manufactured is not obtainable. The quantity of goods manufactured in India in the year 1925-26 is 3,16,546 doza. weighing 8,72,261 lbs.

The value of knitted hosiery goods imported into India in 1925-26 was Rs. 1,33,65,833 out of which Japan exported goods worth Rs. 1,07,92,990, i.e., 81 per cent.; from the above it can be very easily observed that the home industry has to compete solely with Japanese goods. Out of the above Rs. 1,33,65,833, the value of underwear imported is 1,08,71,977 and the share of Japan is 1,01,56,599, i.e., 93 per cent.

Japan has special facilities one of them being that spinning mills manufacture yarn specially for hosiery whereas it is very difficult here to get yarn for hosiery manufacturing. Secondly, Japan has found out a type of machine specially suited for manufacturing cheap goods. All spare parts including needles are readily obtainable there as the machines themselves are manufactured in Japan. Manufacturers in India on the other hand have to keep a very large stock of spares and needles. For a small concern like mine I am obliged to keep a stock of spares worth about 7 to 8 thousand rupees.

Almost all types of underwear sold in the market are bleached and as such it is necessary to bleach the goods. In Japan there are bleacheries each bleaching about 4 to 5 tons a day. The manufacturer of knitted goods in Japan after knitting the fabric sends it over to the bleachery to be bleached, whereas here each one has to do his own bleaching which when done on a small scale does not give a good result and it would not pay to put up machinery to bleach on a small scale.

All workmen in Japan are literate whereas we here have to get work out of illiterate and unskilled workmen and as such the work turned out is more costly in the long run.

The above are the advantages which Japan enjoys. If the industry were given protection India could manufacture knitted goods worth about a crore and the industry could consume yarn worth about 40 lacs and thus buy the production of about 4 or 5 mills.

The value of a dozen of Japanese imported underwear is about Rs. 5; the value of a dozen underwear manufactured by me in 1925 was Rs. 8-4-0. From this it can be seen that the manufacturer in India is able to manufacture only costlier goods as there is a duty of 11 per cent. which enables him to manufacture high-priced goods and not cheap goods. As such it is necessary to give a further protection of 15 per cent. so that the Indian concerns can withstand the competition in manufacturing cheap goods. The industry is an infant industry and as such it specially needs protection. I would suggest that a specific duty of Re. 1-4-9 per dozen be charged on all imports of underwear. As regards socks and stockings I cannot suggest what duty should be charged as I have very little experience of the manufacture of socks.

Witness No. 92

SHAREHOLDERS IN THE TEXTILE MILLS CO., LTD., AHMEDABAD*Written Statement dated the 22nd June 1926*

We, the undersigned shareholders of the Textile Mills Company, Limited, in Ahmedabad beg to bring to your notice the following facts which are true to our belief and which we hope will assist you in the inquiry into the textile industry.

1. Directors of the mills of this place are the relations, friends, or the partners of the Agents firm ; therefore, the directors should be elected from the shareholders excluding the abovementioned.

2. Directors are elected by a majority of votes which agents possess through their holding a major portion of the shares of the company. This practice should be stopped and the votes should be counted individually, i.e., a shareholder can give only one vote though he may possess any number of shares. Following this practice the agent cannot elect directors of his own choice.

3. It is a general rule of this place to publish balance sheets after eighteen months have passed. Under this practice several companies in Ahmedabad have been forced into liquidation through agents showing imaginary stocks of cloth, cotton and yarn, etc. ; so the agents should be forced to publish the same within two months of the completion of the year. Hence the auditor can verify the stocks ; otherwise he has to satisfy himself by checking only the vouchers supplied by the agents.

4. The meetings of directors should be held every three months instead of holding them twice a year which is the current practice of this place. So the directors can get more chances to know the position of the company.

5. Balance sheets should be published twice a year as the jute mills in Calcutta do.

6. There are resolutions in the deeds of most of the companies to the effect that the agents should relinquish a certain portion of their commission if they distribute dividends to shareholders below a certain percentage. To avoid this catastrophe agents adopt the following course. They put the stocks of cloth, yarn and cotton so low in a prosperous year that they can transfer that profit to the lean years to make their commission safe.

7. The agents charge their commission on production of cloth and yarn from 3½ per cent. to 4 per cent. per lb. and in this way the amount of their commissions is greater than what they actually distribute to the shareholders. The commission should be charged on profits only.

8. The system of hereditary agency which is current at both Ahmedabad and Bombay should be abolished because under this system a fool succeeds an able father.

9. The Government should create a permanent post whereby the officer-in-charge can receive complaints or applications from the shareholders about the malpractices of the management and he must have power to inquire into the mismanagement. At present to remove this grievance a shareholder has to go to the court and incur the expenses from his own pocket while the agent has at his disposal the ample funds of the company by which he can command best counsels.

10. Some of the agents to receive increased commission extend the mills borrowing money from the banks and the public (when there are no funds in the company) and when depression sets in, the companies remain at the mercy of the creditors and have to face the chances of going into liquidation ruining both the shareholders and depositors. To remove this a resolution can be framed to the effect that no mill can be extended without its own reserves.

Witness No. 93

MOTILAL JESHINGBHAI SHETH, RATANPOLE, AHMEDABAD

Written Statement dated the 20th August 1926

SECTION I

General

1. The present depression in the cotton textile industry is wide-spread in almost all centres, but it is more vigorous in Bombay than in up-country mills.

2. The aftermath of war has displaced everything, and the cotton textile industry, as every other industry of India and the world has been a prey to it. But the present depression is due more to other factors than the one mentioned above. They may be mentioned as the exchange policy of the Government of India, the unfair competition of Japan, and the expensive and inefficient management of the mills. All these causes together with the aftermath of war have brought about the present depression.

3. The causes of depression are of a permanent character so long as they are not drastically dealt with by the Government and the mill-agents in the interests of the industry.

4. If cotton goes down and yarn and cloth remain steady the mills may not close and will work with a margin of profit.

5. The producers of piece-goods (and probably yarn) are realising a profit on their sales in Ahmedabad. The Ashoka Mills without any reserve fund has been able to declare a good dividend besides maintaining a large surplus in the form of lower valuation of stocks on hand.

6. If cotton goes down, and yarn and cloth remain steady, the mills would work more profitably. On the other hand a corresponding fall in the prices of yarn and piece-goods may not relieve the situation at all.

7. So far as the mills are concerned, they get the advantages of the fluctuations in the market. The effect on the community at large is explained below in answer to question No. 9.

9. The aftermath of war has displaced almost every business, and the ryots have lost the big profits of the boom period, which in its turn re-acts on their purchasing power. But the knowledge that the prices are falling and will continue to fall induces them to restrict their purchases to a minimum.

In spite of a succession of favourable monsoons and high prices of agricultural products during the last four years, the farmer of 1926 is no better off than the farmer of 1913-14. He is not to the point in the economic sense of the term, i.e., he has no capital, is unable to withstand famines, and is not free from his characteristic indebtedness.

An average middle-class man with his increased income and resources in 1926 is economically worse off than the average middle-class man of 1913-14. The failures of so many new concerns and big parties have ruined him without decreasing his liability to pay his own debts, although he may not receive a pie from his debtors. Unfortunately, the collapse is so great that almost everybody feels its shocks in varying degrees. It is this collapse that has been the root-cause of depreciation of capital, lack of confidence in credit, and restriction of the purchasing power of the community.

This economic pressure on the ryots and the middle-classes combined with the knowledge that prices will still fall, compel them to restrict their purchases to a minimum. Even if the prices were to become steady there can be no substantial improvement in the situation unless the economic conditions of the community are stabilized.

The extent to which depression is caused by this cause is difficult to point out, but some rough idea could be obtained from the following facts.

During the non-co-operation movement higher prices were paid for national products even though similar products of better quality of foreign manufacture were sold at a cheaper rate in the market because the community had not suffered great shocks economically.

Even Khaddar was consumed in those days although it cost much more than the products of the Indian mills.

Lands were sold at fabulous prices and other bargains were easily entered into by people as if by magic which in ordinary times would not have been possible.

People could be made to believe the possibilities of the schemes like that of the Back Bay to be successful and profitable.

And all these things were possible because the people had not suffered financially.

10. The statement, however enticing and sound outwardly, is incorrect. The main causes are outlined above in answer to question No. 9. The fallacy of this statement could easily be seen from the inactivity in almost all the great centres of India among dealers in precious metals, viz., gold, silver, and jewellery.

11. The mills lose a substantial part of their profits because of their mismanagement. I have no figures to show what percentage is thus lost, but it could safely be assumed that about 5 to 7 per cent. of the earnings are lost in mismanagement. To quote only one instance.—In the Saraspur Mills, Ahmedabad, the agents debited to their account large sums of money extending to lacs of rupees in the mill-books and took away the sums which are not yet returned. The result is that the mill has to-day to bear the debt amount and the interest charges. This is not a rare case, nor is this the only dishonest practice. There are a number of mal-practices which ultimately go to reduce the profits of the mill. These are dealt with in detail below in answer to question No. 40.

12. Mills in Bombay have been closed, sold and liquidated due to depression, while in Ahmedabad the mills have closed, and have gone into liquidation due to mismanagement of the agents.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

25. With regard to the Japanese exchange one thing must be borne in mind that it is independent of the sterling exchange, and a rise or fall in the sterling exchange affects it but little.

Before discussing whether Japanese exchange is responsible for the Japanese competition and if so to what extent, it is necessary to go through the history of the boom-period 1917-1922. I herewith reproduce a table showing the Japanese imports in this country from the Tariff Board's book pages 136-138.

Japan's Exports to British India.—

Year	Yarn		Cotton piece-goods in Yens
	in Piculs	in Yens	
1917	27,938	41,32,636	151,21,454
1918	2,38,280	3,49,98,715	554,35,718
1919	14,259	29,80,475	295,07,929
1920	1,42,846	302,52,515	672,89,100
1921	1,11,492	119,91,334	304,65,794
1922	2,04,959	206,66,783	335,67,336
1923	1,76,812	205,11,884	365,46,103
1924	2,42,521	359,54,637	469,16,136

From the above figures it will be seen that the factor of Japanese competition has become important since 1918. The impetus given to the Swadeshi movement by non co-operation in 1919-1922 reacted strongly against all sorts of foreign imports. But in 1920 most of the Japanese products were passed off as Indian hand and mill production by the traders which accounts for large Japanese piece-goods imports in that year. The down-fall of the movement since 1922 has again induced people to buy in the cheapest market irrespective of nationality. It is at this stage that Japan again enters the India markets as a competitor. Even to-day there is a large section of people in the country who yet hesitate to buy foreign products in preference to Indian, but their number is decreasing day by day.

It is assumed in the table given in the 57th paragraph of the Association's statement that the efficiency of Japan is 20 per cent. greater than that of India. The cost of manufacture is taken at Rs. 370 in India and at 190 Yens in Japan. I cannot say whether the 20 per cent. difference in efficiency includes the greater output and the lesser waste of the Japanese worker, the benefit derived by Japan from using lower qualities of cotton to produce better results than the Indian mills are able to do from the same quality, and the

lower remuneration paid to the Japanese labour. It is a well-known fact that Japan is the greatest consumer of Mathia cotton (a type equal to Bengal cotton) which is generally 50 rupees below Broach rates. I think if all these factors were considered the benefits derived by Japan will be more than 20 per cent. If India is unable to derive all these benefits from its inefficient labour, her mill management is to blame as shown below in answer to question Nos. 40 and 47.

Criticism on Table given in 57th paragraph of the Association's statement

The cost of manufacture in yen (In Japan) will not normally be affected by fluctuations in exchange, and it is here that the Japanese get the advantage of the depreciated exchange. Fluctuations in exchange will affect cotton but very little, practically nil, as shown below. When cotton is purchased in India in rupee currency, sent to Japan, manufactured there and brought to India, it has to be sold in the rupee currency. The raw cotton when purchased would be transformed into yen value at a particular rate, and on the other hand the cloth sold by the Japanese in India will have to be transformed into yen at the same rate. Thus the fluctuations in the price of cotton in rupees will normally be transformed into yen without leaving anything in the form of exchange surplus.

But the case is different with regard to the yen paid in Japan for the manufacture of cloth. Any depreciation of exchange is sure to leave an equivalent surplus to the Japanese manufacturer. Thus the continuous fall of exchange during 1921-24 has been beneficial to Japan to the extent of conversion of yens paid for manufacturing raw cotton into cloth and to that extent Japan can be said to have been benefited by the exchange.

At this calculation the condition of the Japanese products will be as under :—

Raw Material	Cost of manufacture	11 per cent. import duty.
Same in the case of Japan and India.	20 per cent. less in Japan due to efficiency, <i>plus</i> margin that may accrue to Japan by the depreciated yen.	To be paid by the Japanese alone <i>plus</i> freight both ways.

The benefits that accrue to Japan from the depreciated yen

As stated above the depreciation in yen will leave a margin on yens spent in manufacture. The Table in 57th paragraph includes the gains that accrue to Japan from the 20 per cent. efficiency (*vide* column 11). But without the 20 per cent. margin of efficiency, Exchange alone would not have enabled the Japanese to reap the advantages that they at present do.

Taking the pre-war parity of 100 yens to 153 rupees as normal, the utmost depreciated value of yens 100 was Rs. 107. At this rate the Japanese got Rs. 88 (at the rate of Rs.43 per 100 yens for 190 yen spent in manufacture) as the exchange margin, from which the import duty of 11 per cent. and the 20 yens spent in freight both ways and charges should be deducted, which are approximately Rs. 75 (at 11 per cent. per Rs. 681 per bale of cloth) and Rs. 21½ (for 20 yens at the exchange rate of Rs. 107) making a total of Rs. 96½. These figures show that the Japanese products after paying the duty at the utmost depreciation left a margin of about Rs. 8½ per candy in favour of India exclusive of difference in efficiency. At present the rate of exchange is 100 yens to Rs. 130 (in August 1926) and therefore this margin of Rs. 88 will be much less (Rs. 44) while the items of import duty and freight and charges both ways are Rs. 66 (for the value of cloth has decreased from 681 to 608) and Rs. 26 respectively making a total of Rs. 92 which leaves a margin of about Rs. 48 per candy of cloth in favour of India irrespective of the difference in efficiency.

As to the present low prices of Japanese products I have stated above that it is due in the first place to the efficiency of Japan, the benefits derived by her from low wages, longer hours of work, double shifts, and the bounties and low freights and in the second instance to exchange which has from time to time decreased the margin between the Indian and the Japanese products created by 11 per cent. duty and freight and other charges both ways (approximately Rs. 66 *plus* Rs. 30 at the rate of Rs. 153 to yen 100 making a total of Rs. 96).

26. The competition from other countries may increase if the exchange on that country decreases the margin that normally remains by the help of 11 per cent. duty and freight both ways and other charges as stated in detail in the case of Japan in answer to question No. 52 above,

27. The whole problem is fully discussed above in answer to question No. 25. The other countries have reaped the same advantage from the fluctuations in the sterling ratio as Japan has from yen.

The effects of 1/6 ratio

If the rupee be stabilised at 1/6, the exporting country will get the benefit of 12½ per cent. so far as his cost of manufacture is concerned, which will enable her to decrease the present margin created by 11 per cent. import duty and freight both ways, with the ultimate result that her products will be placed more favourably on the Indian market than when the ratio stood at 1/4.

From the consumer's view point, the ratio of 1/6 will have effects of some importance which are sure to ultimately react on the industry. By this new ratio the exporters in India will receive 12½ less in rupees (although the same sum in sterling which they used to receive before), which will ultimately be reflected in the restriction of their purchases. This restriction in the purchases of a large section (say about 90 per cent. of the Indian population because the prices in India will be affected by this new ratio) will ultimately tell upon the Indian textile industry in the near future.

28. The difference in the conditions of labour in the exporting country is the primary cause of her successful competition in the Indian markets. With reference to Japan the Association calculated the efficiency to be 20 per cent. greater than that of the Indian labour. I think their efficiency to be more than 20 per cent. but 20 per cent. may be taken to be the least representative figure in point of efficiency.

The greatest exporter to India of yarn and piece-goods is the United Kingdom. The conditions of labour are most beneficial to that country except perhaps Japan, and the efficiency of that country may at least be considered to be 20 per cent. greater than that of India.

29. So far as Japan is concerned, the bounties given to shipping companies, the facilities of freight space, allowance by the state of longer hours, female and child labour at night, removal of import duty on cotton and export duty on cloth, etc., are some of the forms of State assistance to the industry.

With reference to the United Kingdom, the exchange policy of the Government of India, the Cotton Excise duty of 3½ per cent. till 1925, and the preference given to English goods by the Government of India, etc., are some of the forms of state's indirect assistance to the industry.

31. The foreigner has taken care to meet the requirements in regard to quality, finish and packing of the Indian consumer, while the Indian mills have not, with the result that to-day when the prices of foreign cloth are equal or a little higher than the prices of Indian cloth of the same quality, the consumer willingly purchases the foreign product. The low business morality of the Indian mills and their neglect to attend to the consumers needs, have spoiled the reputation of the native goods, with the ultimate and eventual result of being driven away from the market in such precarious times at the first moment. Had it not been for the Swadeshi movement that factor would have operated since.

34. I don't believe this. The Bombay mills and some of the Ahmedabad mills with up-country mills such as Sholapur Mills, and some mills of Madras are producing goods which it can be said in fairness are able to meet the demands of the Indian consumer for the finer goods.

SECTION III

Internal Competition

35. The extensions and establishment of mills in up-country centres have not affected the prosperity and the future prospects of the industry either in Bombay or in Ahmedabad. The reason for this is that although mills are established in different centres, their output is not sufficient to meet local demands, and unless and until they produce cloth and yarn sufficient to meet the local demands, or a very substantial quantity of the demand, there can be no internal competition and the future prospects of the mills in the mofussil cannot be affected.

36. I do not believe that Bombay mills have any advantage over mills in Ahmedabad and up-country mills.

37. I do not believe that Ahmedabad mills have any advantage over Bombay mills owing to proximity of up-country markets, coal fields, or sources of raw materials. The Ahmedabad mills purchase cotton all over India with the result that on an average their prices of cotton would equal the prices paid by the Bombay mills.

38. During the recent years of non-co-operation the hand-loom industry was a great actor in the supply of needs of the public. With the down-fall of the movement, it is losing its ground rapidly.

Views on Internal Competition

During the war period by the stoppage of foreign imports into India, an atmosphere of protection was created. The prices rose in those days, for the reason of shortage of supply. Hence the necessary conclusion is that unless and until the products of the Indian mills are sufficiently large to meet the demands of India or a very substantial portion thereof, no internal competition can ever exist.

SECTION IV

Mill Management

40. I do not consider that the criterion laid down by the British Safeguarding of Industries Act that the industry manufacturing similar goods which are imported into the country is being carried on "with reasonable efficiency and economy" is satisfied by the textile industry of India, either in Bombay, or Ahmedabad or in India generally. On the contrary it is being carried on expensively and inefficiently. The chief and glaring defects of the industry are as under, which I propose to discuss at some length below.

1. Commission on production or sale of goods.
2. Misuse of the reserve fund of the mills.
3. Misuse of the borrowing powers.
4. Misuse of the lending powers of the mill.
5. Hereditary agency system.
7. Relatives engaged on high salaries without reference to their efficiency.
8. Abuses in the purchases of stores, machinery, coal, etc.
9. Abuses in the purchase of cotton.
10. Abuses in the sale of finished products, cloth and yarn, and the waste.

Items Nos. 1, 5, 8, 9, and 10 are discussed below in answers to questions Nos. 41 to 44.

Items Nos. 2, 3, 4, and 7

During the war time many concerns had built up large reserves which were ultimately used for increasing the existing productive capacity of the concern or were lent to other concerns newly started by the agents themselves; thus in any case to serve the interests of the agents in the form of more incomes and greater benefits. The failure of such concerns has destroyed the reserves of many concerns and where production has increased beyond the sales the management has become difficult (as in the case of Bombay mills).

Reserves were built up to meet exigencies, but their misuse demands strict legislation. The best solution is to employ the reserve as working capital for the concern, and to that extent borrow less from outside.

Many concerns borrow in the open market to an unlimited extent on the strength of their credit and misuse the money thus borrowed. At times concerns cost double their issued capital and this remaining sum is borrowed which means an additional charge upon the concern in the form of interest, less dividends to share-holders, and less income tax to Government. Concerns borrow on the one hand and lend on the other. This power to borrow and to lend unlimitedly has been the stumbling block of a number of mills. A simple rumour in the bazaar is sufficient to ruin any concern. The creditors demand payment all at once. Even the Central Bank of India with the support of the Bankers' Bank (The Imperial Bank of India) has found it very difficult, though not impossible to stand the shocks of rumour. What of all these mills absolutely without any support.

The directors generally being relatives of the agents themselves, the agents find it easy to mismanage the funds, utilise them for their own purposes, and thus render the concern hazardous against any attack from creditors. In the interests of the industry it is very necessary to limit the powers of borrowing and lending by legislation, and the directors should be appointed by vote by ballot system, each share-holder having only one vote irrespective of the number of shares held by him. The goal of each concern should be the reduction of the borrowed capital and to be self-sufficing. As its reserve increases it must be utilised by the concern itself and thus reduce the company's debt.

Many agents employ their relatives on large salaries in the mills irrespective of their efficiency and capacity. This reduces the productive capacity of the mills. The proper man does not get the chance that he ought to, and has to be engaged on inferior posts as his services cannot be dispensed with. In the interests of the mill industry this system should be at once put an end to, and qualified persons must be engaged on responsible posts. I think the University should hold departmental examinations and grant a certificate of fitness, and all posts above Rs. 100 per mensem should be open only for those who hold such certificates. The efficiency of the mills could only be increased by smart and intelligent hands placed in responsible posts, and if this takes place, the mills will be able to compete successfully with the foreign products in the markets.

42. In Ahmedabad the commission of the agents on production is more common. The commission on profits is preferable for the following reasons :—

Under the present system the agents in most cases get as much as all the shareholders combined. But this system becomes the more unbearable when the concern is working at a loss and the agents get a large commission. Unscrupulous agents follow this system to the utter ruin of the company.

Agents have no doubt to work very hard, and their interests can normally be assumed to be at one with those of the concern. They ought to be remunerated in spite of the fact that the concern may have worked at a loss, but the remuneration in this case should be limited to a fixed annual sum of Rs. 2,000 to 3,000 to suit each particular case. The case is different when the concern is working at a profit. Under the present arrangement the effect of an agent deriving a sum equivalent to the sum distributed as dividend is horrible, the bulk of the shareholders remain dissatisfied, not only are capital and organisation placed on an equal footing, but organisation is given preference over capital in so far as its remuneration is fixed, while that of capital is hazardous and speculative. The only satisfactory solution of this is a fair partition of profits to which both ultimately owe their roots. The agents should get a fair percentage (say 10) of profits calculated after deducting cost, interest, insurance, depreciation and income-tax. Labour too must have some right to the profits in the form of bonus.

When the commission is on production, the agents are enticed to value the stock on hand at the date of the balance sheet at a lower rate than the existing rates. This means a lower income-tax to Government and keeping the company's real affairs secret from the shareholders.

The managing agents should not be hereditary. A son may not turn out to be as expert as his father and the concern may work at a loss and may be ruined.

44. If the agents do any other business than the mill management it is not beneficial to the interests of the mill.

SECTION V.

Mill Finance

47. There was an unduly liberal distribution of profits by mills between 1917-1923. The abnormal prices of shares were due to large dividends distributed by the mills, and the general impression in the bazaar was that the mills were producing gold yarn instead of cotton yarn.

A splendid opportunity in the shape of the boom-period of 1917-22 was afforded to the mills by nature to improve their efficiency, and make their position stable. No mill has utilised it to ensure itself against bad times, and spent all her energies in distributing large dividends.

The mills ought to have restricted their liberal distribution of dividends and commissions and utilised the surplus in making the concern self-sufficing by paying off all the debts of the company, in replacing old machinery by new, in training the labour, in providing for schools and sanitary chawls for labourers and in building up their business credit, thus improving the economic condition and efficiency of the mills. With the down-fall of the non-co-operative movement the low business credit of the Indian products hurried the fall of the Indian mills and there is nothing to be surprised at.

Had the mills been self-sufficing in the point of capital, the present interest charges would have disappeared from the production cost of the mills. The providing of schools and sanitary chawls at low rents with some sort of old age insurance and accident insurance for the labour would certainly have kept the remuneration of labour somewhat below its present level. Strangest of all no provision has been made by any mill for the training of the labour. No mill has sent anybody to England or to Japan to study the mill

industry there. No schools are started to train the labour which would increase their efficiency. Had a small sum been spent on these heads, had the dividends been restricted, and had the mills been made self-sufficing, the agents would not have been forced to say that Indian labour is 20 per cent. inefficient in comparison with Japanese labour, that they are meeting with an unfair competition in Indian markets, and that a protective duty of 13 per cent. or more is necessary. For these faults of the agents and those responsible for the mill-management for not utilising an opportunity, the consumer in India should not be made to pay in the form of additional protective duties.

One would naturally question at this stage, that in spite of mismanagement, and depression, more than half the mills of Ahmedabad are working at a profit. There is nothing to be wondered at in this. It is an economic sequence.

In spite of the ever-increasing quantities of the Japanese products being imported into this country and large quantities that are imported from other countries like the United Kingdom the Indian demand is greater than the supply from without. Again there is to-day a large section of the population who would hesitate to purchase foreign goods in preference to Indian mill products. The shortage of foreign supply has therefore to be replaced by the supply from the Indian mills, and the consumer has to pay for them. The Ahmedabad mills though expensively managed and in most cases mismanaged, are able to produce cloth cheaper than the Bombay mills, and hence are able to effect large sales to supply the demand. But if the Japanese imports were to increase, the Ahmedabad mills will have to disappear from the Indian market as the next marginal producer. In view of the ever-increasing imports from Japan, the present profits of the Ahmedabad mills should not misguide anybody as to their position and stability. It is only a question of time for the Ahmedabad mills to be driven out of the Indian markets.

48. As far as possible the capital should be obtained by ordinary shares. Depreciation and other funds like the reserve fund should be utilised by the mill itself.

49. The mills ought to be self-sufficing.

50. The practice of investing in allied concerns should be put an end to. When a mill company has no debts, when working capital is of the company itself, and the position of the accounts leaves a surplus, the same must be distributed to the shareholders. The investments in allied concerns has contributed in no small degree to the ruin of sound concerns.

SECTION VI

Costs of Production—A. General

55. The machinery of the spinning department should be replaced every twenty years. The machinery in the weaving department may be replaced after a longer term, say about 35 years.

If we assume the capacity of the new machinery to be 100 per cent. then the normal capacity of the machinery in working order should be 80 to 85 per cent. But in most of the Ahmedabad mills this working capacity would not be more than 60 to 65 per cent. in the spinning department because of old machinery. To this extent the efficiency of the mills is hampered by old machinery.

For weaving machinery I have no figures to criticise the present condition.

B. Raw Material

60. Cotton is purchased in cotton districts through (1) commission agents and (2) brokers when the mill directly acts with the commission agent of the seller. In the first case the samples are submitted to the mill, and on approval of the sample, an order is given to purchase that quality at a particular price. At times, pressed bales are purchased, at times loose cotton or kappas is purchased and ginned and pressed into bales by the commission agents on behalf of the mills. A particular commission is allowed to commission agents and all other charges have to be borne by the mill.

In the second case the cotton merchants through their commission agents act directly with the mill with the aid of the mill-brokers. In this case the cotton is in full-pressed bales, and the place of delivery is always settled. All expenses till the bringing of cotton to place of delivery are borne by sellers, and those incurred after delivery are borne by mills.

In any case after the cotton is purchased a mill-clerk is sent to examine the bales. If the bales are approved and found up to the quality of the sample submitted, delivery is taken, if found of a lower quality, at times the transaction is cancelled, but in most cases an allowance is granted by the seller in favour of the mill, and the delivery taken.

In Bombay the offices act as commission agents in the purchase of cotton on behalf of the mills.

It should be remembered in this case that the brokers and the commission agents working in cotton districts are mostly either the relatives of the agents whose efficiency and capacity is questionable. Stores are purchased from the shops of the agent's relatives and thus there are inherent abuses in the purchase of cotton and stores.

61. Many agents deal in cotton futures, and purchase forward cotton. If a loss results, the transaction is carried to the mill account, and if profit results, there is no question asked.

C. Labour

75 Mills in Bombay and Ahmedabad have done little to house their labour. Sanitary housing conditions are sure to improve the efficiency of labour. The examples of other countries in such respects should serve as a guiding lesson to our mill agents.

So far as Ahmedabad is concerned there are ample facilities for the mills if they desire to solve this problem. If a real effort is made in this direction much can be done; a room of 15 x 15 feet would cost Rs. 5-8-0 as rent to a labourer inclusive of municipal and other charges while capital spent on building such a room would bring about 5 per cent. interest.

D. Over head Charges

86. In order to be able to renew the whole machinery every twenty years 5 per cent. of the existing cost of machinery must be set apart as depreciation charges. At present most of the Ahmedabad mills charge depreciation on profits, but in all fairness it should be a charge on the cost of production. The depreciation fund should be utilised for the renewing of the machinery only. The repairs effected to the existing machinery should be considered as a separate charge to be met by the mill from the cost of production and not from the depreciation fund.

87. For the purposes of the balance sheets stocks are valued at a lower rate than that prevalent in the market. In rare cases there have been independent valuations.

SECTION VII

Suggestions as to remedial measures.—A. Suggestions put forward by the Bombay Millowners' Association

96. The duty on machinery and mill-stores should not be abolished, since it may affect other industries adversely. But a rebate equivalent to the difference in pias per pound in the cost of manufacture should be allowed by Government on cloth and yarn exported to foreign countries. By this system the export trade of India would get the benefit equal to the abolition of the duty. Care should be taken that no undue advantage is taken for goods shipped to various parts of India.

97. The company super-tax is a tax on profits and is therefore not an hindrance to the mill industry.

98. Since Government have failed to keep their word of providing 50,000 rooms at Rs. 5-8-0 to Bombay millhands from the income of the town duty, the duty must go.

Since the Government of India are launched on a policy of protection, and since the steamship companies are allowed to freely compete with Indian lines, it is very necessary that the Government should not only negotiate, but compel the foreign steamship companies to charge lower rates and to make greater facilities for freight space for the carriage of Indian cargo to foreign export markets. When protective duties are imposed on foreign steamship companies, the Indian lines may be compelled to do this. But till then, the foreign companies must be compelled to reduce rates.

104. At present for the revenue purposes of the Government of India a duty of 11 per cent. is imposed on all cotton yarn and piecegoods imported into the country. I have shown above that the exchange alone has never been able to offset the effects of the 11 per cent. duty plus charges and freight both ways. With the sterling exchange at 1/6 some benefit accrues to the producer in the United Kingdom. But it is the higher efficiency of the foreign producer that helps him to successfully compete with the products of the Indian mills. It must here be noted that the mill management is responsible for this inefficiency, and it is not just if the consumer is made to pay for them by an additional 13 per cent. duty on imported goods.

But the question has another side. The fostering of an indigenous industry like the textile industry in the country is of immense value to India, and therefore if the industry is attacked from without by unfair competition, it is but just, that it should be protected by tariff legislation. But if such an effort has to be made, not the consumer, but the mill agents, and the mill management must be called upon to make the greatest sacrifice by improving the management to the utmost, and restricting their large commissions either directly or indirectly to a minimum. If all the unfair customs are put an end to, and if a real effort is made by the millowners themselves, it is certain that the industry will be able to stand on its own feet.

As shown above at the present yen-rupee exchange of 100 yen to 130 rupees, the 11 per cent. import duty and freight both ways leave a margin of Rs. 48 in favour of India per candy of cloth, i.e., 8 per cent. (since a candy of cloth is worth Rs. 608) irrespective of the difference of efficiency. Our mills will work profitably if the reform of the management was readily undertaken, and whole-heartedly applied in the interests of the industry.

But if it be found necessary to make provision for any depreciation that may yet take place in yen-rupee exchange or for the undue advantages derived by Japan from not fully adhering to the Washington Conference, a slight increment of the present duty will serve to offset its effects. But in no case should the consumer be made to pay for the mismanagement of the mills.

105. If the duty is at all imposed, it must be for a temporary period, and the profits received by the mills must be spent exclusively for increasing the efficiency of the mills only. So that after the expiry of that transitional period the mills may emerge purified and able to withstand any competition.

106. If the duty be imposed, either on certain qualities or on all goods, it is sure to result in the increase of prices. The additional duty of 13 per cent. would be a curse to the middle and the lower classes whose incomes are sure to be affected by the exchange ratio of 1/6.

107. So long as the economic conditions of the community are not stabilized, the result of the imposition of the duty would merely be such increase, as might result from the displacement of imported goods.

108. This factor would not operate for the reason that the total output of the Indian mills is not sufficiently large to supply the whole demand of India, or even a substantial part thereof. The prices, then, will be fixed on the standard of the prices of imported goods.

109. Not under the present circumstances.

110. During the non-co-operation movement many traders passed off Japanese goods as Khaddar and Indian mill product which accounts for its large consumption in 1920, and years following. The prices paid were generally higher than the quality would have brought.

111. So far as the statement in paragraph 121 of the Mill Owners' Representation is concerned, it is necessary to remember that there is even to-day a large section who depend on hand-spun and hand-woven Khaddar. Of course their number is fast decreasing, but their number is still considerable. Before the movement, mill-made cloth was generally used for all purposes, but at present Khaddar is used instead, and only for wearing purposes mill-products are utilised.

B. Other suggestions

116. No export duty on cotton is necessary. The income of the cotton growers is already affected by the exchange ratio of 1/6 to the extent of 12½ per cent. If any export duty were to be imposed, America with her large cotton crop would practically drive out India from all the overseas markets. America has a usual balance of about 5 million bales at the end of the year, which is the normal Indian product. The annual product of America is about 15 million bales which with her balance of the previous year would be able to supply the whole world. Under such circumstances the Indian exporter would be forced to sell at a price at which the same quality is sold by America, and an export duty would mean a burden on the exporter of India and not the foreign importer of Indian cotton. It will thus adversely affect the incomes of the cotton-growers. The prices in India will decrease with the ultimate effect of a smaller area under cotton cultivation. The prices will normally be below American prices. And the Indian cotton will disappear from the overseas markets.

125. In order to purify the mills, a sound public opinion is necessary. This can be done by the establishment of a Shareholders' Association,

The Government should appoint an officer expert in mill work to look after the management of the mills and to inquire into the affairs of any mill company at the request of shareholders. His salary and the charges of his establishment should be met from the mills.

There should be no hereditary agents. Directors and auditors should be appointed by vote by the ballot system, each shareholder having only one vote irrespective of the number of shares held by him.

Abuses in the purchases of cotton and stores should be stopped. In this case the interest of the agents is mostly against the interests of the mills. Schemes should be evolved for making their interests coincide.

The borrowing and lending powers of the mills must be absolutely restricted. No mill should be allowed to lend a pie to any allied concern, or any shroff, merchant, company, or the agents and Directors themselves. Every mill should have an account with a recognised bank in the name of the mill itself and all surpluses resulting from the accounts of the mill from time to time must be deposited in that account only.

Witness No. 94

Mr. JIVANLAL C. SHAH, AHMEDABAD*Written Statement dated the 26th October 1926***ORGANISATION AMONG THE MILLOWNERS**

Though the depression may not be directly attributable to any lack of organisation among the millowners, it may be said that depression in any trade would certainly be less felt if steps were taken to mitigate the evil effects of such depression by concerted action and on better organisation of that trade. The Millowners' Association could attend to the following with great advantage to the industry :—

1. Purchase of raw cotton and disseminating of intelligence regarding it.
2. Purchase of stores and coal.
3. Insurance and banking.
4. Trade Bureau.
5. Sales propaganda and investigation of markets.
6. Training of labour—
 - (a) Technical.
 - (b) Primary and literary.
7. Rendering technical and expert advice to the mills in different branches of trade by engaging the services of required experts.
8. By devising improved methods of increasing efficiency of labour.

INVESTMENT IN ALLIED CONCERNS

There is no practice of investing funds in other mills but there is a system of placing fixed deposits in allied concerns and this has been found advantageous to all concerns.

PURCHASES OF RAW COTTON

Japan due to her better organised system of buying raw cotton affords to maintain an efficient and well equipped intelligence service. As a result the buyers are better prepared to cover their requirements at the proper time.

I do not agree with the opinion sometimes held that Japan or any other country buys simultaneously with Indian purchasers, at any advantageous price. But because of the organised system of buying they are better informed as to when to come into the market. As suggested by me in my reply to Question 2 any organised efforts on the part of the Millowners' Association in matter of purchase of cotton and disseminating of intelligence regarding same will be found considerably helpful and beneficial.

TRADE COMMISSIONERS

The appointment of Trade Commissioners will be found advantageous to sales. They may be appointed to places in countries like the Far East and the Near East.

I would also lay stress on the appointment of "Inland Trade Investigators" who may travel from place to place, and in the territory in which they are appointed and investigate into the markets and report on the trade possibilities and render personal help when required. These persons should possess sufficient knowledge of the trade and be acceptable to the Millowners' Associations.

EXPORT DUTIES ON COTTON

I am of opinion that export duties on raw cotton will in no way help the industry but on the contrary will prove harmful to the cultivators and may result in cotton cultivation being retarded. In this connection I may quote paragraph 186 of the Fiscal Commission report (1921-22) with which I fully agree :—

"Some witnesses have suggested that an export duty should be placed on raw cotton, of which very large quantities, amounting to something like half the total Indian production, are exported. The proposal has been advanced mainly on the ground that such a duty would yield an appreciable and much needed revenue. But we consider that on the principles we have laid down the imposition of such a duty is not admissible. Indian cotton is neither a monopoly nor semi-monopoly. Japan at the present moment buys an enormous quantity of Indian short staple

cotton, but she also uses a large amount of American cotton, which is long staple. The proportion of the Indian to American cotton consumed in Japan depends to some extent on the comparative cost. A rise in the price of the Indian cotton would therefore tend to decrease the Japanese demand. It must also be remembered that the growth of short staple cotton is being developed both in Korea and China. Apart therefore from the question of proportion of short staple to long staple cotton consumed in Japan, it would be most dangerous to assume that India has a semi-monopoly in the supply of even the short staple cotton. We consider that an export duty on cotton would fall on the cotton producer in India and would have the effects of discouraging the production of cotton."

MILL MANAGEMENT

The Agency system

The cotton industry in India owes its inception and growth to the Agency system of management. The Agency system of management and the Agents have been subject to attacks from outsiders having little knowledge of its origin and working.

India has been described as a country of "Shy Capital" and hence during the early period of industrial developments in India the entrepreneur had much difficulty in getting the required capital to start an industry. He was also not prepared to risk all his own capital on the outlay nor could he find a population sufficiently intelligent to respond to his call for subscribing share capital. It was therefore the essential features of the Agency system that came to his help. He got round him a circle of friends and relatives as promoters and financiers who undertook to subscribe the required capital. The original promoters did not come forward to invest a large amount of their money for the sake of far away and uncertain dividends. It therefore became necessary to offer them special inducement by way of a share in the remuneration of the Agents' firm. They therefore became in effect partners in the firm of the Agents and held a substantial portion of the share capital. As such partners they in many cases gave deposits for long periods.

It was thus that the entrepreneur was able to secure his financial requirements to start the mills, which he alone could never have done.

If one were to imagine the difficulties that the original promoters had to face and the sacrifices, financial and otherwise that they were called upon to make from time to time, he would be convinced that unless there was a permanent stake in that concern, nobody could have been expected to undertake the enterprise.

It may be that the fiduciary position that the Agents enjoy may have been abused in some quarters and in spite of the allegations made against the system regarding defects patent to it, in my opinion the system has worked sufficiently satisfactorily to conduce to the interests of the textile trade. This system was best adapted to the conditions existing in India, and it is a question whether the industry could have been brought to its present footing under any other system.

It is not out of place here to mention a few facts which are always neglected by critics who have no experience of the working of the system.

The so-called fact commissions earned by the Managing Agents are in the majority of cases not unreasonable, when viewed from the facts stated herein.

The Agents in many cases do not pocket the whole of the commission earned but have to share with other promoters a substantial portion of it which leaves to them in many cases not more than four annas as working commission.

The Agents have always guaranteed a certain percentage of dividend and to make up this they even forego their commission earned. Besides in many instances the Agents have foregone their entire commissions with a view to put the mills on a better footing, for a number of years.

It will be seen therefore that the Agency system has its own peculiarities and properly understood it will appear to have proved a boom to the industrial development of India, rather than a target for attack and levelling all sorts of undeserved aspersions on the fair name of the people who have had no mean share in the industrial awakening of India. This system has been found admirably suited to the peculiar needs of India and it is for this reason that we find the same so highly successful in all branches of trade in India.

CAUSES OF THE PRESENT DEPRESSION

The present depression in the textile industry is not peculiar to India alone but is prevalent all over the world. Each country has its special causes which are accentuated by the general causes of depression all over the textile world to the extent a country is dependent over the other either for imports or exports. Adequately to understand

the causes of the depression in India it is necessary to consider at some length the features of the world textile industry.

Before the war England due to her highly specialised skill and labour efficiency acquired during many years of prosperity had undisputed sway over the world in textile trade. Other countries some of which had more natural facilities were developing the cotton industry though making very slow progress.

During the war some of these got sufficient opportunity to extend the scope of their industry and also to make a fair increase on spindles and looms that were working.

The United States of America, Japan, China and India had the best of it and were able to some extent to capture the market previously catered for by England or supply their own needs to an increasing extent. Impetus was also given by the immense increase in demand due to the war requirements of the allied countries, and the comparative difficulties in getting supplies during the war, as a result of which production increased considerably. After the cessation of the war, expectations of demand from all belligerent countries created great excitement in textile prices and manufacturing. It was the high tide of speculation and prices reached their maximum between 1918-20, and consequently mills made enormous profits for these years. Special war time regulations for incorporating joint stock companies or some such regulation restricting incorporation in all the countries were also relaxed after 1919. As a result new floatations cropped up, existing mills were reorganised on appreciated valuation of blocks, necessitating increased return to capital. The existing concerns also extended their mills at very high premiums on the prices of the machinery. This is not a singular feature of India alone, or any one industry alone, but is widespread in all countries and all industries alike.

In examining the causes of the situation, one must not neglect the obvious, and that is the general dislocation resulting from the war. Then there is the post armistice boom and its collapse accentuated in the case of India by the fall in the rupee exchange, the incidence of an adverse balance of trade for two years in succession, a poor monsoon, the loss of Russia and Central Europe as a market for Indian goods and the decline of internal prices in other important markets such as the United Kingdom, the United States and Japan.

The productive capacity of the world has increased due to the development of the cotton industry during the war. The special war time demand of the world has been eliminated since the armistice. The normal demand of the world could not be said to have increased in proportion to the increase in production. Besides, the prices have also kept up the premium over 1913. During the readjustment after the war the world economically is in no way a better position. The income of the individual may seem to have been increased in rupees, annas and pies but the sum total of welfare does not seem to have improved.

All over the world due to the various local and other causes, the demand in respect of clothing in all the important countries has not returned to its pre-war normal requirements. To some extent these countries have added to their own capacity for providing for clothing and thus wanting a smaller amount of import. This phenomenon is remarkably visible in cases of countries like China, Japan, the United States of America and India. In many other countries including the above, social, political and natural troubles have not allowed, on the other hand, the pre-war demand to attain its normal level. Consequently the volume of demand is much below its pre-war extent, all over the world.

During the war the Indian textile manufacturing industry received a great impetus and so the production increased as a result of addition in the number of looms and spindles working. During the war this was amply supported by the special increase in demand. On the other hand supplies declined due to reduction in imports, ascribable to difficulties of manufacturing in belligerent countries, increase in freights and prices in general. Compared to the conditions in the world Indian demand continued to support the industry due to the political movement of Swadeshim. This demand continued to feed the mills and the indigenous hand-loom production. The effects of the slump felt all over the world after the cessation of the war was felt in India about two years later.

During favourable years of exchange for imports during 1920-21, Indian buyers made purchases on an enormous scale, but when the bills arrived to be presented the exchange was adverse and hence these goods found difficulties in moving into the markets. It was with the fall in the prices and slackening of boycott that this stuff began to find way and at lower rates thus ousting the Indian manufactures from the field.

It is only at this state after 1922 that the Indian mills began to feel effectively competition from the imports. Prices also began to fall and increased efforts on the part of the exporting countries to market their produce accelerated this phenomenon.

The systematic and continued fall in prices hit hard the traders and middlemen who have incurred immense losses during the past four years of falling prices. This has resulted in killing enterprise in trade and hence the mills have increased difficulties by way of stocking and financing till demand comes from the consumers,

The present consumption of piece-goods in India is far below the pre-war consumption. The Indian mills have increased their production by nearly 60 per cent. but they are not able to supply all the needs of clothing. The opinion held in some quarters that there is overproduction is far from tenable.

But, whether India will soon demand its pre-war volume of textile requirements resulting in better trade prospects for Indian mills lead me to consider a few important factors.

The balance of trade is in India's favour which mean better condition for imports. The rate of exchange though stable is still at an advantageous point for imports. The legacy of the boom in excessive stocks has depressed the markets for the past so many years in reducing prices to below margin levels, thus limiting the scope of competition and resulting in disadvantage for Indian mills.

Considering the demand side it may be stated that for the past few years the monsoon in India has been favourable, but it is well known fact that even with good monsoons what the great mass of the Indian population can afford to spend on clothing is strictly limited. At present the consumption of cotton goods per head of the population is stated to be about thirteen yards as compared to sixteen to eighteen yards in pre-war years. The vast population is engaged in agricultural pursuits and for his products it is estimated that the peasant is receiving only 63 per cent. more than in 1914. The index number for Bombay, November 1923, shows cereals at an average price only 25 per cent. higher than in July 1914 while cotton manufactures are 135 per cent. higher. Since 1923 the prices have further fallen but until this premium on pre-war cotton goods is brought nearer to the premium on the purchasing power of the population of India it seems unlikely that a demand for the pre-war volume of piece-goods will be experienced by the Indian markets.

Against this is the cut-throat competition in sales and reduction of prices has made the conditions for the Indian sellers highly uninviting. And because of the depression in all the markets of the world, the better situated the industry and better equipped and protected it be the more successfully will it emerge from the struggle. Imports into India have decreased since 1914 and to-day they have not reached their pre-war figure. This means that exports have fallen in supplying countries and they are trying their best to find markets for their wares in our country more zealously than they ever did. In these countries the industry is better equipped and organised with efficient labour and hence while competing with them India is at a disadvantage. The struggle will need able handling of trade by the industrialists and the State will have to act to protect the industry from annihilation from competition of more powerful rivals.

Taking into account all the facts it would appear that apart from the possibilities of extraordinary changes, the prospects that the Indian industry will regain stability and an amount of volume of trade at profitable prices in the near future are not very bright. Taking a longer view there is no need for despondency. That the industry would be badly shaken in the world upheaval was inevitable; but as the settling down process proceeds and as normal economic relationship are re-adjusted and re-established throughout the world, the Indian mills will have to face severe competition from more firmly established, better organised and well protected rivals. From the state of conditions in the textile industry in India it is very unlikely that Indian mills will be able to cope with the difficulties without State aid. Even the English cotton industry is well looked after, after years of stabilisation, by the Ministers of State. The Japanese Government has never been slack in helping the cotton industry in its onward progress. Even recently the "Japan Weekly Chronicle" has threatened India with retaliation in case any protection is awarded to the Indian textile industry and informs us that "The Government is ready to do its part."

The depression is certainly temporary till the time that economic forces regain regular channels. But unless the State adopts a policy of safeguarding the industry and the interests of Indian textile trade and gives up the policy of "Laissez faire" by directly undertaking to help the trade firmly to take its root on sure lines of progress, the Indian textile industry is doomed to receive a hard shock from which it will never recover.

IMPORT DUTIES

I accept the principles laid down by the Fiscal Commission for the purposes of giving protection to a industry. India has immense possibilities of textile manufacture and therefore in my opinion all the imported piece-goods must be subject to heavy import duties. What should be the extent of this protection must be decided by experts, due consideration being given to the cost of production and selling price of imported goods. Taxing the imports of yarn will necessarily mean that the hand-loom weaver will be hard hit, but the evil effects of such a duty may be counterbalanced by the ultimate gain that the country at large will reap. I can quote with advantage one instance of what Japanese competition has done in connection with a certain count which was sold by the mills with which I am connected. No. 34's twist yarn was sold in the Fyzabad district

a few years back in large quantities but this count has been ousted from the market by 32's Japanese and consequently not a single bale is sold at present in this district. Similar havoc has been wrought by the advent of cultured silk yarn—a very cheap stuff, in ousting another count in the same district. Where my mills could sell forty to fifty bales a month, there even thirty bales are not disposed of within a year now. Considering a few solid facts I proceed to examine the question generally.

Primarily it is necessary for fostering an industry to have effective measures of protection, and to strangle so far as possible all the elements of competition till the industry attains a fair footing of existence. It is only on this system that the industries of all advanced nations are built up. The way in which England rose to such industrial eminence is sufficiently well known to all students of economic history. The highly protective and in effect prohibitive duties levied on silk, cotton and woollen piece-goods imported from India and other countries in the 18th century is sufficient to convince anybody of the importance of effective protection. Mr. R. C. Dutt in his *India under Early British Rule* has given a graphic picture of the fall of the cotton industry in India and the corresponding rise of textile trade in England. It is a sorrowful tale for all Indians to read and I shall be content with quoting only one excerpt of H. H. Wilson, historian of India, quoted by the author in his book and described by him as an impartial and emphatic verdict on the subject :

“It is also a melancholy instance of the wrong done to India by the country on which she has become dependent. It was stated in evidence (in 1813) that the cotton and silk goods of India up to the period could be sold for profit in British markets at a price from 50 to 60 per cent. lower than those fabricated in England. It consequently became necessary to protect the latter by duties of 70 and 80 per cent. on their value or by positive prohibition. Had this not been the case, had not such prohibitory duties and decrees existed the mills of Paisely and Manchester would have been stopped in their outset and could scarcely have been set in motion even by the power of steam. They were created by the sacrifice of the Indian manufacture. Had India been independent, she would have retaliated, would have imposed prohibitive duties upon British goods, and would have thus preserved her own productive industry from annihilation. This act of self defence was not permitted her; she was at the mercy of the stranger. British goods were forced upon her without paying any duty and the foreign manufactures employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms.”

Protection implies that the consumption of the people is to be diverted into desired channels and though not a necessary result it may be anticipated that prices should go up or consumption be checked. But as has been found in all countries, this effect has proved to be short lived and the ultimate result of the same highly beneficial to the country at large. Another aid to this effect is to be found in the possibilities of internal competition which will not allow profiteering for all times. It is therefore natural that in view of the national developments by protection of industries the consumer may have to pay a higher price, but in the end the effects will redound in the country benefiting at large.

India has been the home of the textile industry for ages. It is only during the transition from artisan production to mass production and that due to political inability that she was left behind the other countries in the race. She has ample raw materials, cheap labour, capital and enterprise to develop any industry if favourable conditions are afforded.

It was due to the enterprise of the native capital that the industry could develop to its present position and in spite of vicissitudes of political adversities and financial troubles the industry has been able to face all attacks of pernicious competition. Had the State stood by the side of the cotton industry, India would have been able, today, to supply her own needs and withstand any amount of foreign dumping.

In my opinion, therefore, State protection is always necessary to ward off any competition that may have adverse effects on any industry of a country. The circumstances of each case may decide as to what sort of protection and for what period it should be extended. The theory of Free Trade is a myth as is evidenced from the history of the commercial developments in all advanced nations.

Witness No. 95

THE BUCKINGHAM AND CARNATIC MILL Co., Ltd., MADRAS

Oral Evidence of Mr. G. W. Chambers, Director, and Mr. Hargraves, Manager of the Carnatic Mill recorded at Madras on the 24th September 1926:

Q. President.—I think the best plan would be, since you have no written statement to give us, to follow the order of the questions in our questionnaire as far as possible, so as to keep the discussion more or less on definite lines. There is one point about which I would like to ask you at the outset. We have been told, as you will see in due course in the report of the evidence given before us, that the Buckingham and Carnatic Mills are in a more comfortable position than most mills to-day owing to the fact that they are engaged almost entirely on army contracts and therefore have only a comparatively small surplus to dispose of. We shall be glad to know if that is actually the case.

A. Mr. Chambers.—That is by no means the case at present. The Buckingham Mill has at present the bulk of such army contracts—when I say army contracts I mean Government contracts—and has about 200 looms on Government work out of a total of about 1,300 looms in the mill. I have not got the exact figures. The Carnatic Mill has got about 100 looms on army contracts. Those figures are as high as they have been for some years.

Q. The general impression is evidently a mistaken one. Our first question refers to the extent of the present depression owing to various general causes. What are your views?

A. My information is that the depression is general in Bombay and I believe in Ahmedabad also, but I do not think that the mills anywhere else in India including the ones with which I am specially connected can be correctly described as in a depressed condition at present. We certainly are not.

Q. It would be extremely helpful to us if you could give us the reason why mills in this part of India should be in a better position than those in Bombay or Ahmedabad?

A. The difficulty is that I know something about our mills, but not so much about other ones.

Q. But your general impression on the point would certainly be useful. Do you consider that it is because there are any specially favourable circumstances here in regard to such factors, as the supply and prices of cotton?

A. No. I should say that the Bombay and Ahmedabad mills are as well placed as ourselves in regard to the obtaining of cotton. They are no worse and no better. I cannot think of any facilities in which they are worse off than ourselves.

Q. What about labour?

A. I think in some respects labour is better in Bombay than here, and I can give you an instance which I have no doubt you are familiar with. In Bombay as a general rule a weaver can work two ordinary looms. In Madras we have made serious attempts to induce our weavers to work on two looms. After trial, they were unable to do so properly. The best of them could only get 80 per cent. of what they should have got in the way of production, and the average was considerably below that. It was a failure. They are unwilling to do it.

Q. Are the wages here distinctly lower than they are in Bombay?

A. If we take the automatic loom, I can give you the Madras figure carefully checked.

Q. Would it not be better for our immediate purpose to take the ordinary looms?

A. Very well. I see in Appendix III to the "Questionnaire of the Indian Tariff Board and answers of the Bombay Millowners' Association" in the last column headed "standard muster 1st April 1923," Rs. 47-12-0 against weavers. We were then working two looms for Rs. 47-12-0. Our figure for August 1926 for an ordinary weaver on one loom is Rs. 35-6-0.

Q. Can you give us the figures for spinners for August 1926?

A. Mr. Hargreaves—

	Rs.	s.	p.	
For mixing and blow room tenters it is ..	..	0	12	0
	to	0	15	0 per day.
Card room .. .. .	..	0	12	6
	to	1	2	9 "
Speed frame : piece-work rates drawing ..	..	0	13	9
	to	1	1	0 "
Average wages for slubbing .. .. .	..	32	0	0
Intermediate .. .. .	..	30	1	0
Roving .. .. .	..	20	6	0

These are average wages. I might explain that we have quite a different system from that which is usual, I think, in the case of most Indian mills. We make carding and spinning a sort of nursery for the rest of the mills. We do not take outside labour except in extreme cases. The bulk of our labour is trained in the schools. As you know, we have got mill schools here and our practice has been for some years past to take our labour from these schools. For in only two departments have we got part time workers, i.e., carding and spinning. We bring these boys from the schools mostly when they are 12 years of age into the carding and spinning departments as vacancies arise and we promote boys from those two departments to the weaving, reeling, dyeing and other departments of the mill. The wage is annas 3-9 to annas 4-9 a day for a half time boy and annas 7-6 to annas 9-6 for a full time boy which comes to not more than Rs. 15 a month for a full time boy.

Q. Do I understand that all your spinning is done by half time workers ?

A. The half time workers will be either in spinning or in carding as the case may be. The boys will be satisfied with Rs. 15 per month and if we want men on a starting rate of annas 12-6 a day in the warehouse, weaving or any department, we transfer the boys from these two departments. So this keeps them perfectly satisfied and they have every chance of promotion from one department to another.

Q. Can you keep up a steady flow ? It seems an extraordinarily good system, but there is a possibility of the flow being confined to the spinning department and it may be difficult to find employment for them later.

A. We do not find it so. We find that the steady flow of labour keeps the mills going and, except in very extreme cases, we do not call in outside labour.

Q. How many vacancies do you get ?

A. Our estimate is roughly one per cent. per mensem.

Q. You have a strength of 4,885 ?

A. Yes.

A. *Mr. Chambers.*—As a matter of fact it has now sunk lower than one per cent.

Q. Is it not rather difficult therefore to provide for those boys afterwards ?

A. Probably about 90 or 100 boys will be waiting for jobs in the mills. If there is no vacancy in one mill we send them on to the other mill, as there are two mills. That is the system adopted.

Q. But what happens if there are a few jobs only in the other departments to which these boys can be promoted ? Would they not be confined to the spinning department for a fairly long time ?

A. *Mr. Hargreaves.*—Up to the present there has been no dissatisfaction.

A. *Mr. Chambers.*—Yes, a man may have to wait for two or three years.

Q. But it is a great thing if he knows that he will get a chance sooner or later ?

A. *Mr. Chambers.*—Yes, we can say we will arrange for him when there is a vacancy. That is the best we can do for him.

Q. What are the wages of winders ?

A. *Mr. Hargreaves.*—The average wage of—

					Rs.	a.	p.	
Winders	..	..	..	..	25	0	0	per mensem.
Beamers	..	..	..	..	45	0	0	" "
Sizers get annas 15 to Re. 1-3-0	second class per day.							
	Re. 1-5-3 to Rs. 1-10-0 first class per day.							
Drawers	..	..	..	..	35	0	0	" "
Reachers	..	..	..	..	25	0	0	" "

Warehouse men from annas 14-3 to Re. 1-3-0 per day.

Q. So it is quite obvious that the secret of your success is not to be found in wages ?

A. *Mr. Chambers.*—No. The above wages are exclusive of a 10 per cent. bonus and 10 per cent. should therefore be added to every one of these figures. The bonus is 10 per cent. per annum on one year's pay, which is more than a month's pay.

Q. Then, where are we to find the reason why, compared with the mills elsewhere, the Madras mills are not in a depressed condition ?

A. *Mr. Hargreaves.*—I am only speaking for our own particular mill. I am not concerned with any other mill in India. In the two mills we have for the past many years

been doing our best to improve the quality of our goods and I think therein lies the reason for our present prosperity. By constant attention to detail and always putting the same quality of material on the market we have been able to create some confidence in the people; in fact the pick and reed of our standard cloth are exactly the same as they were 15 years ago and people have got to know that, and if they buy cloth from our mills they will get value for money. An average Indian mill may make cheap saris and other cloths but we do not make them simply because there is too much competition. We try to produce better qualities which means less competition so far as the Indian mills are concerned. We are more in competition with Lancashire goods. Drills, tussorees, coatings and other cloths such as we make here require good warp and weft which is not usually made by the average Indian mill. I think therein also lies a reason for our better condition. At the same time I am not saying that other mills are not making the same class of goods.

A. *Mr. Chambers.*—I can supplement that by saying that we can sell also in Bombay and Ahmedabad. We have a big trade in Northern India. In any big bazaar in Northern India, west of Cawnpore at any rate, you will see any amount of our goods at any time and they go to all those places year after year. I do not think our complaints regarding quality amount to more than three or four in a year due to our mistakes and I have seen only one or two substantiated, at any rate recently.

A. *Mr. Hargreaves.*—I have a friend in Bombay and a few months ago he wrote to me and said that the Bombay police had taken to a nice blue drill uniform. On investigation it was found that the drill was made by the Carnatic Mill. There was not a mill in Bombay who were making it and the Bombay police had to come all the way to Madras for the drill. It looks rather strange on the face of it, but there is the fact that few of the Indian mills go in for this class of trade. We specialise in these qualities and they compare favourably with the same quality made in Lancashire or elsewhere.

Q. What is the count? We are anxious to find out the exact range of counts in which the Japanese goods are competing with Lancashire. I was under the impression that Lancashire sends very little below 40s and nothing below 30s and I was rather surprised to hear you say that your mill was competing with Lancashire.

A. *Mr. Chambers.*—There is a considerable amount coming from Lancashire of goods lower than 16s counts.

Q. Statements have been made that there is no competition between Indian mills and Lancashire, but if Lancashire is sending 20s counts and lower, there must be competition.

A. I should say the lowest count is 8s or 12s. We have got 14s and 10s also, the cloth being exactly of the same weight as the Lancashire drill.

Q. Another statement has been given in evidence here that the Indian mills do not bother themselves about making warp of sufficient strength. What is your view?

A. I believe that thoroughly. I have tested many of them and I may frankly say that the Bombay pieces as a whole do not look nice. If they are bleached, the bleaching—which is our speciality—is not good. They do not look well bleached. If you test that cloth, you will find it is weak.

Q. What is it due to? Is it because of inferior mixings?

A. I think it is due to that. Ordinarily the mixing is not good enough for the qualities they make.

Q. Is khaki drill cloth dyed or made of dyed yarn?

A. *Mr. Hargreaves.*—Piece dyed.

A. *Mr. Chambers.*—It occurs to me that the fact that we take the raw cotton and turn it into a great variety of finished cloths is of great help to us. It is for the other mills to decide what they should do, but we do everything ourselves. You know that some grey goods have to be bleached. Other mills, at any rate in Lancashire, send them to the bleacher and incur certain troubles, but we do the bleaching and everything else under our own roof.

Q. But that is common in India. There are extremely few cases where such processes are not being carried out by the mills themselves.

A. We do everything ourselves, so far as we are concerned. It is a great help to us. We consider it so.

Q. What count do you spin up to?

A. Generally up to 30s and in some cases up to 40s.

Q. Do you use any imported cotton?

A. No.

Q. It is extremely interesting to find that you can still do well with those counts. The complaint is that the full extent of the depression is felt in the spinning of the lower counts. But your view seems to be that there is a tremendous field still to be explored below 30s ?

A. Yes.

Mr. Subba Rao.—Have you any special advantage in marketing ? Does that explain your prosperity ? Do you sell, for example, in South India or all over India ?

A. Mr. Hargreaves.—We sell large quantities in Northern India.

Q. It is not confined to the South ?

A. No. We also sell out of India. But that trade is not much.

Q. Do you sell in the local market ?

A. We have a good local market.

Q. That is not the only market ?

A. No.

Q. May I suggest that the mills in South India not only have access to raw material but a good local market ?

A. There is no special advantage as regards raw material.

Q. As regards your drills, did Japanese competition affect you at any time ? Were they able to put on the market cloth which came anywhere near your cloth in point of price or quality ?

A. I have never been aware of it.

Q. Were you told by dealers that their price was below that of your goods and that the quality was just as good ?

A. I cannot remember such a suggestion.

Q. You have been able to face competition in drills right through ? At one time Japanese drills entered largely into the Indian market at a lower price. That is why I ask the question. You did not have that trouble. At no time did you feel that your drills were faced with Japanese competition ?

A. I cannot say.

Q. You spoke of the uniformity of your drills in respect of quality. Is there similar uniformity as regards the other lines of goods you produce ? Do you confine yourself to a few standards or lines of production, or is there a large variety ?

A. There is a great variety in our mills.

Q. For example, would it be as large a variety as in Bombay ? They suggest they are putting forth a number of varieties and they change from month to month. Is that your experience ?

A. We have to change to meet demand.

Q. Do you find, for example, in the course of the year that you have to change from one line to another ?

A. I do not suppose any line goes out entirely. But there is a great variety in the number of looms making it. The demand is such that a new line may come in, say, once a year. It is difficult to give exact figures.

Q. So far as the general conditions of the market are concerned, you have no special advantages over others in India ? You have to face competition from Japan as well as other people. So the explanation for your prosperity must lie somewhere outside these factors ?

A. Yes, we follow one or two principles which we consider advantageous to us. One is that we are very careful about our supervision which is a very expensive supervision and very strict, which helps to keep up our reputation.

Q. Therefore it all depends on the internal economies in the mills ? There is no special advantage as regards marketing ? It is a matter of mill management. You have no advantage outside the mills which the Bombay producers do not possess ?

A. No, I do not think so.

Q. Raja Hari Kishan Kaul.—I want to ask you about cotton. You said you do not get cotton cheaper than Bombay ?

A. I do not think we have any disadvantage against Bombay, or they against us. It is a different cotton that we get.

Q. You use southern cotton ?

A. All our cotton comes from this Presidency, except that from Devanagere which is in the Mysore State. We also take some from Hyderabad. The bulk comes from this Presidency.

- Q. You use no imported cotton ?
A. No.
- Q. On the whole you get your cotton somewhat cheaper than the average price in Bombay ?
A. There is a great deal of Cambodia that we get, which is very expensive. It has a very small blow-room wastage and it has a strong pull.
- Q. That is probably what accounts for your better product ?
A. Yes.
- Q. *President*.—Would you get Cambodia cheaper than the Bombay people owing to proximity to the sources of supply ?
A. The Bombay people have got the production of the Doab, Broach and Sind American, easily available.
- Q. Bombay buys in South India too ?
A. They buy from Nandyal and Tadpatri. These places are half-way from Bombay. But all our cotton is from Tiruppur, which represents Cambodia. Against that we may say the railway freight for our finished products is far more than that of Bombay, when we send to Peshawar.
- Q. *Mr. Majmudar*.—In what years were you mostly on Government contracts ?
A. *Mr. Chambers*.—Till 1919.
- Q. *President*.—Have you ever been largely on Government contracts ?
A. During the years of the war—I was not here then but I know that—we were largely on Government work. We had contract for khaki up to 1919.
- Q. *Mr. Majmudar*.—In 1919 you had made a three years' contract with Government ?
A. I wish we had. That is not correct. The contracts run for a year in the ordinary course. But I have never heard of a three years' contract.
- Q. After 1919 ?
A. No. They cancelled 37 lakhs of yards in fact.
- Q. Are you supplying grey goods to the Government ?
A. Barring a very few bales which might be grey goods.
- Q. Most of the manufactures you put on the market are coloured, bleached or dyed ?
A. It is mostly khaki and bleached.
- Q. Very little grey ?
A. Very little, only for Government work.
- Q. Does Japan export to India coloured or bleached drill ?
A. I have no knowledge. Bleached drill perhaps comes in.
- Q. In the use of Tiruppur cotton, have you an advantage in bleaching ? Is that cotton whiter than other kinds of cotton available in Bombay ?
A. *Mr. Hargreaves*.—May I point out this ? The strongest cotton in South India is not Cambodia, but the Pure Red Northern, of which there are some one or two thousand bales grown only. We try to get the whole of that. We get the Northern. That is not a particularly white cotton. When we use these cottons we cannot by any means make cloth of good colour. But our finish is due to our bleaching process. But it has a strong pull as high sometimes as 110 lbs. for 19s warp. Red Northern is a cotton which deserves special attention from the Government Department concerned. We can only get 2,000 to 3,000 bales a year of this cotton. Coconadas is a much weaker and inferior cotton. Cambodia has now-a-days no special advantage as regards bleaching.
- Q. *President*.—Am I right in thinking that you turn out very little grey goods ?
A. Yes, we make very little.
- Q. *Mr. Majmudar*.—Were you the first to go into the bleaching trade of the textile industry in India ?
A. Probably we were one of the first. We cannot say exactly we were the first.
- Q. Is your success also due to your sales policy ? You are not, I understand, making sales only to big merchants or only through commission agents ; but are dealing with three or four merchants at the various centres. They send indents directly to you, and you make contracts with them, and supply to them according to the terms of contract. That is to say you have not big merchants as middlemen between you and the smaller merchants ?
A. In the north of India we have big men with whom we make our contracts. They distribute to sub-dealers. I do not know whether you can call them middlemen. They buy a lot of stuff from us and sell it in their own names.

Q. Let us take the Bombay Presidency. Have you any agents there? I do not know whether you call them agents.

A. We call them indentors.

Q. You have got indentors in each and every big place, like Sholapur and Bombay?
A. In Bombay we have about 10 indentors. In ordinary towns we probably have one.

Q. *Mr. Subba Rao.*—You have opened one shop in your own name in Ahmedabad?

A. No.

Q. *Mr. Majmudar.*—Does the same system prevail in the Madras Presidency?

A. In the Madras market I estimate—we have reduced the number—we have got at least 25 dealers to whom we sell treating them on equal terms. We have 12 in Bangalore including Mysore, Madura one or two, and so on.

Q. What proportion of your product is exported out of India?

A. I can only estimate it at about 5 per cent. now-a-days.

Q. *President.*—Would you like to say what your experience is in regard to competition outside India?

A. We have the worst of it there. In the Rangoon market at one time we sold a large proportion of our production, probably 20 per cent. Now lower priced goods and what we call inferior goods have considerably ousted us in Rangoon, and in the Straits our market is diminishing. That is probably due to the depression in the Rubber industry to a very great extent. Japanese competition there has probably come in.

Q. Have you had any reports to show why you have lost the market, whether you lost that market owing to Japanese goods being cheaper?

A. That is the best of our information about Rangoon. Generally speaking, our people tell us so.

Q. You do not feel the Japanese competition here?

A. As a matter of fact, a certain amount of cheap stuff comes in here from Bombay. We do not feel it much ourselves.

Q. *Mr. Majmudar.*—Do the people prefer your cloth because it is produced on the Northrop looms?

A. *Mr. Hargreaves.*—As a matter of fact, I do not suppose people take it in because it is produced on the Northrop loom as they don't know.

Q. *President.*—What *Mr. Majmudar* means is that you can produce a better quality on the Northrop looms than on other looms?

A. I would say, yes. The Northrop loom, if it is kept in good order, will make a slightly better cloth.

Q. *Mr. Majmudar.*—Do you get a low percentage of imperfect cloth?

A. Such is the case.

Q. And you are able to sell at a better price?

A. I do not think, so far as we are concerned, we get a better price. On the other hand, we have to be very vigilant to keep the looms in perfect order. It is a loss.

Q. Besides getting perfect cloth, do you gain in production?

A. No, we are losing in production, as a matter of fact.

Q. *President.*—I think you have no desire to express any opinion on the question of exchange?

A. None.

Q. In regard to the questions in Section II of the Questionnaire, have you anything to tell us about Japanese competition in this country. If we did seem that it is not felt to a large extent in the local market except in regard to shirtings to some extent.

A. If you take the local market, it will include everything, Lancashire and European piece-goods. I think they are worried by competition. It is in grey goods chiefly and in 40s yarn I believe.

Q. Our enquiries in the piece-goods market seemed to show that shirtings is the main line of competition.

A. I should agree with that.

Q. They tell us that, except in gray shirtings and a certain amount of striped and bleached shirtings and a certain amount of sheetings, there is absolutely no competition.

A. As far as I know, that is correct.

Q. And 40s yarn ?

A. I know that our 40s imported yarns are completely knocked out by Japan.

Q. How far do you think the present depression is due to the weaker mills in Bombay being forced to undersell owing to the internal competition among the mills in India, which is grinding them down more than Japanese competition.

A. I suppose it is not only those that are affected by cheap sales. Many big mills do send down here their cheap goods, and we are affected.

Q. On the question of handloom *versus* mill products can you tell us anything ?

A. No.

Q. *Mr. Majmudar.*—Do you find any internal competition due to the manufacture of striped shirtings by the Ahmedabad mills ?

A. It is a very difficult question. There is such competition, I take it. But it has not come before me. I cannot give you a detailed answer.

Q. You have no reports from dealers in the mofussil that Ahmedabad shirtings are replacing your shirtings ?

A. No special report. Many a time merchants demand a lower price saying that trade is being ruined by Ahmedabad or Bombay. But during the last three or four years, they have been buying a lot of goods from us. I cannot say whether it is true or not.

President.—One point I should like to ask you in regard to the system of managing agents is this : Is your remuneration by commission on profits ?

A. Our remuneration is on the profits shown in the balance sheet and not on the gross profit. We make provision for depreciation very rigorously first and then declare the profits. In the Bombay mills, they are being remunerated on the gross profits. I think I am right in saying so.

Q. If you have no profits—you have never been in that position—but perhaps you can tell us what your procedure would be if you were in such a position. Many of the Bombay mills, as you probably know, do not make provision for depreciation unless they have profits. I am not sure that any of them do. If that were so with you, and you made no profits would you still make the full allowance for depreciation and carry forward the debit balance ?

A. Depreciation is the first charge on our gross profits.

Q. Do you regard depreciation as an absolutely essential cost of production ?

A. Yes.

Q. If you had no profits, would you still write off depreciation and carry the debit balance forward ?

A. We have not had that case. I can say that was probably the case with the Carnatic mills on certain occasions a good many years ago.

Q. You had sufficient profits to pay for depreciation but not dividends in that case ?

A. That was the case for some time in the Carnatic Mills.

Q. I think that it is done in Nagpur and that the mills there invariably make provision for depreciation whatever their profits. But it is certainly not so in Bombay and Ahmedabad. You say that it should be done ?

A. It is absolutely vital.

Q. Possibly it is difficult for you to express an opinion on the question whether managing agents should get their commission on gross profits or net profits ?

A. After all, in our case we have practically half the shares in the Buckingham and Carnatic Mills. Anything that the shareholders suffer, we must suffer.

Q. Would you care to answer Question No. 43 ?

A. *Mr. Chambers.*—I am prepared to say that we receive an office allowance in answer to the first part of the question. As regards the purchase of cotton, we get no commissions or allowance at all. On purchases of machinery and mill stores, we get a commission. We have to employ agents to attend to the work in England and therefore we get commission on that.

Q. It is the agent who gets the commission ; you do not get it ?

A. No.

Q. You do not make a profit on that ?

A. No. We do not keep any of the profits.

Q. Do you get commission on sales ?

A. We do not sell any raw cotton. There is no commission on the sale of yarn and cloth. As managing agents, we get no commission on insurance ; but we are the agents for Insurance Companies and in that section, Binny & Co., as distinct from the managing

agents, naturally take a commission for doing the work. We have no advertising and so we have no commission on that.

Q. The same practice prevails in Bombay. They also get no commission, but where they are the agents for an insurance company, they get a commission. They are only agents to the insurance company for their own mills? Is that so here?

A. We are agents to the insurance company both for our mills and for others.

Q. We have been told that the mill agents in Bombay are agents for insurance companies merely in order to enable them to get a commission. We were also told that difficulties arise out of this because the Bombay Millowners' Association is not in a position to fight the insurance companies owing to the fact that many of its members are agents of the insurance companies.

A. I have never known of any such case here.

Q. Would you like to say anything about Question No. 44?

A. As regards ourselves, we have various other considerable activities, but I do not think they are in the least detrimental to the interests of the Buckingham and Carnatic mills. In fact I think they help us.

Q. Can you suggest any alternative to the managing agency system. Various charges have been levelled against it and a suggestion has been put forward by many witnesses that the proper thing would be to have a board of directors with a managing director and that such a system would be more efficient and economical. Do you consider that such a system is desirable in the present state of the mills in India?

A. I think it is possible; but the managing agency practice has grown up presumably from the commencement; and I imagine many mills would not have been started without some one willing to take a considerable stake in the companies. We have every incentive to be efficient. I take it that the managing agents have considerable stake in the company and I see nothing wrong with the present system of having conscientious managing agents.

Q. But the critics think that there would be less wrong if the system of managing directors were adopted?

A. They are entitled to hold that opinion; I cannot say more.

Q. My point is whether it can be done, whether if you were to have a managing director, you could get a board of directors who could look after him.

A. He would have far less stake in the success of the concern than the managing agents.

Q. I take it that directors usually have shares in the company.

A. It is not a question of money qualifications. If you had a board of directors, surely you could not get the necessary technical qualifications. I think the system would be hardly feasible.

Q. That seems to be the difficulty. Are there sufficient number of competent people in India to form boards of directors?

A. I don't like to say anything about that.

Q. Some of the evidence given in Bombay showed that the directors there take anything but an active part in the management. Is there any reason why other people who would take a more active part and who are more competent should not come in as managing directors instead of as managing agents.

A. I could not say whether it would work properly.

Q. My point is that the managing agents have a clearly greater stake in the success of the firm, in the very nature of things. Therefore for that reason, is it not likely that you will get better management from managing agents than from managing directors?

A. Yes, put like that, I should agree with you.

Q. *Raja Hari Kishan Kaul*.—There is an agency system peculiar to Ahmedabad and I think it is known as the hereditary system, by which the son succeeds his father as the managing agent as a matter of course. Do you consider that system efficient? Would you like to express your views on that?

A. I would not like to express my views on that. My father was a managing agent.

President.—The next section relates to mill finance. The Buckingham and Carnatic Mills have always been known for their cautious financial policy. But is there any question in that section on which you want to express your opinion?

A. As regards Question 46, I should say that many mills are suffering from the high prices of machinery brought about in 1920 or about that time. We have had difficulties from that cause and we have had to depreciate very liberally.

Q. So you suffer ?

A. In one of our mills a good deal of the machinery was installed at very high rates and it is worth nowadays only about half what it cost. We deliberately meet it by depreciating specially to get things right. It must certainly be a great handicap to certain mills.

Q. We now come to 'Cost of production.' You have about 50,000 spindles and 1,300 looms in each of your mills ?

A. Yes, that is about correct.

Q. Do you consider that your mills are about the right size ? In Bombay they put it at 30,000 spindles for 1,000 looms and in Ahmedabad at 25,000 for 600 looms.

A. It also depends on the counts of yarn. On higher counts we want more spindles. It is more a question of staff. If we had less spindles and looms, we could not necessarily reduce our staff very much.

Q. Your balance is right ?

A. Yes, with our existing staff. We have a big European staff—it is not so usual in the case of Indian mills. But if we had less machinery, we probably would not be able to reduce our staff much.

Q. *Raja Hari Kishan Kaul.*—Would you tell us how many Europeans are employed, in each mill ?

A. The two mills together in Madras have about 40, including Managers, Engineers, Assistant Engineers, and even Assistant Weaving Masters. That excludes the European lady teachers. They are about 40 distributed more or less equally between the two mills. It is part of our policy to have a very strict supervision in order to ensure good quality. We have Indians in responsible posts in these departments too.

Q. On about the same pay ?

A. More or less on the same pay.

Q. The European staff is more expensive, is it ?

A. Yes.

Q. *Mr. Subba Rao.*—What would be the proportion of your expenses on the European staff to your total expenditure ? It must be small.

A. It is a big item in money. I could not give you the percentage.

Q. *Mr. Majmudar.*—You said that you can, with the present staff, manage the machinery ?

A. Yes.

Q. If you extend the spindles, you need more preparing machinery and more staff and with the existing staff is it possible to have an increase in spindles or a similar increase in weaving ?

A. The number of our spindles and looms is sufficient for our present staff.

Q. *President.*—How do you buy your cotton ?

A. With a few exceptions where we buy from Government farms, we buy all our cotton from our agents who maintain for us presses in various parts of the Presidency.

Q. You cannot have a flow of cotton throughout the year. For how many months will it come ?

A. The cotton season is roughly from March to October.

Q. You have not got to buy and store up cotton for some months ? We were told in Ahmedabad that some of the mills buy for four months in the year and stock it for the rest of the year.

A. It is not essential for us to do that.

Q. So, the question of hoarding does not arise here ?

A. It has not arisen with us.

Q. Is there any question of speculation in any shape or form ?

A. I cannot speak of the system in other mills, but I know that other mills frequently buy along with us.

Q. *Raja Hari Kishan Kaul.*—Don't you feel the effect of a falling market ? You may buy cotton at a certain price and by the time you convert it into cloth, the price of cotton may fall.

A. Yes, we have some disadvantage like that ; but we do not go in for hoarding.

Q. If you take advantage of the falling market, you will gain thereby ?

A. Yes.

Q. You hold stocks of raw cotton for some time, say, for two or three months. Is it so ?

A. I would only say that we do hold a certain amount of cotton. I cannot give details of it.

Q. What I mean is that you may be purchasing for six months ; but it will be necessary for you to provide for the other six months. That is what many mills tell us.

A. We purchase to a certain extent and we certainly have a reserve stock.

Q. So that you have no advantage over other mills in that respect ?

A. No.

Q. *Mr. Majmudar.*—Do you make any forward purchase of cotton in the mofussil?

A. We generally buy in May for June and in June for July, i.e., a month or two forward and not more.

Q. From the agriculturists or merchants ?

A. We buy from our agents who are very nearly always the local dealers. We very rarely buy direct from the actual producer.

Q. *Raja Hari Kishan Kaul.*—Could you give us your opinion about Question 62 ?

A. I do not know anything about it ; because we buy at a certain price and I do not know the export price.

Q. You have no reason to believe that the exporters get cotton at a cheaper price.

A. I do not know. I am not in a position to give an opinion on that point.

Q. What is your opinion about labour ?

A. I hope you will give me an opportunity of giving some correct figures later on.

Q. *President.*—But will you state your general views on this section ?

A. A point has been made that the increase in the wages paid to the employees of the Buckingham and Carnatic Mills has only been 55 per cent. I do not know from what year it has been calculated.

Q. *Raja Hari Kishan Kaul.*—Since 1914.

A. I can give you the actual figures which have been carefully prepared and checked. Excluding all bonus, the rise in wages in the Buckingham Mill since 1914 has been for all our employees 162·29 per cent. and not 55 per cent.

Q. *President.*—Excluding bonus ?

A. Yes. The bonus is 10 per cent.

Q. Was it excluded in 1914 ?

A. The bonus system was started in 1919, and ever since 1919 they have the bonus at 10 per cent. The Carnatic Mill figure is about 155 per cent., again excluding bonus. The increase is not 55 per cent. as reported in the "Hindu." But two half-timers are taken as one hand. Then, as to the cost of living, there are no official figures for Madras, but I understand from the Bombay reports that the cost of living has risen to somewhere between 60 and 70 per cent. I do not know definitely and I am open to correction.

Q. Between 50 and 60 per cent. I think the actual figure is 54 per cent.

A. The Bombay cost of living has risen between 50 and 60 per cent. and I think the Madras figure can be taken as the same. Assuming that the cost of living has risen by 54 per cent. the wages of our men have gone up by 160 per cent. on an average plus bonus. My figures have been carefully prepared and checked and are accurate. It has been stated that our people are getting more and more indebted. We spend over a lakh in getting for them all the necessaries for the month. They can get on very well without running into debt. They can take everything from the Society on credit and pay us the amount at the end of the month. It is a wild statement made here the other day which cannot be substantiated. I should also like to contradict the statement that a weaver has to attend to six automatic looms. One man attends to three looms only.

Q. Can he exercise supervision over six looms ?

A. There are assistant weavers probably just as good as themselves.

Q. How many assistant weavers are there ?

A. In the Carnatic Mill, there are on the whole 1,025 North rop looms. There are :—

43 jobbers.
163 weavers on 6 looms.
11 weavers on 4 looms.
1 weaver on 3 looms.
42 weaver helpers.
84 fillers.
43 oilers.

Total .. 387 men on 1,025 looms.

In addition to that, we have the extras, that is, sweepers, fitters, clerks, people who look to the weft room and sundries.

Q. But the point was with reference to the actual operation of the looms ?

A. It is substantially correct to say that one man to three looms is the maximum, with the help that he gets. I would not mind if it was one man to six looms. I wish it were so. It would do them good to do that. In other countries, it is well known that they manage more than six looms.

Q. Is it not correct that in America they manage 24 looms ?

A. I have repeatedly heard so from America.

Q. We were told that the number was too high for the physique of South India.

A. That is what the spokesman of these people says. I am sure any South Indian would resent that. The spokesman alleged that our weavers suffer from chest pain, but they have never reported it themselves to the doctor and it is untrue. I should like to state that the minimum wage of an adult is annas 12-6 a day and he can rise to As. 14 a day. That is for an absolutely unskilled man, an ordinary sweeper or cooly.

Q. *President*.—That is the lowest wage for a cooly ?

A. *Mr. Chambers*.—Yes. That is the daily wage. In addition to it, there is a bonus of 10 per cent. besides other allowances. Although it is a small point, I think I am right in saying that, in those circumstances, it was impossible for any weaver who is actually working in the mill to have come up before this Board and say that the wage given by us is very poor. I presume that it is true that such a statement was made.

Q. The men who appeared before us were not men actually working in the mills. I said that, if the Labour Union had applied to me, it might have been arranged for men actually working in the mills to appear.

A. I would have given them leave on full pay for the day. There was no application whatever for such leave. The bonus of 10 per cent. is more than a month's pay. That is all I can say. Then, we have been told as regards gratuity that a ludicrously small number of men have got it. All I can say is that since 1914 in gratuities we paid Rs. 6,47,584 for the two mills. Supposing you take the high average of Rs. 500 for each man, that will mean that at least 1,350 men have had the money. If those are absurdly small figures, then I am surprised. As regards bonus, at the Carnatic mills alone we paid out Rs. 7,62,709-3-6 since the 1st of July 1919; in the Buckingham mills we paid about Rs. 8 lakhs in the same period. I only mention these things to show how our payments were belittled by a previous witness. They were all actual cash payments. We have no right to stop the bonus or gratuity. It is said that men do not care to live in the houses that we put up. All I can say is, there is a waiting list of candidates who want to get those houses.

A. *Mr. Hargreaves*.—They only pay a monthly rent of Rs. 1-8-0 for each house. They could not get the same kind of house for less than Rs. 6 or 7. Thus each man gets an addition of Rs. 4 to 5 a month to his pay.

A. *Mr. Chambers*.—Then we give them practical training. Though it is not on a large scale at present, we hope to improve that. We think on the whole that our people are satisfied because the average leaving the mills has fallen from 7 per cent. to less than half per cent. That is the percentage at the end of the year 1925. In 1915, 11 per cent. of our men went away. According to the labour turn over, there is now only less than half a per cent. going away. I think the figure of less than half per cent. is a very eloquent one.

Q. Is there anything else, Mr. Chambers, you want to say on this point ?

A. Then, we pay for holidays.

Q. You give them how much holidays ?

A. Ten and half days' mill holidays to all employees plus fifteen days to men with five years' service. All holidays on full pay.

Q. I take it you are not faced with one thing which undoubtedly sends up the cost of labour in Bombay, and to a small extent in Ahmedabad. You have practically permanent labour ?

A. Yes. Our absenteeism is just between 9 and 10 per cent. That is the daily average.

Q. These figures seem to be higher than we expected. In Ahmedabad, for instance, it is 3 per cent.

A. *Mr. Hargreaves*.—That includes all leave.

Q. What I should like to know is what absenteeism you have without leave ?

A. Three per cent. last year. The average this year will no doubt be less, probably 2 per cent.

Q. That is really the absenteeism. You cannot include people on privilege leave as absentees. In working out your 9 or 10 per cent. you have included all people ?

A. Yes, leave, absence and doctor's leave.

Q. That makes a great deal of difference in the actual absenteeism.

A. Actual absenteeism is one-third of the total.

Q. We are very anxious to know something about the North rop looms so we will get on to that at once. One of the solutions of the labour difficulty in Bombay which is undoubtedly the high cost of labour as compared with pre-war time, which has been offered to us is the introduction of automatic looms. We shall be glad to know how far that is a possible solution of their trouble. I think the Buckingham and Carnatic Mills are the only mills which have automatic looms on a large scale.

A. We have them in Bangalore as well.

Q. At your own mills there ?

A. Yes.

Q. In any other mill ?

A. I do not know of any other mill which has got them on a large scale.

Q. What is your general experience with them as a solution of labour difficulties ?

A. *Mr. Chambers.*—We are satisfied with our North rop looms. We do not think we could work them well without our strict supervision and the other points we mentioned to you. They must have a strong warp ; they want good cotton ; they want, as we say, careful expert supervision for a long period of years. They cost three times as much as an ordinary loom.

Q. £80 as compared with £25 ?

A. Something like that. We bought them long ago. The price is now falling but it is something round about three times the price of an ordinary loom. I do not think many of the mills are in a position to put them in.

Q. As regards labour for them ?

A. We save labour. We put one man to three looms although it was represented here that one man attends to six. We are disappointed with it. We hope we may get it better some time.

Q. Here in Madras one weaver looks after only one ordinary loom. In Bombay one weaver attends to two looms. He could presumably look after more North rops there than our weavers do here.

A. It is not only a question of strength of yarn. The upkeep is expensive for the North rop. The upkeep is against them. It is round about Rs. 7 a loom a month. It is difficult to say more about the North rop. We started with them approximately ten years ago and we made an experiment with perhaps twenty looms in the beginning. We did not reach a thousand in each mill until recent times. We have good hopes with the North rop that we can get improved results in time. We hope to give more looms to be looked after by a weaver. They make good cloth.

Q. *Mr. Majmudar.*—Did you find great difficulty at the start in inducing weavers to work on North rop looms ?

A. Yes. So far as we remember it was rather troublesome.

Q. Have you had to offer the labourers a higher wage in order that they may stick to North rop looms ?

A. They are given better wages. The wages are calculated to be higher for working on the North rop. I have given you the figures. Taking the North rop figure, the average is Rs. 48-7-6 for a weaver on automatic looms at the Buckingham Mill, and it is Rs. 12 a month more than that of a man on the ordinary loom.

Q. You find the ordinary jobber able to get on with the automatic looms ?

A. *Mr. Hargreaves.*—That is one of the difficulties. We found the ordinary average Indian jobber is not competent as the mechanism is more intricate. He must be specially trained if possible.

Q. *President.*—How do you give them training ?

A. We have no special method except that we pick out the best weavers and train them first as spare jobbers and when they are used to the looms and become competent we gradually make them jobbers. Even now a large proportion of jobbers are not able to look after North rops properly. I may point out the difficulty we found was that they were all elderly men from 35 to 50 years of age who were brought from ordinary looms and were without education. It is a difficult proposition to put a man who is simply brought up on an ordinary loom, a man without education, on the North rop loom, because without education they must find it difficult to understand North rop loom mechanism. I should say that if the jobbers have a fairly good education they will learn quicker. But we get indifferent men as jobbers on North rops who are quite all right on ordinary looms.

A. *Mr. Chambers.*—Experts of all kinds are essential to look after North rops.

- Q. *Mr. Majumdar*.—Are they able to pick up the work in a short time ?
- A. The average jobber is fairly intelligent and can be trained to do the work in a reasonable time.
- Q. If they are able to pick up in a short time, are you paying them any higher wages ?
- A. They are just getting the same as the jobber on the ordinary loom as no more manual labour is required.
- Q. They are paid on production ?
- A. They are paid not on production but on the number of picks made by their lot of looms.
- Q. What about the efficiency on the North rop ?
- A. That depends on the quality of cotton. You must have a good warp mixing. That is where the efficiency lies.
- A. *Mr. Chambers*.—The North rop looms work 160 to 170 picks a minute.
- Q. *Raja Hari Kishan Kaul*.—May I ask whether the Northrop looms were got in order to save labour or to save cost ?
- A. Our primary idea was to get both results. My impression is that we have got only a reduction in the number of hands to start with.
- Q. *President*.—You have very little female labour, I think, *Mr. Chambers* ?
- A. *Mr. Chambers*.—Only about 150 women, all on building work, and they do not work in any enclosed room or shed. There are none in the textile section.
- Q. There are none within the mill rooms ?
- A. No woman is employed as a textile operative.
- Q. On the other hand, you have a number of half-timers in most of the operations. That is perhaps owing to the system of training you give to your staff. That is to say you take in half-timers, train them later and make them full-timers ?
- A. That is the case.
- Q. What about the "Budli" system ? You know it prevails in Bombay. That is, operatives going on leave have to provide substitutes.
- A. *Mr. Hargreaves*.—I do not know anything of the "Budli" system. We keep roughly a reserve of 10 per cent. of our people, and they are spread over different departments. We fill in the places of absentees on leave with those men. The services of this reserve are retained constantly.
- Q. So in your mills, it is not a question of the weaver on leave having to provide a substitute ?
- A. No.
- Q. How do you engage your labour ? Do the jobbers engage new men, or is it the weaving master who appoints labour ?
- A. Now all the people are coming from the mill school. Formerly, they were engaged by the weaving master. Not by the jobber ; jobbers had never any control in the matter.
- Q. Have you a long service bonus or provident fund ?
- A. We have no provident fund. We have got a gratuity fund.
- Q. What is the difference between a provident fund and a gratuity fund ?
- A. Provident fund is contributory, but gratuity fund is non-contributory. Ours is purely a gratuity fund, and non-contributory. Besides, we also give a bonus of 10 per cent. of their wages, paid every half year. When a man in our employ has completed ten years' service he is paid an amount equivalent to 5 per cent. which is put on one side, and then at the end of each half year, we add another 5 per cent., and the total really is 10 per cent. on the workman's earnings for 10 years. That is No. 1 fund. Then a 7½ per cent. plus a bonus of 7½ per cent. is added, and that is for 7 years and is No. 2 fund. Then in the third stage a man gets a bonus of 10 per cent. and another 10 per cent. for five years, that is 20 per cent. of the total earnings, and the fourth is similar to the third fund.
- Q. That is a long service bonus ?
- A. It is. But we distinguish it from a bonus and call it gratuity fund.
- Q. You might be able to throw some light on Question 80. That is, "Do you consider that there is any reasonable prospect of securing a reduction in labour costs in the near future by training operatives to tend more spindles or looms ? Has there been any improvement in this respect in recent years ?" You probably know that the average number of spindles per operative in India is 160 to 180 ; in Japan they work 200 to 240 spindles which must reduce the cost of production considerably.
- A. It does happen. We are making an experiment. But in the Carnatic Mill, three boys instead of 4 are on 720 spindles.
- A. *Mr. Hargreaves*.—In our spinning room, boys look after half a frame each, that is on each side of the machine you have one boy. That means 180 spindles each.

Q. The same as the Bombay operative ?

A. Yes. The number of spindles looked after depends on the quality of work or count being spun. We find on most of the counts that these boys are capable of looking after more spindles, and we are making an experiment at the present time, and if we do not get any outside interference, there is no doubt the experiment will be a success. That is we put in 3 boys where there were 4, and they are getting an increase in wage.

Q. Where does the saving in labour cost come in if the wage is increased ?

A. Taking the minimum rate for a full time boy in the spinning room which is Re. 0-7-6 we have said to these boys : If you three boys will do the work which four were doing, then you can take 6 annas for yourselves and we will take Re. 0-1-6. Thus the boys get two annas increase each, and Re. 0-1-6 goes to the mill, and the boys are quite satisfied. Little things like that can be done as far as we are concerned in every department of the mill. There is no doubt about it, and personally I do not think that the men would find it any more exhausting.

Q. There is no hope of making a man to look after more than one loom ?

A. I personally think it can be done.

Q. Have you tried any experiment in that direction ?

A. Not lately, but with the introduction of universal winders I should say it is possible.

A. *Mr. Chambers.*—I think it was said in the morning that in the Buckingham Mill it was tried and found that with a better standard of education they would be able to do it.

Q. I should like to know if you can get one man to work two looms with the universal winder, giving them big bobbins ?

A. The point about using universal winders is, although it is an extra process, you get on the bobbins at least twice the amount of yarn that is wound on the ordinary spinning bobbins. Therefore, the weaver's labour is less because he has to change his bobbin half as often. That ought to make it easier for a man to look after two looms.

Q. I am not quite sure whether Mr. Hargreaves said that you had developed the universal winder to the fullest extent. Do you find any other advantage about it ?

A. We rewind now 75 per cent. of our weft. Although we have the big bobbin, still a weaver looks after only one loom. There is less waste in weaving with rewound weft

Q. Universal winders came in only with the North rop ?

A. We bought some earlier. We do not say that North rops need universal winders, but as we have the universal winders we use them to make larger bobbins ; this saves wear and tear on the looms and bobbins.

Q. *Raja Hari Kishan Kaul.*—You said just now that you could improve in the matter of spindles to be attended to by a boy if there was no outside interference. Do you experience any outside interference ?

A. *Mr. Chambers.*—That is rather a delicate question. I would prefer to say that there is a certain amount of outside influence. I prefer to leave it at that.

Q. Has the standard of living of the workmen risen ?

A. That again is a difficult question to answer. We can only judge by such facts as come to our notice.

Q. *President.*—You can judge by the little luxuries that they go in for and by other ways.

A. Yes, there are now for example far more wrist-watches than before. We never used to see them at all but now there is a good number. If we go to the cycle shed we see nearly 300 push bicycles. We think the standard has improved.

Q. *Raja Hari Kishan Kaul.*—Do you notice any difference in the kind of food they eat ?

A. I can answer that directly by saying that we supply a good quality which they freely buy. We supply it at cost price. I do not think I shall be wrong in saying that they spend more than 40 per cent. of their wages in our stores.

Q. They spend the whole thing on food or cloth, or what ?

A. Some of it goes on scented soap, face powder, etc.

Q. That is decidedly a higher standard of living. What is your opinion about working by artificial light ?

A. I have no experience of it. We should not dream of using it ourselves, i.e., go in for night work.

Q. Do you think it is practicable ?

A. I should say it is practicable, because I know it is done in Japan.

Q. It is used in some places in India too.

A. I can only give my opinion that we do not approve of it and I cannot imagine anybody going in for it. Artificial light is especially bad in the case of weaving and spinning.

Q. *Mr. Subba Rao.*—With regard to training people, to mind more spindles it is purely a question of the layout of the buildings? It was stated by some one that it is not possible to extend the length of the frame because the buildings are too small. Would that be a real difficulty? The spinners cannot run from one side to the other.

A. *Mr. Hargreaves.*—Supposing this is the spinning room. If two lines of machines run this way across the room and a boy looks after one side, I do not think there will be any difficulty in his crossing the alley to the other side. It is done in Lancashire mills.

Q. I notice from the figures you have given that there has been a considerable reduction in the number of half-timers. From the year 1915, when it was 15 per cent., it has been steadily going down. It is now 6 to 7 per cent.

A. In 1915 the figures were 4,300 adults and 1,800 half timers; but now they are 4,380 adults and 321 half-timers. That would, to some extent, lower the average wage in the former year. The 162 per cent. increase would be somewhat modified by that fact. We have replaced these boys by adults. Therefore, the total average wage will naturally be higher to that extent.

Q. Could you tell us whether the rates of wages also show a similar change? It is enough if you give a general answer.

A. Yes, we have some figures for spinning. In August 1914 the average wage per head was Rs. 4-13-4. There was an increase in that department in 1916 and the average went up to Rs. 14-6-4.

Q. Have the rates increased in the same proportion?

A. Yes, the rates have gone up. I have not got any exact figures here; but they must have gone up in corresponding proportion. I cannot say whether they have increased in the same proportion.

Q. *President.*—In 1920 there was a reduction from 12 to 10 hours. What was the effect?

A. I have never known 12 hours' work. I have been here for 20 years.

Q. *Mr. Subba Rao.*—Did you change after the new Factory Law or before, as Bombay did?

A. All along it was 10 hours, since about 1910.

Q. One man minds one ordinary loom in your factory and you pay him about Rs. 35 per mensem?

A. Yes, Rs. 35-6-0 for ordinary weaving, excluding bonus.

Q. But they pay Rs. 47-12-0 for tending two looms. So the wages per loom here are much higher than in Bombay. Is it made up by increased output? Will it be about 1½ times the Bombay output?

A. I do not know the Bombay output. It is impossible to give any definite answer to that.

Q. Anyway, it pays; otherwise you would not have adopted this system. It must be worthwhile?

A. It must be so.

Q. So it is possible to employ one man to tend two looms and pay him less per loom?

A. We won't commit ourselves to that.

Q. *Mr. Majmudar.*—In 1914-15 you were employing female labour in the winding department?

A. No. No female has been employed in the mills since 1911.

Q. *Mr. Subba Rao.*—I read that there were women in your mills till recently and that you had some trouble and had to dispense with them?

A. They were all workers outside the mills. We have them still. There was no trouble among any of the textile workers or in any other section, except among the building women.

Q. *President.*—Just one question in regard to overhead charges. What is your view about the valuation of mill stock referred to in Question 87?

A. I am sorry that is too much of a domestic detail. I do not care to give my opinion on that.

Q. I take it, speaking generally, that you would agree with me when I say that once you adopt a system, it should never be changed?

A. You mean the system of valuation?

Q. Yes.

A. No, I should not approve of that.

Q. We come now to the last section, Section VII. Would you give us your views on the question of protection? Are any of the remedies suggested by the Bombay Mill-owners' Association desirable?

A. We should be very pleased to have the customs duties abolished, but for the fact that the Government would have to get the money out of us in some other way.

Q. Is the customs duty a very big item?

A. It must be.

Q. Therefore, you are not asking for anything?

A. No.

Q. What steps do you think the Government can take?

A. I do not think the Government can do anything. To be frank, I have no views to put forward as to what the Government should do.

Q. If the Government can do nothing, how is the question to be solved?

A. The law of supply and demand will do it.

Q. There is one more point which was raised by the Textile Expert yesterday. That was about the question of mills supplying prepared warp to the handloom industry. Do you think there is anything in that suggestion?

A. In the first place I am surprised to hear that. Mills do their own weaving and there is little surplus, at any rate usually here in our mills.

Q. There are a number of weaving mills certainly in Bombay and Ahmedabad who have surplus yarn for the market. You have none?

A. We have also at present a certain amount on hand.

Q. Do you think the mills could supply prepared warp to the handloom industry? Would it be of any benefit to either party if they did?

A. I should say that the mills would regard it as a risky proposition, the demand might be fluctuating and much valuable machinery will be required. I think extra sizing machinery would certainly be essential and it will cost a good deal of money. That will be an additional risk for the mills to take and I should regard it as an unnecessary risk.

Q. *Mr. Subba Rao.*—I should like to ask one question about depreciation funds. Would you approve of any firm using the depreciation funds for the expansion of the plant and buildings? Would you consider it a wise financial policy or procedure?

A. I would say that depreciation funds are so very important for their own purposes that it is most improper to provide from such funds for machinery and extension of buildings or for other alien purposes. That is my opinion.

Q. *President.*—One of the most bitter complaints made to us by the Labour Union in Bombay was about the system of compelling the workers to take away damaged cloth.

A. We never make them take such things. It is especially forbidden here.

Q. How do you deal with damaged cloth?

A. There is a system of fining for serious and persistent cases of bad work and the total amount of fines comes to about Rs. 120 per month; at any rate it has not exceeded Rs. 150. And except fines for bad weaving work, all the fines collected in other cases go to benefit the general body of workmen.

Q. Have you suffered, as undoubtedly you must have, from having a stock of damaged cloths which has to be sold at low prices, when the fault is due to the weaver? The question also arises as to how the amount of the fines compares with the damage.

A. The fine does not represent the damage.

Q. What is the amount of the fine generally?

A. Fines of a rupee and more are very rare. The total for a month is less than Rs. 150 for the whole mill.

Q. If you say that the fines amount to nearly Rs. 300 a month and the wages come to 2½ lakhs, the percentage is very small indeed.

A. It is practically nothing. Rs. 300 compared to 2 lakhs does not even come to one per cent, and as I said, the whole of it or at least a portion of it goes to benefit the general body of workers.

Mr. RAMNATH GOENKA, MADRAS

Oral Evidence recorded at Madras on 23rd September 1926

President.—You are the dubash of the Bombay Co. ?

A. Yes.

Q. Also one of the leading dealers in piecegoods in this Presidency ?

A. Yes.

Q. You told us yesterday when we went round the piecegoods market that you are an importer of Japanese goods ?

A. Yes. I am an importer of Japanese goods from Calcutta and Bombay. I am one of the biggest importers. There are very few who import such goods and those who do import only two or three bales, but I get about 150 bales per month.

Q. You were telling us a good deal yesterday about the organisation of the Madras market, which we should like to have formally on record. You told us that there are about 50 piecegoods dealers in Madras altogether, of whom 15 deal in Japanese piecegoods ?

A. Yes. They also deal in other lines.

Q. You told us that 40 mills are represented here by about 10 dealers ?

A. Yes, about 8 or 10 dealers.

Q. All of them are Gujaratis ?

A. Yes.

Q. Are there any Bombay mills represented here by their own agents ?

A. I do not know.

Q. How do the Bombay goods sell here ?

A. The dealers purchase in Bombay and bring it here. Jamnadas Potdar are the agents for all the Tata group mills in the whole of India except in Madras for the Swadeshi mills and for the Swadeshi mills M. F. Naoroji is the agent.

Q. Take any Bombay mill. How does it sell its goods here ?

A. The dealers from this place go to Bombay to make purchases and bring those goods here. They purchase them through their agents in Bombay.

Q. You took us round to four or five dealers yesterday. We did not see any Bombay goods in those shops.

A. You probably refer to Manilal Dhanjee. Unfortunately the proprietor was not there. He has got Bombay mill goods. To some extent I am also keeping Bombay mill goods, and there are two or three others also like that.

Q. After all Bombay is the biggest centre in India, is it not ?

A. But Bombay goods are not very saleable in Madras.

Q. That is exactly what we want to know. Can you tell us the reason why ?

A. The reason is that Madras is a very small market. Madras requires only a limited number of bales every month. Another reason is that the usual quality of Bombay is different. Bombay mills make goods for their own market and also for the Calcutta market. They sell the grey shirtings, dhotis and other things in lots of thousands of bales to the Calcutta market and the Northern India market, and if the Madras people want 5 or 10 bales of the Madras quality they do not consider it worth their while to send them to Madras, unless the Bombay mills are stocked in such goods.

Q. Your experience goes to show that Bombay pays no great attention to these parts ?

A. They do not.

Q. They do not pay any attention to the requirements of Madras, whereas the Ahmedabad mills do ?

A. The Ahmedabad mills have come to do business in Madras only during the past four years. Formerly, they were not on this market. They began to try their goods in this market some four years ago. They now sell at least Rs. 50 lakhs worth of goods per year. I know one man who is an agent—whom we met yesterday—who is buying Rs. 20 lakhs worth of goods every year. Kesari Prasad of Messrs. Advance Trading Co. sells Rs. 5 or Rs. 6 lakhs worth of goods. There is another man Chhaganlal Lakshmi Chand to whom we did not go yesterday, who deals in these goods to the extent of about Rs. 15 or Rs. 16 lakhs every year. Besides all these dealers like myself who are not agents of any mills go ourselves to Ahmedabad to make direct purchases, and we have got also our agents there and we make purchases through them.

Q. So you find that the Ahmedabad mills are much more accommodating and are much more ready to give you the stuff that is saleable here or the stuff that you want than the Bombay mills ?

A. Yes.

Q. Now, coming to the Japanese goods, I think you told us yesterday that the main line of Japanese goods coming here is grey shirtings ?

A. Yes.

Q. After that comes striped shirtings ?

A. Yes.

Q. There is not very much sheeting ?

A. No sheeting and very little or no T. cloth. They are mostly grey and striped shirtings ; also Japanese crepe.

Q. You also told us that no Japanese stuff is coming to Madras by sea ?

A. Very little comes by sea ; I would put it at not more than 100 bales a year.

Q. Is that due to the fact that there is no direct service to Madras ?

A. Yes.

Q. So, all the Japanese goods coming to this Presidency come by rail from Bombay or Calcutta ?

A. Yes.

Q. I think it is also all of the same width, 44" .

A. Yes. In Calcutta they get 38" . All over the Madras Presidency, we get only 44" .

Q. What is the average consumption in Madras of Japanese goods ?

A. About 500 bales a month, i.e., of shirtings alone. In striped shirtings the consumption will be 100 cases a month. Crepe will come to 100 cases a month—altogether about 700 cases a month.

Q. How many yards will there be in a case ?

A. 1,900 or 1,925 yards in gray shirtings, 1,000 yards in crepe and 1,200 yards in striped shirtings.

Q. It is not very much more than a million yards a month ?

A. But the demand is every day increasing.

Q. Why do you consider it is increasing ?

A. The people have a liking for the Japan finish. I am told that these Japanese piece-goods are made of ring yarn. There are two sorts of yarn, one is ring yarn and the other is mule yarn. I think all the Indian mill goods are made of mule yarn. In some cases they are made of both.

Q. There are very few mules in India.

A. But the people have a liking for the Japanese finish and the whiteness of the yarn and they say that it is strong enough.

Q. Do you consider it is a better quality ?

A. Yes.

Q. How do the prices compare with the Indian mill goods ?

A. There is really no comparison between the price of the Indian mill goods and the Japanese goods. The Japanese goods are made of yarn of more than 30s and the Indian goods are made of yarn below 30s. That is why there is no comparison.

Q. Take one of those pieces of cloth which you have got before you. What is the price of that piece ?

A. This is 44 inch \times 38 yards. The price is Rs. 10-4-0.

Q. What would be the price of Indian shirtings ?

A. This one is 44" . I will get thicker cloth of the Ahmedabad mills quality. The Bombay mills will be 11 lbs. 44" , and there are other qualities also which are 9 or 8½ lbs. But they are very thin, not close woven. The one is 24s counts quality and the other is 28s or 30s counts quality. That is why there is no comparison between this and that. If you want to have Indian mills quality at Rs. 10-4-0, it will be quite a different quality.

Q. What will be the quality ?

A. It will be thicker.

Q. What counts ?

A. It will be about 26s or 28s.

Q. And the weight ?

A. The weight will be 8 lbs.

Q. What is the weight of this thin cloth ?

A. 6½ lbs.

Q. Does it mean that the Japanese quality is not to be got from the Indian mills ?
 A. We tried to get the cloths of many of the Indian mills to match with the Japanese cloths. We sent the Japanese cloths to the Nagpur mills, to the Lakshmi mills, to the Vishnu mills and other mills ; but we were not able to match even one quality of the Japanese. The Nagpur mills were able to match it to some extent in one quality, at any rate the quality was more or less equal to the Japanese quality. But then the price came to about Rs. 2 higher than that of the Japanese quality.

Q. You do not know why their prices should be so much higher ?

A. I think it is on account of mismanagement.

Q. Surely not in the case of the Empress, Lakhshmi and Vishnu mills ?

A. Those mills are making profits.

Q. It pays them better to make other things ?

A. Yes.

Q. As far as you know, have any Bombay mills sent anybody down here to go round and see what the people want ?

A. We never come across such people from Bombay.

Q. Do you think it would be worth their while ?

A. Yes. But they do not care for the Madras market. That is the trouble. During the war period, for four years, they were able to sell their goods to the extent of one crore a year in this market, so much they were able to sell here. The Bombay people always want war-time. Having taken sweets during war-time, they would not take bread now. I was in Calcutta for about two years in an Indian piecegoods firm. My firm was one of the biggest in Calcutta dealing in Indian piecegoods from Bombay. I was selling about 20,000 bales per year of Bombay and Ahmedabad mill goods. I know with the Bombay mills we had to face so much troubles and difficulties. If you purchase a thousand bales from Bombay, if the price goes down, they will give delivery in proper time ; if the price goes up, they will say that the shipment was delayed. If they cannot deliver the goods, either we have to take a further shipment, or cancel the goods. When the market is higher, we are expected to cancel the goods. Then we have to take those goods at the sweet will and pleasure of the millowners.

Raja Hari Kishan Kaul.—We have just heard on the contrary, that Ahmedabad people were worse dealers than Bombay millowners. That was the information we got.

A. It is so. Ahmedabad people do deal in that way. They do not give the right qualities ; they do not give the right counts of yarn ; they also take into account the rise and fall in the market in giving delivery. In spite of that they are able to make their sales in Madras because they have cared for the Madras market.

Q. Do you buy from Ahmedabad because you get the proper quality or is it that you find it cheaper to buy from Ahmedabad ?

A. I find it cheaper to buy there. Of course they send very bad qualities. In spite of the damaged and bad stuff they sometimes send we find it cheaper to buy from Ahmedabad.

Q. The main reason is that cloth made by Bombay mills is dearer than cloth made in Ahmedabad ?

A. Yes.

Q. It is not that Bombay mills do not produce the same quality ?

A. No. They do not produce the quality suitable for the Madras market.

Q. For instance, talk^s dhoties ?

A. Dhoties and sized cloth demanded here is 44" × 5½ yards. They do not produce that quality.

Q. We were told at Bombay that some mills were prepared to sell even one bale ?

A. If they have got stock.

Q. They have plenty of stock ?

A. That would not be suitable to the Madras market. For instance, we want dhoties of 34" × 5½ yards, but what they have is 44" × 10 yards.

Q. Is it because they do not manufacture that kind of cloth rather than that they are unwilling to sell in small quantities ?

A. Yes.

Q. We were told that cloth made in the Empress mills is substantially the same as that imported from Japan ?

A. Yes, they matched one quality.

Q. And the difference in prices is Rs. 2 per piece ?

A. Approximately Rs. 2 per piece.

Q. You told us some time ago that the mills wanted to make higher profits.

A. Yes, I think so.

Q. Have you any idea as to what profits they were charging ?

A. Yes. I know that in the Calcutta market we used to buy chaddars from them, which is of the same quality as that given by Hinginghat mills, but the price would not compare with the Nagpur mills.

Q. I want to know whether they were selling higher because their cost of production was higher, or because they wanted to charge higher profits ?

A. I think Nagpur mills sell all their goods at a very good profit.

Q. You have no idea of their cost of production ? Only you think that they charge higher prices ?

A. I do not know actually what it would cost them ; but I think they must be making good profits.

Q. You do not know whether it will pay them to sell at Rs. 2 less a piece ?

A. No.

Mr. Subba Rao.—You gave a comparison between Japanese goods and Indian goods. You suggested for Rs. 10-4-0 you get only a much heavier and coarser quality from the Indian mills. Can you make a similar comparison with English goods ?

A. English goods also will be Rs. 10-4-0, the same price for same quality.

Q. Which will be bought in the Madras market ?

A. Japanese, because they like that finish.

Q. You do not sell English goods ?

A. We have tried to some extent. But they have not got the same finish.

Q. Is it a different finish or a better finish ?

A. It is a different finish. The people prefer the Japanese finish. I have got here two samples of the same quality of Japanese and English cloth.

Q. I want to see that. (The witness handed over two pieces of cloth.) They are approximately of the same fineness ? What is the weight ?

A. Yes. Japanese 10 lbs. English 10½ lbs.

President.—Is it due to the calendaring ?

A. Yes. They cannot give the proper finish. People think it is not good cloth.

Q. Is that so really ?

A. There is a finish in English goods. Dealers do not go in for it because the finish makes the people think that it is a lower quality though it is made of the same kind and quality of yarn. It was more size and does not look like the Japanese cloth.

Q. It is merely an impression ? But it is the same kind of cloth ?

A. Yes.

Q. What I want to know is whether there is anything in the Japanese cloth that makes it different from the other cloth. Are the Japanese selling a cloth which we cannot import from England, i.e., which cannot be had here from England ? Would that be true ?

A. Here we cannot sell it at the same price. For every 100 bales of Japanese goods that we sell, only about 50 bales of English goods of that quality are sold. English goods have, to some extent, succeeded in getting the Japan finish. In due course they may find better sale. At present people have a preference for Japanese goods.

Q. So the competition is between Japanese goods and English goods and not between English and Indian goods ?

A. I think so.

Q. The Japanese have been trying, so to speak, to capture the market here for English goods, and not trying to capture the market for Indian goods ?

A. No, not of the Indian goods.

Q. The Indian mills could not produce those qualities of English and Japanese goods ?

A. No. Both English and Japanese goods are of 40s and also there is a consumption of 1,000 bales a month of Japanese 40s yarn.

Q. I am not speaking of yarn. I am speaking of cloth. As regards cloth, is Japanese cloth gaining ground at the expense of the English cloth of the same texture, or is the English cloth maintaining its old position in this market?

A. Yes. Japan is gaining ground at the expense of the English goods. Formerly, T. A. Taylor and Company were importing about 400 bales per month of grey shirtings from Manchester. Now, they are importing only 20 or 25 bales because Japan has taken that place in grey shirtings.

Q. Do you import from Ahmedabad only heavily sized goods or also bleached goods?
A. Both.

Q. For example, taking bleached shirtings of fine counts made in Ahmedabad, are they saleable in Madras?

A. Yes. They are saleable here. There is no competition between Ahmedabad shirtings and those of Japan or English. They have each got their own market.

Mr. *Majmudar*.—Were you importing any shirtings from Ahmedabad or Bombay?

A. Yes. Grey shirtings. And also from Tata mills, but not so much now.

Q. Were you getting any grey shirtings from Bombay two years back?

A. We were getting them four or five years ago.

Q. To what extent?

A. Very little; just ten or fifteen bales.

Q. And from Ahmedabad?

A. Formerly, we were getting almost nothing. It is only for the last five years that we are getting something from Ahmedabad.

Q. Formerly were grey shirtings coming to Madras from Bombay or Ahmedabad?

A. They were neither coming from Bombay nor from Ahmedabad.

President.—Where used they to come from?

A. Formerly, English shirtings were sold in Madras.

Mr. *Majmudar*.—Do you deal in yarn also?

A. I am mainly dealing in yarn.

Q. Do you get 40s from Indian mills?

A. I don't think so; we were getting it largely from Japan.

Q. Does it sell in any quantity?

A. In 1924 there was much speculation in Madras market in 40s. I could even sell then 500 bales for future deliveries just as in the case of cotton speculation. At that time there was considerable speculation in yarn. We used to deliver both cross reel and plain reel yarn against our future delivery contracts. The price of cross reel was about Rs. 5 per bale cheaper than plain reel in Japan.

President.—Is Japanese yarn now Rs. 5 cheaper?

A. Cross reel bales were being imported in Madras sometimes and it was being sold Rs. 5 or 10 cheaper than plain reel. I got myself 600 bales then and of cross reel and others also got about 400. On the whole about 1,000 bales were imported in Madras from Japan of cross reel. We wanted to deliver these bales against our future delivery contracts, but people would not take them at all and we were unable to sell them for six months.

Q. What happened in the end?

A. They were sent to Coconada, Salem and other places and with difficulty we disposed of a few bales and then we sent them to Erode. After all, we were able to dispose of them in 6 or 7 months.

Q. You were making a profit?

A. I made a loss of about a lakh of rupees. Weavers do not want cross reel. They do not like it because they are habituated to plain reel.

Mr. *Majmudar*.—You get 20s yarn from the local mills?

A. We get this quality from Pondicherry, and from Choolai mills. Formerly, the Buckingham and Carnatic mills were supplying some quantity of 20s yarn, but now they are using it for piecegoods purposes. From Madura mills we are getting lot. Then we have got Gokak mills supplying it. There is a consumption of 2,000 bales per month of 20s in Madras.

Q. Is there any complaint about short length?

A. Not in regard to these mills. There is a lot of complaint about 20s we are getting from Ahmedabad.

Q. Do you get any yarn from Bombay?

A. Yes, we get from Currimboys.

Q. Is there any complaint about it ?

A. No complaint about Currimbhoys.

Q. Is there a complaint about passing in yarn of lower counts ? Say 20s yarn turning out to be 18s ?

A. No.

Q. Are there any such cases ?

A. Say from Ahmedabad again. There is complaint in regard to yarn supplied by the Ahmedabad and Sholapur mills were underselling. In Ahmedabad they make 40 Jhumar ticket in which there is no complaint.

President.—Are the Ahmedabad mills underselling ? I think somebody told us that the Ahmedabad and Sholapur mills were underselling.

A. Not Sholapur. Ahmedabad is underselling because their quality is lower, though they call it a good quality and sell it at a lower rate.

*Q. Have you anything else to tell us, Mr. Goenka ?

A. One thing I am anxious to put before the Board. I am quite against imposing any duty on Japan or English yarn or piecegoods.

A. Why ? Because there is absolutely no competition between Indian and Japanese goods. Both have their own separate spheres. Japanese mills deal in one line and the Indian mills in another line. If any duty is imposed, only the poor people will suffer most, because price of Japanese and English goods will go up and automatically the price of Ahmedabad and Bombay goods will be put up a little bit higher, and naturally people do not like to pay higher prices.

Q. The Bombay millowners say that if Japanese goods do not directly compete with their goods, their prices will not be high.

A. I do not think so. I will just give you some figures. In Japan there are only 64 mills. They work them day and night, and they have got only 52 lakhs of spindles whereas the Indian mills have got 80 lakhs of spindles. Japan can take advantage only if there is a difference in price between Japanese and English goods. Of course if you put a duty, the millowners will take the opportunity to raise their prices. That is my impression. If this Board can do anything, they may reduce the freight because when we get goods from Ahmedabad we have to pay Rs. 30 for a bale. If the freight is reduced, it will benefit the millowners and the people.

Q. Why do not people send by sea ?

A. They will have to send the goods to Bombay from Ahmedabad.

Q. Would not that be cheaper ?

A. Not cheaper because you will have to pay carting charges, etc., for transport to Bombay, and even from there the charge is Rs. 20 per ton. That is the freight for steamers.

Q. You say it is not cheaper to get Bombay goods by sea than by rail ?

A. It is so to some extent. Because we have to insure the goods when we send them by sea. Ultimately the charge will be the same in both cases, or perhaps there may be a little difference of 5 per cent. Another thing I want to say is that the 40s which we get from Indian mills is negligible. If a duty is imposed on English or Japanese 40s, Indian mills would not be able to supply these 40s. I have got figures here to show that only 220 thousand lbs. of yarn above 40s are of Indian manufacture. Then from 31 to 40s they can prepare only 18 million lbs.; 21 to 30s, 150 million lbs.; 11 to 20s, 340 million lbs.; 1 to 10s, 130 million lbs. Seeing that the 40s made by Indian mills is not even 1½ per cent. of the total yarn and also that their 40s are of short length, which cannot be used for warp but only for the weft, while the Japanese yarn can be used both for warp and weft, no duty is necessary to be put on yarn. Only the Madura mill yarn can be used for warp, but it does not pay them to produce 40s. It is much better for them to produce 20s and counts below 30s. What I want lastly to say is that there is no competition between the Indian and the English or Japanese goods, and that no duty need be imposed either on imported yarn or cloth.

Witness No. 97

Mr. N. G. RANGA, NIDUBROLU, GUNTUR DISTRICT, MADRAS PRESIDENCY

Written Statement dated September 1926

1. The Fiscal Commission recommended that the Tariff Board should satisfy itself in dealing with claims for protection, as to the following conditions :—

- (a) That the industry possesses natural advantages;
- (b) That without help of protection it is not likely to develop at all, or not so rapidly as is desirable;
- (c) That it will eventually be able to face world competition without protection;

Though the cotton industry of our country can satisfy the Board as regards the first and the last conditions, I am afraid it will be impossible to supply convincing proof to support the second claim. The Indian cotton mill industry is able to monopolise the market below 30s and for counts 30s and 40s it is in no inferior position though the imports are greater than home production. But above 40s it is able to supply only $\frac{1}{2}$ of the total cotton goods imported from other countries.

Indeed the Bombay Millowners Association does not lay so much stress upon the competition between the Indian and foreign products in Indian markets as it does upon the competition in the Chinese markets. It is said that the Bombay cotton mill industry is unable to carry on any more and so needs the special protection of the Government. It is relevant to enquire why it is unable to carry on.

A few months ago the Bombay cotton mill industry was saying that if the Cotton Excise Duty were to be abolished, all the ills of that industry would disappear and it was on the condition that the Government should abolish that duty that it decided to postpone its proposals for cuts in the wages paid to the workers. But evidently the protection thus given by the abolition of that $3\frac{1}{2}$ per cent. duty has not been sufficient to enable this industry to stand on its own legs. It is only reasonable to doubt how far the proposed additional import duty will be effective in helping this industry to face the world's competition better.

It is the sorrowful experience of every country which has decided to support the industrialists as against the vast masses, that once a beginning is made in giving protection to a powerful industry such as ours in question, there is and there can be no end to its demands to further grants of protection and the country is provided only with a badly manned, inefficiently organised and insufficiently financed industry. Our own country can be no exception. At present there is an all-round import duty of 11 per cent. on all cotton goods and ever since the abolition of the Cotton Excise Duty, the protection afforded by the State has amounted to 11 per cent. and the industry demands an additional protection of $17\frac{1}{2}$ per cent.

If we give this protection at all we must be sure for what purpose the nation's money is wasted. If it is to assist an industry which is in its infant stages and is unable to face world competition it can be argued that the people stand to gain by giving it some protection. But it is impossible to argue similarly in giving protection to any industry which is in a dominating position in the home market but seeks to monopolise and is unable to keep its former hold upon a foreign market. Surely it is asking the Indian public to waste their good money just to enable the capitalists to reap high dividends though their industry is very inefficiently organised and badly run.

Even in the Chinese market, it is not the Japanese imports which are ousting our cotton imports but it is the production of the Chinese industry itself. Wages are very low in China; workers labour for very long hours, and costs of erecting machinery and constructing buildings are lower than in India and Japan. The cotton imports from the Madras Presidency have been steadily on the increase ever since the end of the war. This Chinese indigenous industry concentrates mainly upon very low counts. So it is a wonder how the Indian industry can hope to capture the Chinese market. If it seeks to lower the prices of its goods below the costs of production and cover the losses incurred hereby by gaining at home from the higher prices made possible by the additional protection, then its trade with China will be styled as "dumping" and the poor consumer in India is made to bear the costs of such "dumping."

It is true that the Madras cotton mill industry is finding it inconvenient that so much Japanese yarn should be sold in the local markets but it is as yet unable to supply even half as much yarn as is needed by the mills and handloom weavers in the Presidency. The few mills which are also interested in weaving are unable to satisfy the local demand fully and so there can be no question of serious competition with world trade in the local markets. Indeed many millowners argued with me, when I visited them, that their industry can support itself ably in the competition with Japanese industry.

2. I am of opinion that the present crisis in the cotton mill industry of our country is due to the inability of the industry to adjust itself to the changed conditions of trade in the post-war days and to re-organise itself in such a way that over-capitalisation does not result and the most inefficient mills are closed down. Consequently over-capitalisation resulted to a serious extent and the millowners find it impossible to realise commensurate dividends upon the watered capital. If it had not been for this fact of unnecessary over-capitalisation, the figures of dividends would not have seemed to be so small. Otherwise how could the millowners run their mills inspite of the so-called grave situation of the industry? The spinning mills in the Madras Presidency have been realising on the whole respectable dividends and are not in any way seriously menaced by this grave situation.

3. I believe that the Indian cotton mill industry is at present very inefficiently organised for the following reasons:—

(a) The wages of labour are less in Indian mills than in the Japanese cotton mills. An English worker in a cotton spinning mill in Chorley earns more than six times as much as his brother worker in a Coimbatore mill in the Madras Presidency. Wages paid in the Madras cotton mill industry are generally very much lower than those in Bombay.

(b) It is comparatively easy for the mills in the Bombay Presidency and it is very easy for the Madras mills to secure their labour. But it has become extremely difficult and costly for the Japanese cotton mill industry to secure sufficient labour. It has to keep paid agents all over the country to recruit workers and even when recruited, it has to take many safeguards to prevent such workers from running away.

(c) Japan imports the greatest part of the Tinnies (Karunganni Nos. 2 and 3) from the Madras Presidency while Indian industry buys the local cotton.

(d) The cost of erecting and equipping mills is very much greater in Japan than either in England or in India.

(e) Japan imports all her textile machinery just like India from England.

(f) Japan has to finance her cotton mill industry by borrowing at the same rate of interest as India. (It is never below 9 per cent.)

Thus it can be seen that India is much better placed than Japan in the preliminary conditions of success. But for some reasons Japan has been able to increase the number of her spindles and looms at a greater rate than India in the past eight years. In the same period the Japanese imports of cotton yarn and piece-goods have been on the increase in India and have come to compete with Indian manufactures in the Chinese markets very successfully. What could be the reason unless it was all due to the inefficient organisation of our cotton mill industry?

4. The capitalists answer that the Japanese millowners work double shifts, employ mostly women labour, work their labourers much longer than in India, use child labour and work during nights with women and children. Though the 1921 Factory Act is not properly enforced in Japan and though it is true that Japanese workers labour for longer hours than our workers, we must realise that such causes as our millowners find, could not have so materially contributed to the greater success of the Japanese cotton mill industry. We must admit that the Japanese industry owes much to the excellent organisation and the efficient workers.

5. So I am afraid that the millowners demand that the Indian consumers should sacrifice much in order to subsidise, so to speak, their inefficient industry. In all due justice we must admit that the rural masses who will chiefly suffer from the proposed additional duty, are not in a position to sacrifice so much out of their scanty earnings. Most of them are suffering from periodical and long spells of unemployment caused by the agricultural industry and they are already asked to make good the deficit, caused by the abolition of the Cotton Excise Duty, in the national revenues.

6. If at all the Board finds that this industry needs any help from the Government just to enable it to reorganise itself and to become able to compete with Japan and China in the Chinese markets, then a bounty is the best means by which help can be rendered.

It can be temporary and depends upon the amount of cloth exported. Then imports need not be taxed additionally and the people need not pay higher prices for their cloth than at present. Moreover it will prevent the capitalists from selling their manufactures much cheaper abroad than at home.

7. The present state of things must be kept intact, *i.e.*, a protection of 11 per cent. duty for some time to come. The people are already used to the sacrifice needed by $7\frac{1}{2}$ per cent. import duty and it is a well-known dictum in public finance that an old tax is less intensive in its incidence than a new one. But in fact it is for the counts of 40 and over, that protection is needed for Indian cloth as the competition is almost negligible between India and the rest of the world. The handloom weavers need this protection as it is their goods which chiefly have to compete with the foreign goods and as their industry is not yet able to stand on its own against the competition of the mill industry.

8. The present duty on the import of yarn should be immediately abolished as it presses very hard upon the poor handloom weavers. It gives in fact an indirect and differential protection to the millowners as against the handloom weavers since the coarse goods manufactured by the former become cheaper since they are manufactured with local yarn than the finer cloths prepared by the latter. Both the masses and the voiceless handloom weavers suffer at present from the iniquitous impost and the sooner it is abolished the better it will be.

9. I do not believe in lower wages and the lowering of wages will not solve the difficulties of this cotton-mill industry. The Board will do an immense amount of good to the country and this industry if it properly investigates the possibilities of reorganisation of the industry and advises that the recommendations of the Board should be carried out by the industrialists. The Government may then decide to render help to this industry provided the suggestions of the Board are carried out. It is unjust and uneconomical to spend the nation's money on this industry without providing for conditions of speedy recovery. It must be one of those conditions that the wages of labour should be proportionately raised in accordance with the help given by the Government. In one of the Australian States it is provided that workers shall also be given a share in the benefits of a bounty or protective duty.

10. I respectfully suggest that the masses are voiceless and the members of the Assembly are over-awed by the power of this industry in politics and so the Board and the Government must think themselves to be the trustees of the ultimate interests of the people and try their best to see that no unnecessary help is given undeservedly to this or any other industry.

I may be allowed to state that I am the author of the following theses approved by the Oxford University :—

- (1) The Cotton Mill Industry of the Madras Presidency.
- (2) The Handloom Weaving Industry of the Madras Presidency.
- (3) The Economic Organisation of seven Villages in the Guntur District.
- (4) The Family Budgets of Handloom Weavers (180).

Sir HARIRAM GOENKA, GOENKA HOUSE, CALCUTTA

Written statement dated 10th September, 1926.

The present depression in the cotton industry is a world-wide one and is not confined to Bombay only. The explanation is obvious; price of cotton goods is still comparatively higher than the average price level, and the relative purchasing power of the people, so far as cotton goods are concerned, is less than that of the pre-war days. In the case of the Indian industry the situation has been rendered acute by both internal and external factors. On one side there is overcapitalisation, lack of efficient management, over-production, loss of touch with the consuming market and such other defects, while on the other the appreciation of the rupee, depreciation of Japanese yen, labour facilities in Japan and such other factors encouraged imports. Most of the factors are, however, temporary, and I am inclined to believe that sooner or later, probably sooner, adjustments will take place to the altered circumstances. The depression after all is a passing phase and does not necessitate such a drastic measure as the imposition of a general duty on imports. If the Bombay mill-owners put their house in order and if the Government reduce the duty on stores and machinery, remit taxes like the super-tax, and grant other minor prayers, I am sure that the industry can be placed on a profitable basis. Figures for the production of yarn and piecegoods by the Bombay mills show that the industry is still expanding and if the cost of production can be adjusted to the price level in the country there cannot be any danger from foreign competitors, now that the excise duty has been removed and the protection amounts to a full eleven per cent. But at the same time I believe that Japan has some unfair advantage over India in labour, State assistance and allied factors. I do not object to an additional duty on Japanese goods to neutralise their advantage; on the other hand I welcome it, provided the duty can be levied without necessitating similar duties on all imports (*vide* the trade convention with Japan of 1905). I am strongly opposed to a general increase in the duty. In spite of the enormous development of the Indian mill industry the country still imports large quantities of foreign piecegoods. In 1925 Indian mill made piecegoods put on the market amounted to 1,789 million yards, while the figure for the net imports of foreign piecegoods was 1,746 million yards. The first result of the imposition of the duty will be to raise the price of textile goods to the great inconvenience and distress of the people. Already the price of textile manufactures stands at a higher level than the average price. Any further rise in the price of cotton goods will materially affect consumption and I am afraid that the gain of the mill owners by the rise will be more than neutralised by the curtailment of the sale. If there were any prospect of India's becoming independent of foreign supply in the near future, the imposition of the duty would have hastened the progress towards the goal, but with absolutely no such possibility, the duty will simply add to the distress of the people. I do not support the idea of imposing additional duty on yarns. The indigenous weaving industry is slowly reviving—additional duty on yarns will retard its development. I do not believe in the efficacy of imposing duty on imported yarns up to certain counts as the foreign shippers, if they so desire, will be able to avoid the duty by shipping yarns of slightly higher counts.

Witness No. 98

Sir HARIRAM GOENKA, CALCUTTA

*Oral Evidence given on his behalf by Rai Bahadur Badridas Goenka at Calcutta
on the 30th September, 1926*

President.—What is your exact connection with the cotton trade, Mr. Goenka ?

A. Our firm are the sole piecegoods brokers to Messrs. Ralli Bros., Calcutta.

Q. You are Sir Hariram Goenka's brother ?

A. Yes.

Q. Have you any experience of Indian or Japanese piecegoods ?

A. Not directly, but indirectly, from what information I can get from the dealers. I have not handled the Japanese goods myself.

Q. You are in close touch with the piecegoods market ?

A. Certainly.

Q. The first thing we shall be glad to know, if you can tell us, is how far the Japanese piecegoods compete with those from the United Kingdom ?

A. The Japanese piecegoods compete with goods from the United Kingdom in respect of grey shirtings and drills and latterly also dhooties and the United Kingdom trade in the first two is practically gone.

Q. Gone to Japan ?

A. Yes : and for minor styles also, for example fancy styles, checks and so on.

Q. Are they made from the same counts of yarn ? Are the Japanese goods of coarser yarn than the United Kingdom goods ?

A. Generally they are of coarser yarn, though they do not compete with qualities made of yarns of equal counts. But they are generally made of coarser yarns. What I mean is that goods from the United Kingdom might be made from 40s and 50s and goods coming from Japan would be perhaps 30s and 40s.

Q. What I want to know is—and we are anxious to obtain as much information as we can on the point—what proportion of goods from the United Kingdom are made of yarn between 30s and 40s ?

A. Imported into India ?

Q. Yes.

A. It is rather difficult to say.

Q. Is it a large proportion ? We were told yesterday by the Piecegoods Sub-Committee of the Calcutta Chamber of Commerce that there is a very considerable import of piecegoods from the United Kingdom which are made of yarns between 30s and 40s. Would you agree with that opinion ?

A. Is it 30s and 40s ? Or would you include 40s and 50s in that ?

Q. No. As far as we can find out from the analysis of such Japanese cloth as we have been able to get, the bulk of the Japanese shirtings and sheetings which come into this country is made of yarn between 30s and 40s and therefore we want to know what proportion of similar goods from the United Kingdom is made of yarn between those counts ?

A. But my point is that they do not compete with just the same goods made from 30s and 40s.

Q. Your point is that 30s and 40s from Japan compete with 40s and 50s from the United Kingdom ?

A. Yes. As a matter of fact I could name certain qualities against which the Japanese are importing. They are not exactly 40s and 50s ; but they will be 30s and 40s. And in the market also Japanese goods compete against those particular qualities.

Q. I quite appreciate your point there. But the point is that the Bombay Millowners' Association and other witnesses before us have suggested that, in order to meet Japanese competition, there should be a duty on yarns below 40s and on cloth made from yarns below 40s ; and we want to know whether the effect of such a duty would be entirely felt by Japan or whether it would also affect goods from the United Kingdom ?

A. It would affect goods from the United Kingdom also.

Q. To what extent ?

A. It would affect more particularly Calcutta than other markets, because we do here more grey goods trade than the other Provinces.

Q. To what extent would it affect imports from the United Kingdom ?

A. Of Calcutta I can say but it is very difficult to say of others. As a matter of fact that question was put to me yesterday by a Government official and I put it down at about 15 per cent.

Q. It is a very appreciable percentage any way, in your view ?

A. Yes.

Q. It is a point in which we are really interested.

A. Whenever we find qualities in the market going against the Manchester qualities we have sent those qualities to Manchester for their appreciation.

Q. You have sent Japanese qualities to Manchester ?

A. Yes. If they are not exactly the same qualities, they are similar qualities and in every case the prices quoted by Manchester have come to a much higher figure than those at which the Japanese can sell them.

Q. To what do you attribute the ability to sell at that lower price ? Have you studied that aspect of the question at all ?

A. Theoretically. I have no practical experience. I had never been to Japan. But I think the general belief is that double shift working in Japan helped by the employment of women labour is the cause and they also get some indirect bounties.

Q. But the trouble is that nobody knows to what extent.

A. I admit that.

Q. Sir Hariram Goenka says that he would not object to an additional duty on Japanese goods to neutralise their advantage. The Bombay Millowners' Association have worked out the advantage and make the advantage derived from the double shift 5 per cent. Would you consider it worth while imposing a duty of 5 per cent. against Japan ? Do you think that will be of any use to the industry ?

A. It will be some use.

Q. Would it be worth while ? As Sir Hariram points out, it would necessitate the abrogation of the Anglo-Japanese Trade Convention. Would it be worth while abrogating the Anglo-Japanese Trade Convention ?

A. But if it would help the Bombay mill industry ?

Q. Would it help them to an extent which would balance the disadvantage arising from the abrogation of the Trade Convention ?

A. It is rather difficult for me to say what the disadvantage would be. But even a small duty will certainly help. It may not neutralise altogether all the advantages. But I do not know whether 5 per cent. duty will be sufficient. That is what the Millowners' Association have worked out, you say ?

Q. Yes. Have you any views on the competition between Indian piecegoods and Japanese piecegoods ? You say that the Japanese piecegoods compete with the Lancashire piecegoods.

A. And they compete with the Indian goods as well in some particular qualities.

Q. Which ones ?

A. In grey shirtings, and in striped twills there is one particular quality of striped Japanese twill which they sell very cheap.

Q. What counts is that made from ? 30s and 40s ?

A. I should think so. It is a coarse cloth.

Q. You would not call cloth made from 30s and 40s coarse cloth, would you ?

A. No. Not generally. But it might be made of 30s and 30s. It is a peculiar kind of twill.

Q. Can you send us a sample of that ?

A. Yes. In grey drills also they do a very big business.

Q. We obtained some useful evidence in Madras. They told us various points which worked to the disadvantage of the Indian mills in comparison with the Japanese, such as the superior finish of Japanese goods, the uniformity of their yarn and points of that kind. You are speaking from special experience of Indian goods. Have you any views on that ?

A. It is a fact that Japanese piecegoods are well made and well finished. They are steadily increasing their range of qualities—grey shirtings, sheetings, drills. Now they are going to dhoties, twills, checks, etc.

Q. Is this increasing imports of dhoties a new feature ?

A. Yes. It has been growing more quickly during the last two years.

Q. Have you any views as to the way in which the Bombay mill industry could be assisted in its present condition ?

A. When the cotton industry all the world over come to better times, the Bombay industry also will improve.

Q. Why is Japan having such a better time than any other country ?

A. Because of the advantages that Japan has got over other countries.

Q. Do you think they really amount to very much ? Double shift working has been worked out to amount to 5 per cent. by the Bombay Millowners' Association.

A. They have worked out to 13 per cent.

Q. 13 per cent. includes the advantage due to the depreciated exchange. If the depreciated exchange gives such an advantage, how is it that the imports from the United Kingdom have not been increasing very rapidly also ?

A. The exchange with the United Kingdom is now practically at a fixed level.

Q. So is the Japanese exchange now.

A. But it was different.

Q. But that advantage has disappeared.

A. Only lately.

Q. You think that the results of the disappearance of that advantage are not yet manifest ?

A. To a certain extent.

Q. The Japanese exchange is now no more depreciated than the British exchange.

A. Yes, but the result is not quite so manifest perhaps. There have not been many sales lately owing to the depression in the market generally.

Q. Do you think there are any signs of diminution of Japanese competition in the last few months or is it as strong as ever ?

A. The proportion is certainly as strong as ever. There has been less business done in all piecegoods now, but the proportion of Japanese competition is not less at all.

Q. What is the outlook in the market here generally ?

A. Gloomy for the present.

Q. That is due to ?

A. To the losses they are making.

Q. Also I presume to the recent reports on the American crop which has still further undermined confidence in the stability of the present level of prices. Is that so ?

A. Yes.

Raja Hari Kishan Kaul.—You say that imports from Japan of cloth made of 30s to 40s yarn compete with the imports from the United Kingdom made from 40s to 50s ?

A. Yes.

Q. If all imported cloth made out of 30s to 40s counts were placed under an additional import duty, ordinarily the imports from the United Kingdom of cloth made of 40s to 50s would be at an advantage in competing with the imports from Japan which are made from 30s to 40s. Now I just want to ask how you say that the imports from the United Kingdom will be affected to the extent of 15 per cent. ?

A. What I meant was that of the imports of piecegoods to Calcutta, 15 per cent. were made of counts below 40s. Then again if you put a duty on goods made from 30s to 40s, the manufacturer could easily manufacture cloth of 32s and 42s. It would not make much difference.

Q. The line would have to be drawn somewhere.

A. But it would not be effective.

Q. It would be effective in so far as the bulk of the trade is between 30s and 40s, and if the limit was fixed at 42s or 44s or something like that, then if the importers manufactured the same cloth from yarn of 43s or 45s counts the bulk of the manufacture between 30s and 40s would still be subject to the additional duty.

A. They would change their yarn and instead of manufacturing 30s they would manufacture 32s.

Q. That would increase the difference between their manufactures and the lines in the Indian mills with which they compete.

A. Two or three counts won't make an appreciable difference in the quality.

Q. It would make some difference.

A. Two or three counts is almost negligible.

Q. You think that the attempt would be ineffective because wherever the line was fixed it would be possible to go one or two counts above it ?

A. Yes.

Q. Have you any idea of what counts are used by the handloom weavers ?

A. It depends upon the kind of cloth they make. The handloom weavers generally use fine imported yarn ; for instance, in the Dacca industry they use imported yarn.

Q. We have been told that they use either very coarse yarn or very fine yarn—10s, 12s or 15s or 50s, 60s or 70s.

A. Yes, a very large amount of 40s grey yarn is imported into India. It must be used somewhere. Of the grey yarn, I think the percentage of imports in 40s would be much bigger than in 50s and 60s.

Q. And most of it comes from Japan ?

A. Below 40s hardly anything comes from the United Kingdom, I think.

Q. What I wanted to ask you was if you knew what proportion of yarn of above 40s counts and below 40s counts was used by the handloom weavers.

A. I could not say.

Q. If the proportion of yarn of counts below 40s is small, then they are using only that much imported yarn and the bulk of the imported yarn which they are using would be over 40s.

A. I do not think so. I should think that the bulk of the yarn used is coarse.

Q. The coarse yarn is manufactured by the Indian mills mostly.

A. And also imported from Japan. At times Japanese 20s yarn is much cheaper than the locally manufactured 20s yarn.

Q. That would be the object of a protective duty, viz., to enable the local mills to sell at an advantage in respect of yarn imported from Japan. It is only in yarns which are not manufactured by the Indian mills that a protective duty would be unnecessary, and to enable the handlooms to carry on their trade without obstruction it would be necessary to keep those yarns out and exempt them from duty if the proposal were accepted. So you think that if that proposal were considered and an import duty was put on yarns up to 40s, the handlooms would not suffer.

A. They would suffer. It would make coarse yarn dearer to them.

Q. The yarn manufactured by the Indian mills would still be available to them, except that the price of this yarn would probably rise, not perhaps to the same extent as the duty.

A. Sales may not be to the same extent.

Q. But the imported yarn which they use mostly for the finer cloth would still be free of duty and they would be able to get it at the same price.

A. Yes ; they would be handicapped so far as the coarser yarn is concerned.

Q. Therefore their disadvantage would not be so great.

A. You mean they will be in a position to buy the locally made yarn ?

Q. Yes.

A. But it would put up the price of all yarn.

Q. Slightly ; and the mills will always have the fear of the foreign importer placing on the market yarn at lower prices in spite of the duty if they raise the price of yarn too much.

A. All the same, they will be able to put up the price to the extent of the duty.

Q. You have said just now, not to the full extent.

A. It may not be to the full extent.

Mr. Subba Rao.—Are you interested in the import trade generally or only in the cotton piecegoods ?

A. Only cotton piecegoods.

Q. Any other lines ?

A. Not in import. We do exporting business.

President.—What export business ?

A. Jute.

Mr. Subba Rao.—The written statement says that 'the present depression in the cotton industry is a worldwide one.' I want to know whether you see signs of depression in any other trade ?

A. Yes, in jute. Whenever the raw material is at a very high level, the industry is at a disadvantage.

Q. And that is a passing phase ?

A. Since this letter has been written, cotton has become cheaper.

Q. Jute also ?

A. Not much.

President.—The jute industry is in a state of depression at the moment ?

A. Yes.

Q. Are they making profits ?

A. They are making profits.

Q. Is that due to the drop in the raw material ?

A. Yes.

Mr. Subba Rao.—Then a fall in prices would lead to increase in prosperity ?

A. Not in the transition stage. Just now the loss in the jute trade is due to the fact that they are holding stocks of raw material at higher prices and they have to sell their manufactured product at a lower level.

Q. When they have exhausted the stock, then it will be possible to sell more and make profits ?

A. Yes.

Q. Now I think you said just now that as regards Japanese goods their quality and finish are better than those of the corresponding Indian goods ?

A. Yes, generally speaking.

Q. Therefore is not the Japanese advantage in the Indian market due to the fact that they put on the market better goods and not merely because their goods are cheaper on account of the labour conditions ? If they work double shift and employ women labour, it must lead only to more output of the same sort. But the goods are different in quality. So, will it be possible to get over that advantage by limiting the hours of labour ?

A. The qualities might be different. But qualities coming from Japan go against certain qualities manufactured here. They are not identical qualities ; but they displace certain qualities that are going well here.

Q. Could you give some concrete example ? My difficulty is this. The advantages in Japan which are suggested are double-shift working, employment of women labour and so on. They should lead merely to increased output. But from what you say there is also difference in quality and finish. Can you get over that advantage ? Suppose Japan accepts the new Convention and reduces the hours of labour or gives up female labour, she will still retain the advantage of putting better goods on the market.

A. But not at the present prices. It is both the quality and the prices.

Q. She is able to produce at comparatively low prices articles of better finish ?

A. I do not mean that in every case the articles are better. What I mean is that supposing there is a quality going in the market which sells at Re. 1, the Japanese put up another at annas 15. They will not put up the identical one. But this quality displaces the other quality.

Mr. Subba Rao.—They are sufficiently close to each other for the imported goods to displace the Indian goods ?

A. Yes.

Q. Then you say that the Indian mill industry has lost touch with the consuming market. What do you mean thereby ?

A. They do not take such good notice of the requirements of the consumers as perhaps Manchester does.

Q. Could you give a concrete example ?

A. For instance packing. Goods coming from Manchester are packed so well that even after such a long journey they arrive in Calcutta in a much better condition than perhaps goods coming from Bombay.

Q. So, it is more a matter of goods not being packed ?

A. No, I am giving that as an instance.

Q. That is not the same thing as not being in touch with the consuming market. Thereby we understand they do not understand the differences in taste or fashion. You are now giving an example of the middleman being a loser because of bad packing ?

A. The middleman is an important ring in the chain. If the middleman loses the trade suffers ultimately. During the war, the mills had such good times that they got into the habit of not studying the needs of the consumer so well.

Q. I want to get an example. In what way have they not studied the needs of your market? Can you point out any respect in which the Bombay mills or the mills in India generally have not studied the requirements which have been studied by Japan or Manchester?

A. For instance I do not think the Bombay mills have been trying to improve their qualities.

Q. Not giving you higher counts, or different patterns?

A. In every way I mean. Every country tries to do business on a larger scale, in a larger number of qualities perhaps, in a larger number of varieties and also improves the qualities they are giving.

Q. Take for example dhooties or shirtings. Could you say in the last three or four years in what respects an improvement was wanted by the consumer which was not made by the Bombay mills and which has been made by Lancashire or by the Japanese, and therefore these latter have captured the market?

A. The consumer does not go to the market and say, I want this and this. The Japanese mills or the United Kingdom mills are manufacturing newer styles.

Q. Can you give us an example of a style which has come to the Bengal market in the last three or four years which the Bombay people have not been able to put on the market? We want one or two concrete examples as to where the Bombay mills have been failing and have made room for their competitors by lack of attention to the market.

(There was no answer.)

Q. Passing on to another topic, is the trade organisation different for imported cotton goods as compared with the organisation for goods from Bombay or other producing centres in India? Do they pass through the same mercantile organisation, the same number of people, or is it different?

A. It passes through the same number of people perhaps. The system of working is different.

Q. Does it make for difference in efficiency?

President.—What is the system?

A. Here generally after the goods have been landed we give them three months' time during which to clear and then a month and a half to meet bills.

Mr. Subba Rao.—The goods will be arriving in the importer's godown before three months and even after he has taken delivery he is allowed a month and a half to pay? You are the importing houses, and who buys? Is the buyer a Calcutta man?

A. Yes, a Calcutta man. First of all he has three months to clear the goods and then he has another one and a half month.

Q. That is to say, he can get control over the goods for 4½ months without paying you for it.

A. I say that for three months the goods are in our godown. He can take delivery whenever he likes.

Q. You give him three months' time to clear the goods?

A. And after delivery we give him 1½ months' time.

Q. He does not get control of the goods for the first three months?

A. He can have control whenever he likes.

Q. I hardly see he has got credit because he has not the commodity in his control.

A. If he is not in a position to take delivery we keep the goods for him.

Q. You give him three months' time?

A. Even after three months if he is not in a position to take delivery we keep the goods for him and he pays a certain rate of interest.

Q. After possession of the goods you give him 6 weeks more to make payment?

A. Yes.

Q. Is that the usual practice in the import trade—6 weeks' credit?

A. We allow them 1½ per cent. off. The usual terms are, we sell at a certain price and if he takes delivery within the three months we give him 1½ per cent. off his price. If he does not pay after delivery he does not get the full 1½ per cent., though he gets some reduction.

Q. Then what about the local trade? This is as regards import trade.

A. It is the same.

Q. From Bombay?

A. So far as I know they pay cash in Bombay on delivery.

Q. So there is difference as regards the credit accommodation given by importing houses as against that given by the Bombay mills ?

A. Yes.

President.—Are not those arrangements taken into consideration in fixing the price ?

A. It must be.

Mr. Subba Rao.—That is an important point. You put up the price ?

A. It stands to reason that whenever we keep the goods for so many months we should take that into consideration. We do not calculate the full three months for instance but calculate a certain average.

Q. Therefore you are charging in his case on the possible delay of three months ?

A. Not of three months but whatever is the average. Now that is an advantage to the buyer. If he wanted credit at any moment he could not get it, but here he has got it ready arranged for him.

Q. Do you also import Japanese goods ?

A. No.

Q. Could you tell us if Japanese importing houses give similar accommodation ?

A. Yes, they do.

Q. A man can keep goods for three months in the warehouse and take six weeks for payment ?

A. Practically all sales made in Calcutta of imported goods are worked on the same lines.

Mr. Majmudar.—How does the finish of the Japanese goods compare with that of the English piecegoods ? In the same quality of piecegoods, which is considered to be better ? English or Japanese ?

A. I have not come across any exact qualities. It is very difficult to say unless we could see the two qualities exactly alike.

Q. What is the general opinion ? Are the Japanese goods better in finish than the English ?

A. What do you mean by finish ?

Q. The feel and appearance of the goods.

A. I do not think they are better than the British-made goods.

Q. Do they sell more and more simply because of the low prices ?

A. Yes.

Q. Can you give us an idea about the difference in prices of Japanese goods of a particular range competing with English goods of approximately equal quality ?

A. I have just now explained that we do not have the same quality, but we have qualities coming from Japan which compete with some other similar qualities from the United Kingdom. In such cases, we send them to Manchester for their appreciation and valuation ; and in every case Manchester have valued them at a higher figure than our goods.

Q. How much higher ? How many annas higher ?

A. About an anna in the rupee, perhaps more. They were selling those goods here lower than ours. The total would come to about 5 to 6 per cent.

Q. 5 to 6 per cent. ?

A. Yes.

Q. I had an impression that many of the Bombay and Ahmedabad mills had got their agents here ?

A. Yes, they have got their agents.

Q. And that they are paying a handsome commission to the agents and the agents allow 45 days credit for payment from the date of delivery of goods ?

A. I do not think so. I know for a fact that whenever sales are made in Bombay and Ahmedabad, they are made for cash, but I am not sure.

Q. How many Bombay mills have got their agents here ?

A. I could not tell you. Many of them have. I am not in close touch with that line.

Q. Have you any idea as to the rate of commission ?

A. I do not know.

Q. Evidently you are not in touch ?

A. I am in touch with the trade so far as it affects the market generally, and the same buyers buy these goods, but we do not know the internal working.

Q. Can you tell us the terms on which the agents make sales, and mention other details regarding the same ?

A. No.

President.—There is one point which was mentioned to us in Madras and that was that the Japanese goods are preferred to Manchester goods for dyeing and printing purposes because they absorb less dyes. Is that your experience ?

A. No. I think there had been some such talk a few years back, about 5 or 6 years ago, but nowadays there is no such impression in the market.

Mr. Majmudar.—How is it that the Japanese yarn is selling more than the English yarn ?

A. Because it is cheap.

Q. Now we have been told that it sells at a higher price.

A. Japanese 40s yarn when it first started was of a far better quality than the yarn now coming in.

Q. It has deteriorated ?

A. Yes, 40s.

Q. Since when ?

A. Since the last two or three years.

Q. And still it commands a sale as before ?

A. Yes, I think so.

Q. Are you sure ?

A. I cannot say, but I think they are in the same brands.

Q. Why are the prices of Japanese 40s higher ?

A. Not all Japanese 40s and not all English 40s. There are differences.

President.—From the figures we have got we find that the Japanese yarn, 40s yarn, is selling at an anna a pound higher than English ?

A. There are certain 40s English yarn which sell higher than Japanese yarn.

Q. It depends on quality ?

A. There are superior qualities of English yarn also. The ordinary qualities of Japanese 40s are, I think, better than the ordinary Manchester qualities.

Mr. Majmudar.—Hence they command better price and sell also to a very great extent ?

A. Yes, it sells. But I do not think there is the same premium now as there was about four years ago.

President.—They dropped their quality ?

A. That is my information.

Witness No. 99

Mr. K. M. MUKERJI, CALCUTTA

Written Statement dated the 2nd October 1926

Dhooties.—The qualities of Indian mills, made of yarns spun by them, and which are running in this market, are competing with certain qualities from Manchester of threads 26 to 33 per $\frac{1}{4}$ inch square for which I beg to propose a protective tariff of 15 per cent. on invoice value as per schedule.

Exceptions to this are mull, white yarn and fine mull dhooties of Manchester although coming in 29 threads and upwards. Finished and jaconet dhooties of more than 33 threads per $\frac{1}{4}$ inch square of Manchester are also above competition for the following reasons. No protective tariff has therefore been proposed which remains same, viz., 11 per cent. on invoice value as shown in the schedule.

1. Low qualities of white yarn dhooties are coming in indifferent styles of repp borders which the Indian mills cannot make.

2. Qualities are mostly standard and are kept running even sacrificing the whole of middleman's commission, if such occasion arises for which there is a general demand.

3. Indian mills have to bear additional duty to import the class of yarns to make these qualities.

4. Indian mills do not maintain the excellence of make-up and finish which is greatly valued in better and finer qualities.

The qualities of dhooties which Japan has recently been manufacturing, are very similar to the Manchester standard, under 33 threads per $\frac{1}{4}$ inch square, and as the same have been found comparatively cheaper in a steady market, the qualities have been introduced into the market and are imported. I propose a protective tariff of 15 per cent. on invoice value as per schedule.

Grey and Finished Shirtings, Jaconets, Green end Mulls.—Although there are qualities of Manchester and Indian mills running, Japan has practically captured the market by selling appreciably cheaper than Manchester. The defect that stands in the way of competition by Indian mills, is not that they have to import yarns to manufacture but that they do not maintain the uniform standard of the qualities and are badly wanting in make-up and finish leaving aside the question of price.

The qualities of shirtings or jaconets that are imported from Japan appear to be of threads under 36 per $\frac{1}{4}$ inch square, and the protective tariff I propose is 15 per cent. on invoice value as per schedule.

Chudders, Dukrees, and Tickrees.—These are imported from Manchester of threads under 35 per $\frac{1}{4}$ inch square. There is absolutely no competition going on either with Indian mills or with Japan in these styles in this market. No protective tariff has therefore been proposed which remains the same, viz., 11 per cent. on invoice value as per schedule.

Whites.—The Indian mills are doing very little in this line in this market which is practically controlled by Manchester with the exception of certain qualities of Japan which are cheaper. I do not propose any protection.

Fancies.—Out of the various styles in this line, the qualities of ordinary coatings, shirtings, drills, etc., which are selling in this market are mostly of Indian mills. It is not that they are cheaper only, but also durable and of fast colour which is wanting in the Manchester qualities of the same value. No protection is therefore necessary.

As regards better qualities of the aforesaid description and other styles in this line muslin, artificial silk fancy, artificial silk fancy voile, linings, warp satin, pongee, brilliantines, etc., which are selling in this market are mostly imported from Manchester. None of these styles are available from Indian mills or Japan. Consequently no protection is required.

It is to be noted here that Italy has been able to compete with Manchester in certain qualities of some of the styles in fancies.

Woollens.—Although the qualities of Indian mills which appear to be similar, if not identical to Manchester stuff, have been introduced into this market, they are reported to be not durable and wanting in shade and finish for which Manchester stuffs are preferred and I do not think that the protective tariff will be of any use.

SCHEDULE

Articles	Rate of Duty	
	Present	Proposed on invoice value
<i>Dhooties, viz., finished, mull, jacconet, white yarn, shirtings, and fine mull</i>		
<i>Shirtings (grey and finished)</i>		
<i>Jacconets (grey and finished)</i>		
<i>Green end mulls per $\frac{1}{4}$ inch square</i>		
22 threads or less	11 per cent. ..	Same on invoice value.
22 $\frac{1}{2}$ and up to 36 $\frac{1}{2}$ threads ..	11 per cent. ..	15 per cent. on invoice value.
Except mull, white yarn and fine mull dhooties	11 per cent. ..	Same on invoice value.
Except chudders, duckrees and tickrees	11 per cent. ..	Do.
More than 37 threads	11 per cent. ..	Do.

THE HOSIERY MANUFACTURERS ASSOCIATION OF BENGAL

Written Statement dated Calcutta, the 1st November, 1926 -

The peculiar feature of the hosiery industry in Bengal is that the entire capital and the whole of the labour staff are Indian. The supervision and management are also self-contained and it does not employ any foreign labour. Cotton, the necessary raw material, is abundant in this country. India supplies her own needs and exports cotton to other countries. There is a market handy in Bengal to consume the articles manufactured. There is in Bengal a vast field for the hosiery industry to grow and develop. In the year 1919-20 Japan exported to India about 184 lakhs of rupees worth of hosiery goods, and in one department of it, viz., in the cotton line. Besides Japan, the United Kingdom, Germany, the United States, Straits Settlement, Switzerland, Italy and China also export hosiery to India.

It is a recognised principle in every civilized country that any article consumed in it should be produced in the country itself, even if it does not export anything at all. Even the Government of India recognised it during the last war. India must be self contained.

The Bengal hosiery has no competition with English imported hosiery. They work in different channels altogether. It is a nascent industry, which, if protected for a definite period, will be in a position to hold its own against foreign competition.

As it is, the present annual out-put of the Bengal hosieries alone is about 30 lakhs of rupees, as against Japanese imports into Calcutta of under-wear and other sorts of about 22 lakhs of rupees in the year 1921-22, which rose to about 31 lakhs in 1922-23 and 39 lakhs in 1923-24, and which stood at the high figure of about 54 lakhs in 1924-25. The corresponding figures for the whole of India during these periods being about 45 lakhs, 64 lakhs, 75 lakhs, 86 lakhs and 111 lakhs of rupees. If the Japanese unfair competition is taken away, the production of the Bengal hosieries would be increased to four times the present value even with machinery that is now working in the industry without any further addition. But in protection the industry will receive a stimulus which it never did before.

There is enterprise at the back of this indigenous industry. It is being built up against a hard struggle due to internal difficulties and unfair external competition. The vital necessities for the growth of this industry are present. Japan offers an unfair competition against the industry in several ways.

The bounty fed Japanese imports stand in the way of a healthy growth of the industry to a large extent. The Japanese manufacturers are protected in their own country by a high tariff wall and as such she has absolutely nothing to be afraid of there in the shape of foreign competition. Japan did not ratify the international labour conventions restricting the hours of labour, while India has done so. This affects the Bengal hosiery industry adversely. If Japan chooses to disregard the recommendations of international labour conventions, this nascent struggling, indigenous industry ought to be protected against the unfair competition thus set up by Japan, armed, as she is, with her well organised bounty fed industry.

Another aspect of the unfair Japanese competition is that it exports cheap and useless articles, which would not sell in any other country. Japan takes advantage of India's poverty and illiteracy. The average Indian purchaser cannot discriminate between the full value offered by a product of the Bengal hosieries and is duped into purchasing a worthless article offered at a cheap rate by Japan. In point of quality and durability, the Bengal hosiery is superior to the Japanese stuff. But there is often an easy market for a cheap article here, and having taken up a lot of this stuff, the purchasing power of the local market is unduly diminished so far as our goods are concerned. This state of things is a national waste. It may be effectively stopped by protecting the industry of the land against such foreign exploitation. The question of revenue is not the only criterion and the revenue itself on 111 lakhs of imports is small. Of late Japan has introduced a far more serious attempt at ruining this industry completely, by taking an unfair advantage of certain loop holes left in the Indian Merchandise Marks Act of 1889. This act, while it enforces that every piece of textile article manufactured within India should be marked in a particular fashion and provides penalties for transgressions

against the provisions of the Act, does not provide for such articles imported into India from outside, when they are unmarked. Japan took advantage of it, and is exporting unmarked goods without the country of origin marked on them. She has also slavishly imitated some of the well known trade marks and also other peculiarities of size, shape, boxes, etc., of the standard products of Bengal hosiery which have a big market. She is sending out large quantities of these articles, some in an unmarked state, others bearing colourable imitation trade marks. This unmarked hosiery affords opportunities to certain unscrupulous local dealers to mark them with colourable imitation marks, to the great detriment of the Bengal hosieries. These articles are passed off in the local market as products of Bengal hosiery. The ignorant purchaser is led to purchase this stuff as indigenous articles. This affects the indigenous industry in a number of ways. The spurious articles are sold at dumping prices and in increasing quantities. The purchaser purchases it as a Swadeshi article, as he cannot find out the country of origin, which is not marked. The local dealer gets a bigger return on it and he would not sell the genuine one. The genuine manufactures are difficult to sell, and large stocks have accumulated, necessitating a forced curtailment of production and consequent unemployment of labour.

At the last sessions of the Indian Legislative Assembly, Mr. K. C. Neogy, M.L.A., introduced a Bill, mainly adopted from the recommendations of a departmental committee of the British Government regarding legislative action in the United Kingdom in the interests of certain Empire goods. The Bill provided that the local origin should be indicated on the Japanese imported hosiery and other textile articles, so as to prevent fraud and unfair competition to the struggling Indian industries. Unfortunately the Bill could not be taken up as there was no non-official day for it and the Bill automatically fell through. The introduction of the Bill had unnerved the local importers. But with the lapse of the Bill Japan has started exporting this class of goods with redoubled energy to an extent unknown before, and it has seriously affected the sale of Bengal hosiery. Large stocks have just now accumulated which have seriously handicapped the industry to an extent not known at any other period of time. Among many other disadvantages, this undue accumulation of stocks at this juncture, is just now threatening a fall in prices of the Bengal hosiery below the cost price, which would ruin the industry. Unless the industry is protected at this crisis, it may be too late, and those that are struggling for a bare existence will be compelled to close down like so many others that have already done so.

The hosiery industry was taken up largely in Bengal, which is an important market for these articles. The first hosiery factory that came into being was, the Oriental Hosiery, Ltd., Kidderpore, Calcutta, with a capital of two lakhs of rupees. It had a well equipped plant and experts were brought out from England to train local labour. This concern came to grief. The following table shows some of the concerns that have since stopped work :—

1. The Oriental Hosiery, Ltd.
2. The Bengal Hosiery, Ltd.
3. Nawab and Singh.
4. The Economic Hosiery Mills, Ltd.
5. The United Bengal Hosiery.
6. The Capital Hosiery.
7. The Calcutta Hosiery Mfg. Co.
8. The Globe Hosiery.
9. The National Revival Hosiery.
10. The Pioneer Hosiery.
11. The Marwari Hosiery.
12. The Gangnapore Hosiery.
13. The Gupta Hosiery.
14. Mitra Brothers (Barisal).
15. Mitra Brotheers (Baliaghata).
16. The Kamala Hosiery.
17. The Aryavarta Hosiery.
18. J. N. Ghoses Hosiery.
19. The Saraswati Hosiery.
20. L. Benerjee's Hosiery.
21. S. N. Kumar.
22. The Chandernagar Hosiery.
23. The Gouribari Hosiery.
24. B. Baroah.
25. The Sibpore Hosiery.
26. The Kamala Hosiery (Rongpore).

27. S. C. Chakrabarti (Sirajganj).
28. The Chowdhuri Hosiery (Cooch-Behar).
29. Mahendra Chakravarti (Bhola, Barisal).
30. Kanailal Daga.
31. The Indian Hosiery Co.
32. The Asiatic Knitting Co.
33. M. C. Dutta.
34. Tobarak Ali (Howrah).
35. Ashutosh Banerjee (Nadia).
36. Jalpaiguri Hosiery.
37. Sarkar Brothers (Dacca).
38. Das Brothers (Dacca).
39. Jnan Chandra Saha (Dacca).
40. Bysack Brothers (Dacca).
41. The Gurpar Swadeshi Cloth and Hosiery Co.
42. Netai Hosiery.
43. The Konnagore Hosiery.
44. The New Indian Hosiery.
45. R. Banerjee.
46. The Rama Hosiery.
47. Banerjee Brothers.
48. The Brothers and Sisters Hosiery.
49. The Nimta Hosiery.
50. The Panihati Hosiery.
51. The Kar Hosiery (Midnapore).
52. The Assam Valley Trading Co. (Tezapore).
53. The Cuttack Hosiery.
54. The Bankipore Hosiery.
55. The Madras Hosiery.
56. The Benares Mohila Hosiery.

The list is not complete. It shows that efforts were not wanting to bring into being a new industry in this country. Some of these factories did excellent service during the war and supplied hosiery for troops in the field. Since the termination of the war, however, although hosiery is still required for the troops, they were deprived of Government patronage. Quite a number of these concerns were forced to close down as a result of a very keen and unfair Japanese competition.

The industry comprises well equipped hosiery factories and also hand machines. About 1,000 hand machines are lying idle throughout Bengal. If the hosiery industry is sufficiently protected many of these might resume work again. The above list represents a system of plants capable of turning out about 500 dozens undershirts and hose per day.

Those factories which have not succumbed yet, employ about 700 machines. They comprise chiefly English, French, German, American and Japanese machines. The types of machines used in the industry are (1) plain tubular fabric machines, (2) flat bed knitting machines, (3) loop wheel machines, American, German and French, (4) automatic hose knitting machines and (5) circular and flat bed hand knitting machines.

One section of the Bengal hosiery is purely a cottage industry, employing hand machines. They turn out socks and hoses, made up of cotton, wool, cotton and wool, artificial silk, worsted. The cotton they use is purely Indian, while wool, artificial silk and worsted are imported. It is difficult to find out their actual output. Their output is sold from Rs. 3 to Rs. 6 per dozen. Their competition is with Hongkong, Japan and China. They pay an import duty of 15 per cent. on wool and artificial silk which they use as raw materials. This section of the industry will be greatly relieved if wool, artificial silk, needles, machines and machine parts are allowed duty free into India.

The factories using power principally turn out cotton and artificial silk undershirts. Here the Japanese competition is the keenest. During the war, they made profits and increased their plant. Except one or two, the general position of these factories is that the profit they make in some season of the year is swallowed up during the slack seasons. Just at present there is a heavy stock accumulated, and there is no chance of clearing it unless they are sold at a loss. The bumper crop of America, the 1-6½ exchange and consequent lowering of imported yarn prices, have brought a singular depression to the industry. All this is accentuated by cheap Japanese imports capturing the market and turning away the indigenous articles from their own land. The result is that some concerns cannot make any profits out of their transactions others have actually run into debt; while their competitor Japan is safe in her own country being protected by import duties of over 100 per cent. and in some instances of about 600 per cent. and 700 per cent.

In the history of the tariff even of India a special exemption has always been made when a duty was thought likely to impede the development of that industry or in the interests of other industries or of the country as a whole. Thus the tariff as imposed in 1894 and which remained unaltered till the close of the war, consisted of a low uniform rate of duty imposed on nearly all imports. Special exemptions were however made in the case of raw materials, machinery, iron and steel. On the other hand liquors and tobacco were singled out as capable of yielding good revenue at comparatively high rates of taxation without any injury to the country. Exemptions have also been made in the case of rubber, cotton ropes, etc., which would otherwise have yielded a revenue of 15 per cent. Similarly in the case of cotton yarn exemptions were made in the year 1896, which was admitted free of duty into this country until recently in the year 1922, when the need for more revenue was felt and the Government of India raised the general rate of duty to the high figure of 15 per cent. and the cotton yarn which had been duty free was taxed at the low rate of 5 per cent. The character of the present tariff will make this abundantly clear. There is a free list maintained even today. An important class is taxed only at 2½ per cent., a second at 10 per cent. and a third at 30 per cent. while such largely consumed commodities such as cotton piece-goods, cotton yarns, sugar, petroleum and matches, in addition to liquor and tobacco are taxed at special rates. Obviously, therefore, considerations other than those of revenue only cannot have failed to influence the framing of a tariff of such high duty and with a great variety of rates with special rates and free lists.

So far as protection is concerned the Government of India has since the year 1919 made big departures. The export duty, which hitherto had been levied solely for the sake of revenue was frankly put forward in the case of raw hides and skins as a measure of protection for the Indian tanning industry. The result has been obvious. This indigenous leather goods industry has thrived exceedingly well. The Indian markets are now flooded with shoes, bags, cases and other articles manufactured in India where imported articles used to reign supreme.

Another novel principle then introduced was to provide for a rebate of two-thirds on the duty of hides and skins exported to the Empire and tanned there. The Tata Iron and Steel Co. has since been protected, and the building of railway waggons in India has been encouraged with a big rebate. The Indian match industry has been protected by a tariff wall of about 200 per cent. of the value of the articles.

The Indian Fiscal Commission, in discarding a general system of Imperial preference, recommended that no preference be given which would in any way diminish the protection required by Indian industries. In another recommendation the commission has provided that the industries for the development of which conditions in India are not unfavourable, be adequately protected, if necessary. They recommended a policy of discriminating protection to the Indian industries.

These recommendations proceeded from the preliminary conclusions arrived at by the Fiscal Commission, that the industrial development of India has not been commensurate with the size of the country, its population and its natural resources and a considerable development of Indian industries would be very much to the advantage of the country as a whole.

The protection afforded to a "key" industry may hamper and probably kill various other industries dependent on them. In spite of serious objections, the Tatas were afforded protection.

In the case of Bengal hosiery, however, there is no objection and no risks will be encountered on that head as this industry turns out articles at the last stage.

As in the case of the weaving industry of Bombay and other places, where imported yarn is used to some extent, there is a section of the Bengal hosiery where such yarn is used. In this department the industry is handicapped as it has to pay an import duty of 5 per cent. on the yarn it uses.

This industry though nascent is yet saddled with the following among other taxes excluding license and other dues :-

- (a) Duty on machinery.
- (b) Duty on needles.
- (c) Duty on spare parts.
- (d) Duty on lubricants and other auxiliaries.
- (e) Duty on raw materials (in some cases).
- (f) Income tax.

Consistently with the principle followed in other industrial countries, the Indian Fiscal Commission recommended that the raw materials used in Indian industries should be

admitted free of duty. This applies with greater force to the present case where the industry is an infant one.

As a result of several representations and deputations, the Government of India proposed certain concessions in the shape of relief towards the duties on needles and certain other things, which are among the raw materials used in this industry, in the Budget presented to the Indian Legislative Assembly two years back, but unfortunately the whole Finance Bill was thrown out by the Assembly and this industry never got the relief so offered.

Now that the matter has come up before the Tariff Board the following may be recommended to be allowed duty free in aid of this industry :—

- (1) Hosiery needles.
- (2) Hosiery machines.
- (3) Machine parts.

Of the more important items, if the Tariff Board recommends the imposition of an additional duty on imported yarn, it may in the interests of this nascent industry suggest "that the hosiery yarn" which is imported solely for the purposes on this industry, and the total quantity of the import of which is very small, may be allowed duty free into India. All imported yarn was duty free from 1896 till 1922. This will not interfere in any way with the requisitions made by the weaving or any other industry in India for increasing the duty on imported yarn, as "hosiery yarn" is quite distinct and separate from the ordinary weaving yarn. Further the very small loss in revenue over "hosiery yarn" will be more than counterbalanced by the proposed additional imposition of duty on ordinary imported yarn. "Hosiery yarn" forms a distinct and separate class by itself and cannot be confounded with any other yarn. Even if there is no additional duty imposed on imported yarn, a recommendation by the Board to exempt imported yarn for hosiery purposes will greatly help this industry.

The most important change in tariff in favour of this industry would be the imposition of a tariff wall sufficiently high consisting of an import duty on Japanese cotton hosiery imported into India. If this is granted for a definite period of years, it is believed the Bengal hosiery will be able to stand its own against Japanese competition in future.

On behalf of the industry it is further prayed that the Tariff Board might recommend the Government of India to take early steps to amend the Indian Merchandise Marks Act, 1889, in some suitable way as the Bill on the same subject introduced during the last Sessions of the Indian Legislative Assembly by Mr. K. C. Neogy, M.L.A. This will stop the unmarked Japanese goods finding their way into the Indian market by the back door. A Trade Mark Registration Act for India will also be very much appreciated by the trade.

The Tariff Board might recommend another change in the tariff which will at once put a stop to the Japanese competition not only against the Indian hosiery industry alone, but will profit the Indian weaving industry as well. Japan is the principal customer of cotton exported out of India. If a duty sufficiently high is put upon cotton exported out of India, a protection will be afforded to the whole of the weaving and hosiery industries of India. The Indian cotton industries will thus be protected, the Government of India would derive a considerable revenue, and the new proposed additional duty on imported yarn (principally English) will not be necessary.

Witness No. 101

THE NEW INDUSTRIES, LTD., CALCUTTA*Written Statement dated 11th November 1926***HISTORY**

In the year 1922 this company was floated with the main object of assembling and starting some small and new industries, to compete with foreign imports of these articles and to try to stop the import of such articles by supplying the full demand of the market. With that object in view the factories of cotton braid and sewing needles of Messrs. Singh, Sarkar & Co., Calcutta, situated at No. 196, Grand Trunk Road, Howrah, were acquired at a nominal price, compared to the prices of machinery, etc., then prevailing, which were very high. The vendors sacrificed a good deal to encourage the growth of such concerns for the benefit of the country and the people. Another object of the vendors was to enlarge the production so as to cope with the demand of the market. No promotion money was paid or charged.

JAPANESE AND EUROPEAN EXPERIENCE OF MANAGING AGENTS

It was further arranged that Sardar Bishun Singh, who then had about four years' experience in these factories in Japan during his stay there and Babu Jugal Kishore who also had experience in connection with several small industries during his stay in Europe, would act as Managing Agents, and the company got the benefit of the varied experience of these two gentlemen gathered both here and abroad. Another director of the company, Sirdar Nihal Singh of Messrs. Singh, Sarkar & Co., Hamburg and Calcutta, was then and still is in Germany and proved a great asset to it in purchasing suitable machinery there, at a low price, required for extensions. Both the partners of the Managing Agents had carefully studied the inner workings of most of the lines intended to be taken up by the company in India and are competent to safeguard against unnecessary expenditure, risks, trials and difficulties often met with by people who start a new concern.

WELL EQUIPPED FACTORY

The factory started work with about 600 machines brought out from Japan, as Japan was the only country that was exporting cotton braids into Calcutta. Except a small quantity exported by Germany, Japan still is the only country that sends cotton braids here. The factory is situated at a central position not far from Calcutta and is fully equipped with up to date machines, with electric and gas fittings. It is self-contained and the dyeing section handles all the output. The number of machines now working in the factory has risen to about 900. Another batch of 800 machines have been imported from Germany and will soon be worked, if circumstances are favourable and the keen Japanese competition is provided against.

OUTPUT

The following table gives the production of the factory for the last three years :—

1923 (including portion of 1922)	..	..	43,991 bundles.
1924	..	..	39,652 "
1925	..	..	44,505 "

The amounts realised by the sales were :—

				Rs.	a.	p.
1923 (including portion of 1922)	..	..	..	80,072	5	0
1924	..	..	..	80,962	15	9
1925	..	..	..	86,138	9	0

The average rates realised on the sales were :—

				Rs.	a.	p.
1923	..	..	..	1	13	6 per bundle.
1924	..	..	..	2	0	0 "
1925	..	..	..	1	14	6 "

It is not possible to get the actual figures for Japanese imports. But it is believed that it is about $2\frac{1}{2}$ to 3 lacs of bundles per annum. The quality of our articles is the same as that of the Japanese imports. But the prices realised by Japan are about 0.2-0 higher per bundle than our goods. One of the reasons is that while each of our and the Japanese bundles weigh 1 lb. the number of yards in the Japanese bundles is 72 yards while in our case it is 70 yards in the lb. Our articles cannot be sold at higher values and while the importer has to purchase the Japanese articles outright, we are forced to give a month's credit to the buyer to induce him to buy our products, and thus we are placed at a disadvantage. It is a nascent industry, and has to suffer these and other serious disadvantages.

WORKING AT A LOSS

The result is that although we made a profit of Rs. 1,168-11-6 in the year 1923, we had to undergo losses in 1924 to the extent of Rs. 10,377-4-5 and losses in 1925 of Rs. 11,747-15-6. The total extent of loss during these two years coming up to Rs. 22,125-3-11 due to Japanese competition. We cannot fix a price for our articles independently of Japan. Our prices are controlled by Japanese prices. The company has run into a serious position and every day that the factory is run there is an additional loss and an additional interest accruing on the losses. Unless the industry is protected for a definite period, the factory will soon be compelled to close down altogether.

EXCISE DUTY, A FURTHER BURDEN

Instead of receiving any protection, and although the company was running at a loss, we had to pay Rs. 2,146-7-0 in the year 1925 as Excise Duty, which we could not shift on to the consumer, and which served merely to further handicap the nascent industry. In the face of this keen Japanese competition the industry is badly in need of protection.

LONGER HOURS IN JAPAN

Japan has not ratified the recommendations of the International Labour Conventions regarding the restricted hours of labour, while India has done so. This has handicapped the nascent industry, which needs protection against this unfair competition set up by Japan. Besides this the well equipped Japanese industry gets banking facilities, thus requiring a lesser working capital and proportionate diminution of cost of production. Just at present she has a beneficial exchange to help her exports, and to that extent prejudicial to the development of this industry. The Japanese industry is protected in its own country and had a good start over us. This well organised industry is now killing this infant, unprotected industry, and as soon as it succeeds, it has no strong rival in the field.

NO ENGLISH COMPETITION

England does not export any thing in this line, nor any other country. The labour in Japan is better educated and trained, being longer in the field. Every industry requires some time to train up labour properly, and to that end it requires protection for a time. We had instead to face a keen competition from the very birth of the industry, which stunted the growth and threatens it with complete annihilation.

If, however, the industry is protected there will be opportunity of giving full work to the machinery. The production will then be about 5 times the present output.

ALLIED INDUSTRIES WILL GROW UP

The cost of production will be lowered, and the forced curtailment of work will be done away with, thus tending to further lower the cost of production. The company is also in possession of machines for producing crochet cotton, shoe laces, gramophone needles, type-writer ribbons, tape and mercerised cotton. If the braid industry is protected, these new lines will be started and several new industries will come into being in India. The industry is purely indigenous and the raw material necessary is Indian mill made cotton yarn. The market is handy in Calcutta. There is thus a good field for the industry to develop.

100 PER CENT. PROTECTIVE DUTY

The industry will be safeguarded if 100 per cent. protective duty is imposed on Japanese imports for a period of at least ten years. The consumer in India will not be unduly taxed. The Japanese prices were over Rs. 3 to about Rs. 4 per bundle in the year 1922, and now they have brought it down to Rs. 1.8 per bundle temporarily to kill this industry. If they succeed, they will at once raise the prices. It is thus clear that an imposition of 100 per cent. import duty is no burden on the consumer.

700 PER CENT. PROTECTIVE DUTY IN JAPAN

In Japan high protective tariff walls of even 500 per cent., 600 per cent. and 700 per cent. are not unknown. While raw tobacco is duty-free, cigar, cigarettes and cut tobacco go under an *ad valorem* duty of 355 per cent. Raw materials as a class are duty free, while the indigenous industries are highly protected. The result is obvious. Japan not only supplies her own needs, but is capturing the Indian market successfully against all competition. She is thriving at the expense of the Indian industries which are going down every day.

PROTECTIVE CUSTOMS TARIFF LAWS

Over and above these protective duties Japan is armed with tariff laws which enable her to realise duties in addition to the above, in cases of foreign bounty fed articles coming into Japan. She is further protected by laws enabling her to impose further duties in cases where any Japanese industry is threatened. There are laws enabling her to exempt or refund the import duties on materials to be used for manufacturing of export articles. In India we are helpless.

INDIAN PROTECTIONS

Our only remedy is now in protection. The match industry has been protected with about 200 per cent. duty. The leather industry has been protected. The Tatas and certain auxiliary industries have been protected. The waggon building industry has been protected. This nascent industry is badly in need of protection and the Board may be pleased to recommend the protection prayed for on behalf of this infant, struggling-indigenous industry.

Witness No. 102

THE DELHI CLOTH AND GENERAL MILLS Co., LTD., AND DELHI FACTORY OWNERS' FEDERATION

Written Statement dated Delhi the 16th August 1926

SECTION I

General

1. The present depression in the Cotton Textile Industry is not confined to Bombay only; it extends to the up-country centres as well. Under uniform conditions it effects all mills in the same centre alike.
2. The world factors have very little to do with this depression. It is mainly due to factors special to India amongst which are the appreciation of the rupee and the depreciation of foreign exchanges.
3. The causes other than the appreciation of the rupee are of a temporary character
4. Most of the mills are already feeding on their own fat.
5. Yes.
6. The fall in the price of the raw material is always beneficial to the manufacturer.
7. To no appreciable extent.
8. The fall in the price of the cloth cannot correspond to the fall in the price of other commodities as the price of cotton is comparatively high now.
9. There is an undoubted fall in the purchasing power of the ryot which at present is about 12½ per cent.
10. Gold and silver are purchased by the consumers of country cloth only when they can spare money from the necessities of life like foodstuffs and cloth.
11. So far as our experience goes the present depression is not due to lack of organisation among the millowners.
12. To a very large extent :
 - (a) A Mill in Bhiwani has recently changed hands.
 - (b) A Mill in Hathras has been closed down.
 - (c) A Mill in Bhiwani has not been able to start work.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

We have no very intimate knowledge with regard to section 2 and therefore propose to deal with it in general terms. There is a great danger of competition from Japan and other countries increasing in the near future as these countries have the advantages of skilled and permanent labour; reduced cost of production due to reductions in taxation; appreciation of the rupee, credit and other facilities for export, etc. The Japanese are competing very successfully in coarse cloth and in yarn above 20s. But there is competition in finer goods too. The stabilising of the rupee at 1/6 will reduce the purchasing power of practically the sole purchaser of Indian mill made goods, i.e., the former by about 12½. It will decrease the cost of the imported goods by 12½ per cent. and thereby attract that part of the customers to foreign goods who are neither wedded to foreign cloth nor to country goods but buy whichever cloth is cheaper. The Bombay millowners trade in yarn with China has dwindled very much recently. With the loss of the Chinese market the Bombay millowners began to extend their weaving sheds to consume their surplus yarn. They began to weave the courser cloth similar to that manufactured by mills on this side and flooded the up-country markets with it. This has had a disastrous effect on both the up-country mills and the handloom industry in particular. As a result of it the former has got a very severe competition to face and the latter is dying a lingering death unheard of and unwept.

SECTION III

Internal Competition

36. The mills in Bombay have a number of advantages over the up-country mills. They are chiefly due to the localization of industry there. Some of these are—
 - (a) They have neither to stock nor to pay heavy railway freights or local charges which mills in up-country have to bear and thus save a lot on their stores and machinery.

- (b) The labour in Bombay is much more skilled, efficient and less migratory than the up-country labour.
- (c) They have extensive borrowing facilities and at lower rates of interest than the up-country mills.
- (d) They can always get expert technical advice on the spot at very little expense
- (e) The climate of Bombay being humid is more suitable to the weaving industry. On this side we have extremes of hot and cold dry and wet weather and have to spend a lot to combat with these difficulties.
- (f) Railway freights on cotton from all over the country for Bombay are the lowest possible. This has made Bombay the biggest cotton market in the country, where huge stocks of all varieties of cotton are always available. Unlike the up-country mills the Bombay mills need not therefore purchase cotton for a whole year's requirement within two or three months, and thereby they save a lot in interest, insurance, etc.
- (g) Bombay being a seaport has more markets open to it. It can ship goods to big consuming centres in India like Calcutta at low charges by steamers.

38. There is some competition between the handloom industry and mill industry and the power loom is steadily ousting the handloom.

SECTION IV

Mill management

40. Yes.

41. The managing agency system is very useful. If it is discontinued it will greatly retard the promotion of joint stock companies in India. The remuneration of the agents should however be based on a percentage out of the profits only with a fixed minimum and the actual office allowance.

44. The Association of managing agents of a cotton mill with business other than cotton mills and allied business is not detrimental to the interests of the industry.

SECTION V

Mill finance

45. There are a few cases of over capitalisation on this side of the country and these over capitalised mills are of course not doing well. Depression cannot be attributed to under capitalisation.

46. To a negligible extent.

47. There was no unduly liberal distribution of dividends during the boom period on this side of the country.

48. None.

49. In up-country mills the system of obtaining loans on short terms exists to a very small extent. It is most unsound.

50. We consider it a good policy to invest the funds of the industry in sound allied manufacturing concerns.

51. It was not easy to get money in prewar days. It is even more difficult now. On account of the lack of money the mills have sometimes to sell their cloth cheap and sometimes to desist from purchasing suitable cotton when obtainable.

52. The average rate of interest of 8 per cent. mentioned by the Bombay Millowners' Association is very near the mark.

SECTION VI

Costs of Production

(a) General

53. The representative textile cotton mills in India should consist of 20,000 spindles and 400 to 500 looms. But the bigger the mills the lower the cost of production and a mill of about 40,000 spindles and 1,000 looms should be more economical. The approximate capital required to establish a representative mill in an up-country centre at present is about Rs. 25,00,000. In prewar days the cost of such a mill would have been about 40 per cent. less than the present figure.

54. Yes. They are fairly well laid over.
55. To a very great extent.
56. See Appendix No. I.
57. Please refer to our answers to Section No. II. In addition the foreign manufacturer has the advantage of—
- (1) Cheap stores. (2) Cheap money. (3) Cheap power. (4) Efficient labour (5) and lower capital cost.
59. By providing humidifiers the production can be increased by about 10 per cent. and the cost is thereby somewhat reduced.

(b) Raw Material

60. From Bombay cotton is purchased through cotton commission agents on the basis of representative cotton samples, which are sent by these agents to their up-country customers.

From cotton districts the mills sometimes purchase (a) seed cotton and get it ginned and pressed on their own account, (b) ready ginned cotton from dealers, (c) pressed bales through commission agents in those districts. In such cases usually the mills send their own representative there for selection.

61. Very negligible. The evil does not prevail on this side of the country.

62. To our knowledge the mills in up-country centres do not pay for their cotton prices higher than those paid by the exporter, unless it be for want of funds, or of proper advice and information which is placed at the disposal of the foreigner by his Government.

63. Very little.

(c) Labour

64. We agree with the view of the Bombay millowners. We are affected to the same extent as the Bombay mills in this matter.

65. No.

66. The New Factory Act of 1922 has reduced the spinning and weaving production by about 12 per cent. and 15 per cent., respectively. For figures see Appendix No. II.

67. (a) The number of spindles in one mill in warp rings is 352. The number of spindles in weft rings is 420. The lift of the spindles is 5 inches.

A competent spinner can mind about 200 spindles.

(b) A competent weaver can look after 2 looms.

(c) There are about 22 men per 1,000 spindles in spinning. This figure has been arrived at as under:—

Blow room 27; Card room 28; Frame Department 122; Ring Department 146;
Mule Department 56; Reeling Department 38; Baling Department 10—Total 427
for 20,000 spindles.

The average count spun is 14s.

(d) There are about 98 men per 100 looms working on grey goods. This figure has been arrived, as under:—

Winding Department 82; Pirm Winding Department 42; Warping Department 25;
Sizing Department 55; Drawing Department 32; Loom Department 524—
Total 740

for 758 looms.

We do not weave coloured goods.

68. A comparative statement showing the wages paid in the spinning and weaving departments in 1914 and 1925 is given below :—

Spinning Department

	Blow room	Card room	Frame Department. Per bank	Mule Department 1,000 lb. 20s average Rs. 2	Ring Department	Reeling Department 100 lb.
Paid in 1914	Rs. 9	Rs. 12	Pies 12		Rs. 8	As. 7
In 1925	Rs. 18	Rs. 20	Pies 26	Rs. 3-1-0	Rs. 20	As. 11

Weaving

	Winding Department	Warping Department	Sizing Department	Drawing Department	Weaving Department
In 1914	Rs. 7	Rs. 14	Rs. 20	A. 1 per 1,000 eyes	Pies 7 per lb.
In 1925	Rs. 24	Rs. 50	Rs. 45	As. 2 ,, ,,	Pies 9 ,, ,,

69. The average weaver's wage per lb. of standard grey cloth is 9 pies.

The average spinner's wage is 6 pies per lb. of 20s yarn spun.

70. To a very great extent. The Bombay millworker is, we think, about 30 per cent. more efficient than the up-country operative.

71. The percentage of absenteeism in up-country mill is about 10 per cent. We have practically no female labour except for a few reelers.

72. About 20 per cent.

73. The rate of labour turn over in up-country mills is about 20 per cent.

74. In Bombay the labour is not migratory. In up-country mills it is migratory and seasonal. A bonus and provident funds do help to secure the continuity of labour to a certain extent. But the provident fund has its disadvantages as well. As soon as the worker is entitled to the employers contribution in full he leaves the services to get hold of the money.

75. We provide houses for about 40 per cent. of our labourers. We get about 3½ per cent. return on our outlay in this direction. Better housing arrangements will certainly improve the efficiency of labour.

76. (a) There are practically no facilities for technical education for either the operatives or the supervising staff.

(b) Very little.

(c) Better technical education will certainly increase the efficiency of the workmen.

78. Practically none.

79. We do not think there is much scope.

80. Not in the immediate future.

81. Yes.

82. Double shift working in up-country mills is not advisable in weaving but is possible in spinning.

83. The Factory Act., by reducing the hours of work, has increased the overhead charges by about 20 per cent. by increasing the cost of coal insurance, interest, wages, etc.

(d) Overhead Charges

85. The Indian mills usually insure themselves against loss by fire and in some cases against consequential losses as well. They also insure their liability under Workmen's Compensation Act now. The insurance charges have been more than doubled since 1911 on account of the high prices of goods. Further the rate of premium charged by the insurance companies for mill insurance at present is very exorbitant. In 1911 when there was no restriction of hours of work and when in some cases the mills used to work 16 hours a day, the insurance companies used to charge premiums at a certain rate. After the enactment of the new Factory Act the mills ran only 10 hours a day and the risk of the insurance companies has *ipso facto* been reduced to a very great extent. But the insurance companies have not reduced their rate of premium. It is the same now as it used to be in 1911.

86. Depreciation on machinery should be allowed at 7½ per cent. for every 10 hours working and should be increased by 50 per cent. for double shift. The depreciation should not be reckoned on the book value of the plant but should be allowed upon the valuation of the plant at that time. Depreciation on building should be allowed at 5 per cent. The amount of depreciation should be credited under a separate head and should be utilised for renewals and replacements of machinery and building from time to time.

The depreciation should be reckoned as a charge on the cost of production.

87. The stocks are valued below market value or at cost price generally at whichever is lower. The auditor is content with the certificate of the managing agents in this respect.

88. Annual.

(e) Sales

89. There are usually two systems of sale of goods. According to one the manufacturer sells his goods to a wholesale merchant on forward or ready delivery and leaves him to make or lose money as the market fluctuates. The forward purchaser however finds a hundred and one faults in the falling market and in most cases defers and avoids delivery of goods. The second system is by the sale of goods on the manufacturers account. The latter system is certainly better. The goods are sold to petty dealers or consumers directly and one of the middle man's profits is eliminated. The manufacturer makes profit in a rising market but stands to lose in a falling one.

90. No. It is a very good system provided the risk could be covered.

91. An additional 10 per cent. is added on to the price of the goods ex-mill for cartage, Railway freight, Octroi, Middleman's profits, etc., before they reach the consumer. These charges constituted about the same percentage of the price of goods in 1913 but their incidence is certainly greater at present. We think these charges are about 2 per cent. less in case of imported goods.

(f) Transport

95. See Appendix No 3.

SECTION VII

(a) *Suggestions put forward by the Bombay Millowners' Association*

96. Yes. About 1 pie.

97. Yes. The super-tax should be abolished. It was an extra ordinary measure that was proposed by the Government of India when they were faced with heavy deficits in their budget. Since however the Government have been able to balance their budget this tax should not be continued any longer. If it is to remain it should be payable on income after allowing at least 9 per cent. return to the shareholders.

99 and 100. See Appendix III.

101. The Government should provide every possible facility to the Bombay Millowners for the export of their goods. But an reduction in freight for goods to Calcutta should be followed by corresponding reduction in Railway freight for goods booked to Calcutta from upcountry.

102. Trade Commissioners should be appointed.

103. The Government should arrange for cheap transport of goods and give bounties on all exports of yarn and piece-goods.

104. The duty should be imposed on all piece-goods, and on all yarn of counts below 30s. There are a large number of hand-loom weavers who weave cloth from fine yarn and an indiscriminate duty on all yarn will effect them adversely.

105. As a temporary measure but for at least 10 years in the first instance.

106. It will not appreciably increase the price of cloth except probably for just a time as the cut-throat policy of the Indian mills will act favourably for the consumer. In this connection we may point out that there are three classes of consumers. One which purchases coarse Indian cloth only, the other which buys Indian or foreign cloth whichever is better looking and cheaper and the third which buys all foreign fine stuff only. We hope that the proposed import duty will induce the second class of consumers to purchase Indian goods. The third class of consumers are in a microscopic minority

and are very rich people who can afford to pay even a little higher price for their requirements.

107. To a very great extent.
108. Throughout India.
109. Yes. Because such increase if at all will only be temporary, and will not effect the poor classes who as a rule use Indian cloth but only the rich classes as mentioned in our answer to question No. 106.
111. No.
112. With the increase in the demand for goods in India there is no doubt that production here will also increase.
113. As we have proposed a discriminating duty on yarn the handloom weavers of fine yarn will not be affected at all.
114. We agree with the Bombay Millowners in principal but cannot give any figures.
115. Yes we think that an additional 2 per cent. duty will amply cover the loss of depreciation.

(b) Other suggestions

116. We propose a 5 per cent. export duty on cotton. (a) Very little, (c) Just a little, (d) Not at all. In this connection we beg to point out that the income from the proposed import duty on cloth and yarn and the export duty on cotton should not go to swell the Government of India's revenue. They should on the other hand be credited under a separate head and used among others for the following purposes :—

- (1) for propaganda work for Indian cloth and yarn in and outside India as is done in the case of tea;
 - (2) for giving bounties on Indian yarn and cloth exported to foreign countries;
 - (3) for subsidising Indian mills, weaving yarn above 30s count. This will induce the well equipped mills to take to finer spinning and weaving and thus avoid keen competition with the upcountry mills which are weaving coarser goods.
117. None.

118. The exchange banks simply refuse to finance Indian managed mills on this side of the country; and the Indian Banks are not in a position to lend money at cheap rate. The Imperial Bank of India should therefore be made to advance money to the mills at Bank rates and on a margin of not more than 25 per cent.

119. Most certainly if possible.
120. If mills in Bombay and Ahmedabad take to finer counts it will help the upcountry mills to an appreciable extent.
121. If possible. On this side the mills are not equipped for specialisation.
122. Extension in the range of production will certainly help.
123. Yes.
124. Yes. If it were not for the repeal of the cotton excise duty the mills would have been in a worse plight than at present.

125 and 126. The railway freight on stores should be reduced. The freight on coal for long distances has been reduced by 10 per cent. but it is still very high, and should be further reduced immediately. The railways should be made to give railway sidings to Mills requiring such siding in the upcountry centres. Efforts should be made to improve the quality of cotton in and near our province. The Government or the municipalities should undertake to educate factory children, give medical help to workpeople and arrange to give ample supply of fresh drinking water free of charge. The railway freight on cotton should be reduced as suggested in Appendix No. III.

Appendix IA

A. Cost of production of one pound of grey yarn in 1925

		Pies:	Percentage of total cost
1	Cost of cotton required to manufacture 1lb of grey yarn	140·0	83·33
	<i>Manufacturing charges</i>		
2	Cost of fuel and power	4·1	2·35
3	Cost of water for power purposes .. .. .	....	....
4	Cost of water for all purposes other than power .. .. .	....	....
5	Cost of stores consumed	5·5	3·23
6	Repairs and upkeep of Machinery	4·7	2·8
7	Wages to operatives inclusive of bonus and all allowances	8·74	5·2
8	Superior supervision	2·0	1·2
	<i>Overhead charges</i>		
9	Rates, taxes, licenses and fees	0·23	·1
10	Insurance	0·65	·5
11	Repairs and upkeep of buildings .. .. .	....	....
12	Depreciation .. .. .	....	....
13	Office expenses (a) at Mill, (b) at registered office of company	Cost included	in figure No. 8
14	Brokerage and commission .. .. .	....	....
15	Schools, welfare work and dispensary	0·10	·06
16	Provident fund	·70	·4
17	Miscellaneous expenses not otherwise specified.	1·4	·83
	Total cost ..	168·12	100·

These figures are not absolutely correct. Efforts have been made to give approximately correct figures as far as possible.

Appendix IB

B. Cost of production of one pound of standard grey calandered long cloth 1925

		Pies per lb.	Percentage of Total
1	Cost of yarn used for manufacturing one pound of cloth	151·0	74·02
	<i>Manufacturing charges</i>		
2	Cost of fuel and power	3·6	1·76
3	Cost of water for power purposes .. .. .	....	....
4	Cost of water for all purposes other than power .. .. .	....	....
5	Cost of stores consumed	14·0	6·86
6	Repairs and upkeep of Machinery	4·0	1·96
7	Wages to operatives inclusive of bonus and all allowances	18·0	8·86
8	Superior supervision	2·0	·98
	<i>Overhead charges</i>		
9	Rates, taxes, license, and fees	8·1	3·96
10	Insurance	·5	·25
11	Repairs and upkeep of buildings .. .. .	....	....
12	Depreciation .. .. .	....	....
13	Office expenses (a) at Mill (b) registered office of company .. .. .	....	....
14	Brokerage and commission .. .. .	....	....
15	Schools, welfare-work and dispensary	·5	·25
16	Provident fund	1·2	·60
17	Miscellaneous expenses not otherwise specified	1·0	·50
	Total cost	204·0	100·

These figures are not absolutely correct. Efforts have been made to give approximately correct figures as far as possible.

APPENDIX No. II

A statement showing the difference in production of the spinning and weaving departments before and after the inauguration of the Factory Act in 1922

Year 1922	Spinning production	Weaving production
	lbs.	lbs.
Before Factory Act working 12 hours ..	5,405	9,015
After Factory Act working 10 hours ..	4,749	7,659
Loss in production ..	12 per cent.	15 per cent.

APPENDIX No. III

Railway Freights

As in every other industrial centre we have to import raw material, i.e., cotton and stores, and export yarn and piece-goods from Delhi. In Northern India there are three very big industrial centres one is Cawnpore, the other is Agra and the third is Delhi. The Railway freights to and from Cawnpore and Agra are very low. This is not so in the case of Delhi. We have to pay very heavy railway freight on our goods as will be seen from the following tables. Incidentally the tables show the great advantage that the Bombay mills have over the upcountry Mills in the matter of railway freight on cotton, etc.

(1) Cotton full pressed

Cotton in full pressed bales is imported in Delhi chiefly from Bombay, Nagpur, Broach, Surat, Khandwa, Ujjain, Harda and Lyallpur. This commodity is imported in Delhi in very large quantities. We append below rate tables showing the amount of railway freight payable on cotton imported in Delhi from the above stations as also the freights charged by railway people on cotton bales booked to Bombay and other places.

(a) Table showing the railway freight payable on full pressed cotton bales booked to Bombay and other places from the different cotton centres.

Station from	Station to	Distance in miles	Rate per maund	
			Rs. a. p.	Rate per maund per mile, in pies
1. Bombay (Byculla) ..	Ujjain ..	635	O. R. 1 9 7	*48
2. (Wadi Bunder) and Cotton Depot.	Cawnpore Generalganj ..	839	.. 2 3 8	*50
3. Karachi City (via Hyderabad).	Cawnpore (via Kuchaman Road).	987	.. 2 5 10	*46
4. Devangere ..	(Wadi Bunder) and Cotton Depot.	642	.. 1 5 7	*40
5. Ujjain ..	Bombay (Byculla) ..	635	.. 1 9 7	*48
6. Karvi ..	(Wadi Bunder) and Cotton Depot.	864	.. 1 15 0	*43
7. Bajohi ..	Do. ..	1,083	.. 2 9 11	*46
8. Chandausi ..	Do. ..	1,073	.. 2 11 9	*49
9. Asatpur ..	Do. ..	1,064	.. 2 11 9	*49
10. Nagpur ..	Mirzapur ..	615	.. 1 5 4	*41
11. Sangla Hill ..	Hinganghat ..	1,108	.. 3 1 7	*53
12. Lyallpur ..	Do. ..	1,137	.. 3 3 1	*53
13. Via Saharanpur and vice versa.	Cawnpore and vice ..	852	.. 0 15 4	*52
14. Cawnpore ..	Karachi City (via Hyderabad).	987	.. 2 5 10	*46

(b) Statement showing the Railway freight payable on full pressed cotton bales imported in Delhi

Station from	Station to	Distance in miles	Rates per maund	Rate per maund per mile, in pies
			Rs. a. p.	
Bombay (Carnac Bridge)	Delhi Sadar ..	865	R. R. 2 9 3	57
Nagpur ..	Do. ..	679	„ 2 10 0	74
Broach ..	Do. ..	661	„ 2 3 6	64
Surat ..	Do. ..	696	„ 2 5 4	64
Khandwa ..	Do. ..	604	„ 1 15 6	62
Palej ..	Do. ..	645	„ 2 3 0	64
Ujjain ..	Do. ..	551	„ 1 9 4	55
Harda ..	Do. ..	541	„ 1 15 1	70
Broach ..	Delhi Lahori Gate ..	645	„ 2 2 5	64
Palej ..	Do. ..	629	„ 2 1 7	64
Surat ..	Do. ..	681	„ 2 4 3	64
From all Punjab Cotton Centres	Delhi ..	62 pies	per maund per mile	plus
		0 0-6	per maund as	terminal.

In addition to the above special station to station rates, Howrah and Karachi have, in their local booking, special adjusted class rates from all stations. Cotton full pressed when booked to Karachi and Howrah locally is charged at O. R. 0-0-6 less than the R. R. class rate. On going through the above table you will find that the railway freight chargeable on full pressed cotton bales for Delhi is comparatively very high and we therefore beg you to reduce them so as to remove the handicap under which the cotton mills in Delhi labour at present.

2. *Cotton loose (in bags).*—Before 1922 the rate for cotton loose was 4th class or 62 pies per maund per mile but in 1922 it was increased to 8th class at 1-04 pies per maund per mile. No owners risk rate has been sanctioned by any railway excepting G. I. P. Railway. This o. risk rate should be provided for Delhi from all stations and special station to station rates should be made from Punjab cotton markets, viz., Mansa, Budladha, Abhohar, Gaddarbaha, Rampura, Phool and Saharanpur, etc., etc., and also from Kosi Kalan, Hodel and Palwal on the basis sanctioned for Cawnpore from Saharanpur and vice versa. As it is loose cotton is booked to Delhi at railway risk and charged subject to minimum weight of 120 maunds for 4 wheeled wagon, while no wagon, excepting the highest carrying capacity wagon, which is seldom supplied, can hold 120 maunds. This restriction should be limited up to 81 maunds as in the case of Cawnpore. Further special station to station rates from the stations mentioned above for Delhi should be rated on the basis of 35 pies per maund per mile O. R. C./81, which is between Saharanpur and Cawnpore, as under :—

Station from	Station to	Distances in miles	Rate per maund	Rates per maund per mile, in pies
O. R. C./81 Cawnpore Mill	Saharanpur and vice versa.	352	Rs. a. p. 0 10 1	35

On O. & R. Section of E. I. R. freight is charged at 2nd class 42 pies per maund per mile at O. R. L. W./120.

3. *Seed Cotton (Kuppas).*—Before 1922 freight was charged at 2nd class rate of 42 pies per maund per mile. Now it is charged at 4th class rate at 62 pies per maund per mile at R. R. Over O. & R. Section of the East Indian Railway it is charged at 2nd

class 42 pies per maund per mile O.R.L. W./120 maunds. So far only Cawnpore and Agra enjoy the special station to station rates from their importing colonies at very low rates as under :—

Station from	Station to	Conditions	Distance in miles	Rate per maund	Rate per maund per mile, in pies
Madhogunj	Cawnpore (General Gunj).	O. R. L. W/200.	101	Rs. s. p. 0 3 2	'37
Hamirpur Road	Do. ..	O. R. ..	35	0 1 0	'34
Oral	Do. ..	Do. ..	67	0 2 4	'41
Baseri	Agra Cantonment ..	Do. ..	65	0 2 7	'47
Do.	Balanganj	Do. ..	65	0 2 7	'47
Do.	Bilochpura	Do. ..	65	0 2 7	'47

In comparison to the above, the rates for Delhi from its importing stations, viz., Abohar, Jind, Lyallpur, Mansa, Sanglahill, Barnala, Jaitu, Okara, Gaddar Baha, Khanna, Sirhind, Saharanpur, Budhlada and Tohana, etc. etc., are 62 pies per maund per mile exclusive of terminals. The rates for Delhi Sadar from other importing stations are as under :—

Station from	Station to	Conditions	Distance in miles	Rate per maund	Rate per maund per mile, in pies
Koel Kalan	Delhi Sadar	R. R. ..	63	Rs. s. p. 0 4 3	'87
Hodel	Do. ..	Do. ..	55	0 3 10	'83
Palwal	Do. ..	Do. ..	37	0 2 11	'94

These rates are even much higher than the class rates sanctioned on the G. I. P. Railway. It is now time that special station to station rates from these station to Delhi should be provided on the basis of 34 pies, the rate given to Cawnpore from Hamirpur Road.

4. *Clay, China or Kaolin.*—Generally freight is charged at 1st class rate of 38 pies per maund per mile exclusive of terminal which is charged extra. Delhi imports this commodity chiefly from Bombay and Calcutta. The rate from Bombay (Carnac Bridge) to Delhi Sadar and Howrah to Delhi at the adjusted 1st class rate is Rs. 1-9-8, i.e., 36 pies per maund per mile while other manufacturing cities are enjoying very low special station to station rates for China clay as detailed below :—

Station from	Station to	Conditions	Distance in miles	Rates per maund	Rates per maund per mile, in pies
Karachi City (via Hyderabad-Kuchaman Road).	Cawnpore and via -Cawnpore.	O. R. C. C. L.	987	Rs. s. p. 0 13 0	'15
Via Delhi (for traffic from Howrah).	Amritsar	Do. ..	278	0 5 3	'22
Howrah	Via Delhi	O. R. ..	903	0 9 9	'11
Howrah (via Delhi)	Amritsar	Do. ..	1,175	0 15 0	'15

Station from	Station to	Conditions	Distance in miles	Rates per maund	Rates per maund per mile, in pies
Howrah and <i>via</i>	Cawnpore and <i>via</i> (except O. R. Section and <i>via</i>).	O. R.	633	Rs. a. p. 0 1 0	*19
Colgong	Howrah	....	245	0 3 3	*16
Kodarma	Do.	....	245	0 3 3	*16
Simultala	Do.	....	217	0 2 11	*16
Taljhari	Do.	....	201	0 2 8	*16
Howrah	Lucknow (<i>via</i> Mughalsara).	....	616	0 12 2	*23
Do.	<i>Via</i> Saharanpur (<i>via</i> Mughalsara).	....	938	0 12 11	*16
Bombay (Wadi Bunder)	Cawnpore	O. R. C. C.	839	0 11 9	*15
Nagpur	Bombay	....	520	0 12 1	*23
Bombay (Carnac Bridge)	Delhi Sadar	R. R. 1st class adjusted	865	1 9 8	*36
Howrah	Delhi	Do.	903	1 9 8	*36

Thus it will be seen that all other industrial cities are paying *15 and *16 pies per maund per mile as railway freight for China clay while Delhi mills pay *36 per maund per mile on it. It is surprising that rate from Howrah to *via* Delhi is 0-9-9 per maund while for Delhi proper it is Rs. 1-9-8. We request that this anomaly be removed and the railway freight on China clay from Bombay to Delhi be reduced to Rs. 0-10-0 per maund at O. R. C. C.

5. *Lubricating Oil (as Oils Division C.) P/13 and Castor Oil.*—The General class rates are 4th class *62 pies per maund per mile at railway risk and 2nd class *42 pies per maund per mile at owners risk. Cawnpore, Bombay and Karachi have got special station to station rates while the same have not so far been sanctioned for Delhi. A few of them are quoted hereinbelow :—

Station from	Station to	Conditions	Distance in miles	Rates per maund	Rates per maund per mile, in pies
				Rs. a. p.	
Karachi City (<i>via</i> Hyderabad-Kuchaman Road) and <i>vice versa</i> .	Cawnpore	O. R.	987	1 3 3	*23
Cawnpore (<i>via</i> Ruchaman Road) and <i>via</i> Cawnpore.	Karachi City (<i>via</i> Hyderabad)	O. R. W./160L	987	1 1 11	*21
Agra fort and Balanganj	Do.	O. R.	765	1 3 0	*30
Bombay	Cawnpore (General Gunj).	Do.	839	1 2 0	*25
Cawnpore	Bombay (Wadi Bunder).	O. R. W./300	839	1 0 8	*24
Cawnpore (B. B. & C. I.) and <i>vice versa</i> .	Bombay (Carnac Bridge).	O. R.	839	1 3 0	*27
Cawnpore	Do.	O. R. W./300	839	1 1 8	*25
Bombay (Wadi Bunder) and <i>vice versa</i> .	Delhi Sadar	O. R. W./300L	865	1 1 1	*23
Bombay (Carnac Bridge)	Do.	O. R. adjusted 2nd class.	865	1 12 4	*41
Howrah	Delhi	Do.	903	1 12 4	*41

Although a special station to station rate has been given from Bombay (Wadi Bunder) to Delhi Sadar it is merely so, on paper since no consignment of any kind can be booked from Bombay (Wadi Bunder) for Delhi Sadar. This is due to the agreement between B. B. & C. I. Railway and G. I. P. Railway that all consignments booked from Bombay will be booked from Carnac Bridge to Delhi Sadar. Unless this rate is adopted by B. B. & C. I. Railway from Carnac Bridge it is of no use to the mercantile community of Delhi. We, therefore, suggest definite station to station rates from Bombay to Delhi Sadar and Howrah to Delhi as under :—

Station from	Station to	Conditions	Distance in miles	Rates per maund	Rates per maund per mile, in pies ¹
Bombay (Carnac Bridge) ..	Delhi Sadar ..	O. E. ..	865	1 2 0	·25
Do. ..	Do. ..	O.R. W./300.	865	1 1 1	·23
Howrah ..	Delhi ..	Do. ..	903	1 1 1	..
Do. ..	Do. ..	O. E. ..	903	1 2 0	..

6. *Farina (Sizing flour)*.—Before 1922 that was charged at 2nd class rate ·42 per maund per mile at railway risk and at 1st class rate, i.e., ·38 pies per maund per mile at owners risk but now it has been raised to 4th class, i.e., ·62 per maund per mile at railway risk and 2nd class, i.e., ·42 pies per maund per mile at owners risk. Farina is nothing but flour and could well be termed under the heading of “flour” at 2nd class railway risk. It may therefore be included under the heading “flour” and the rates chargeable for “flour” be made chargeable for “farina”.

7. *Sago flour*.—It is not classified in the tariffs. All the railways differ from one another as to its classification. East Indian Railway sometimes charges as arrowroot and sometimes as “sago common”, while N.-W. Railway is including it in “flour” and charging it as “flour”. G. I. P. Railway has charged it as sago common in 1924 and 1925, but now they are charging it as “farina” with which it has no similarity. This is causing much confusion, it is time it should be settled definitely. In fact “sago flour” is more of “sago common” than of anything else, and the right classification would be only if it is charged as “sago common”. This may therefore be included in “sago common” and the rates and conditions applicable for “sago common” be made applicable for “sago flour”.

8. *Steel Reeds*.—Reeds of steel are not classified separately in the tariffs. The railways are generally charging it as “Mill Stores” which is charged at railway risk at 8th class 1·04 pies per maund per mile and at owners risk at 6th class ·83 pies per maund per mile. The term “Mill Stores” in its literal meaning is so wide that it can cover everything which can be used in mills. There are hundreds of things which either are classified separately or are charged with other commodity on account of other qualifications. For example, bars, angles, bolts and anvils of iron or steel although they are used in mills and an, under the present theory of the railways, come under the heading “mill stores” are charged as iron or steel division “B” because these are made of that material. Similarly reeds of steel can best be included in and charged at the rates applicable to “iron or steel division B”. Even if these should be charged from the standpoint of their use, they could only be charged as “machinery”, because they are parts of machinery. But reeds are steel first and then parts of machinery. It is therefore submitted that they may be charged at and included in the classification of “iron or steel division B”.

9. *Chloride of Magnesium*.—The rate of chloride of magnesium for Delhi from Howrah and Delhi Sadar from Bombay (Carnac Bridge) is 1·12·4 per maund at the classified rate of 2nd class ·42 pies per maund per mile, while the following are the

station to station rates between other stations, which also may kindly be sanctioned for Delhi on the same basis.

Station from	Station to	Conditions	Distance in miles	Rate per maund	Rate per maund per mile, in pies
				Rs. a. p.	
Virangam	Bombay (Carnac Bridge)	C.C.O.R.L..	348	0 6 2	21
Kharaghoda	Bombay (Carnac Bridge)	C.C.O.R.L..	371	0 6 2	20
Do.	Via Cawnpore ..	O. R. L. C/270	775	0 13 11	21
Do.	Via Delhi Sarai Rohilla ..	Do. ..	847	0 12 4	17

Therefore the rates for Delhi from Howrah and Delhi Sadar from Bombay Carnac Bridge should be in accordance with the above basis of Kharaghoda to *via* Sarai Rohilla at Rs. 0-12-7 O.R.L.C./270.

10. *Machinery.*—The rates for Delhi from Bombay Carnac Bridge and Howrah at railway risk at 4th class are 2-9-3 per maund and at owner's risk at 2nd class are 1-12-4, while other stations have the following station to station rates :—

Station from	Station to	Conditions	Distance in miles	Rate per maund	Rate per maund per mile, in pies
				Rs. a. p.	
Bombay	Shalimar and Armenian Ghat.	O. R. ..	1,221	1 8 0	23
Do.	Baumore	O. R. W-270	775	1 1 8	27
Do.	Madras <i>via</i> Raichur ..	O.R.C.C.L.	794	1 1 0	25

Therefore the following special station to station rates for Delhi should be introduced on the above basis.

Station from	Station to	Conditions	Distance in miles	Rate per maund	Rate per maund per mile, in pies
				Rs. a. p.	
Bombay and Howrah ..	Delhi Sadar and Delhi ..	O. R. ..	865	1 0 9	23

11. *Mill Stores, Bobin and Cotton Ropes.*—The present classifications are very high. It is generally admitted that mill stores destined for industrial use should be transported at the lowest rates possible and this will, we believe, repay the railways many

times over in subsequent increased business. The rates have been increased very much since 1922, as detailed below :—

Commodity	Present classification	Classification in 1922
Mill Stores	R. R. 8th class 1.04 pies per maund per mile.	R. R. 4th class .62 pies per maund per mile.
	O. R. 6th class .83 pies per maund per mile.	O. R. 3rd class .58 pies per maund per mile.
Bobbins L.	R. R. 6th class .83 pies per maund per mile.	R. R. 3rd class .58 pies per maund per mile.
	O. R. 4th class .62 pies per maund per mile.	O. R. 2nd class .42 pies per maund per mile.
Cotton Rope	R. R. 4th class .62 pies per maund per mile.	R. R. 2nd class .42 pies per maund per mile.
	O. R. 2nd class .42 pies per maund per mile.	O. R. 1st class .38 pies per maund per mile.

We therefore propose that the railway freight on the above mentioned stores be reduced and it should be charged according to the classification current in 1922.

Further Statement dated the 7th August 1926

The Delhi Factory Owners' Federation, Delhi, express their pleasure at the appointment of the Indian Tariff Board with a view to determining the causes of and remedies for the backwardness of the Indian cotton textile industry. It was indeed a long felt want of the industry but on account of certain circumstances it did not sufficiently attract the attention of the Government. In recent years, the industry was faced with a complicated problem which was rightly taken up by the Legislature, with the result that the Tariff Board came into existence. It is therefore, hoped that the principles of protection deserving of the capital industry of India will be discussed and adopted by the Board in the light of the present situation, when it is threatened by foreign competition in almost all its phases.

Taken on the whole it may be mentioned that the textile industry is in a depressed condition all over India owing to varied causes. We are not here to discuss the merits and demerits of any principle of protection to be adopted by the Board but we will lay down in brief our views and suggestions arising out of the conditions obtaining in Delhi. The Board, as it appears, has chiefly confined itself to the enquiry in regard to the cotton textile industry. We are, therefore, at present only concerned with the problem affecting it.

Delhi is the Imperial capital of India and is one of the most important commercial cities in the country and as such, it will be admitted, she deserves the prominent attention of Government towards the development and expansion of her manufacturing industry. From the geographical position she occupies, it will be seen that Delhi lacks the advantages which important cotton mill centres like Bombay, Calcutta and Cawnpore possess in several respects. The statement which will follow will, it is hoped, fully justify the fact that Delhi affords greater possibilities of improvements in case full advantage of protection is extended to the cotton spinning and weaving mill industries. It will be realized that she, being in the heart of the country, is one of the foremost collecting and distributing centres.

The spinning and weaving of cotton is the principal industry of Delhi, which is mainly affected by railway rates. The Indian railway policy does not in fact tend to foster the industry of the country in general. On the other hand those who have been favourably treated or are satisfied with the existing position are naturally silent.

The question of railway rates is of long standing and has very considerably affected the cotton mill industry of the Imperial city. In case the policy is framed on broad and simple lines it will be of practical use for the development of the textile industry throughout the country. The imports of raw products, machinery and mill stores are in no way less in Delhi than those of some of the important cotton mill centres which enjoy greater facilities in respect of railway rates. The governing principle which should be followed is railway rating. So far as it affects the premier manufacturing industry of India internal traffic should be rated as nearly as possible on an equality with traffic of the same class over similar distances.

We are well aware that numerous concessions have already been made for the benefit of some of the cotton mill centres in the country. It will be recognised that the policy of individual concession is both unwise and detrimental to the growth of an industry on a fair and equitable competitive basis. The existing inequalities have already done much harm towards the expansion of our indigenous cotton mill industry and is likely to throttle it in the long run if the present policy is continued. It is therefore high time that the position should be carefully examined from a wider stand point of view in estimating the effects of rating as real necessity exists for reduction in the general interests of the country. It is generally admitted that machinery and stores destined for industrial use should be transported at the lowest rates possible and this will, we believe, repay the railways many times over in subsequently increased business.

To sum up, it will be recognised that the grievances are genuine and are supported by actual facts and figures as contained in the statement attached herewith.

The statement referred to in this evidence has been printed as the written statement of the Delhi Cloth and General Mills Co., Ltd., and of the Delhi Factory Owners' Federation.

Further Statement dated the 22nd October 1926

I am directed by my Committee to bring to your notice that the Government of India have granted suitable plots of land for growing cotton on very favourable terms to the British Cotton Growers' Association who represent the interest of the Lancashire and Manchester textile mills. The result of this combined move on the part of the Indian Government and the Lancashire millowners will necessarily be that cotton will be available for that Association at very low cost. My Committee is therefore of opinion that if similar facilities are granted to the mills of India by the Indian Government, it will go a long way towards helping the present depression, and there is no reason why the Government of India should withhold these facilities from the Indian mills when they have already set an example by granting the abovementioned concession to the said Association. The up-country mills are in a very good position to take advantage of such facilities.

My Committee regrets that it overlooked to mention the fact in their written as well as oral evidence before the Board and as it thinks that it is not yet too late for such a move, it requests a favourable consideration of such suggestion at the hands of the Tariff Board. My Committee earnestly request and hope that the Board will take up this point in right earnest with the Government of India.

Witness No. 102

**THE DELHI CLOTH AND GENERAL MILLS CO., LTD., AND THE DELHI
FACTORY OWNERS' FEDERATION**

*Oral Evidence of Mr. Shankerlal and Mr. Sitaram Khemka recorded at Delhi
on the 18th October 1926*

SECTION I

General

President.—We should first of all like to know exactly whom you two gentlemen represent. I see you are appearing before us in various capacities,

A. *Mr. Shankerlal.*—I come here as the representative of the Delhi Cloth and General Mills Co., Ltd., and also the Delhi Factory Owners' Federation.

Q. Are you both representing the Delhi Factory Owners' Federation ?

A. *Mr. Sitaram Khemka.*—Exactly.

Q. And you, Mr. Khemka, also represent the Birla Mills ?

A. Yes.

Q. You both also represent the manufacturing section of the Punjab Chamber of Commerce ?

A. Quite so.

Q. We find that the Punjab Chamber of Commerce also are coming to give evidence.

A. That is the import side.

Q. I gather there is a difference of opinion on the subject and that therefore the two sections of the Chamber are being represented separately. Is that the idea ?

A. The importers always disagree with the manufacturers.

Q. Naturally. That is not an uncommon feature of an enquiry such as this. How many members has the Delhi Factory Owners' Federation ?

A. *Mr. Shankerlal.*—About 40.

Q. How many are cotton factory owners ?

A. Four.

Q. Who are they ?

A. The Delhi Cloth and General Mills, The Birla Mills, the Goenka Spinning and Weaving Mills.

Q. Are the Goenka Mills in Delhi ?

A. Yes ; it is only a weaving mill. And the Khalsa Spinning and Weaving Mill.

Q. I understand from your written statement, Mr. Shankerlal, that your great grievance is really railway rates.

A. Partly, yes.

Q. You seem to lay more stress on this than on almost anything else.

A. The rupee exchange is not barred out either.

Q. No ; not barred ; but taking the written statement of the 16th August, it is almost confined to railway rates.

A. Yes, part of it.

Q. I do not propose to confine our examination to railway rates. In fact, I do not propose to go into the question at all in any great detail. The only point I wish to raise here in regard to the question of railway rates is that it seems rather for the Railway Rates Tribunal than the Tariff Board to deal with it.

A. Yes. But you can make recommendations.

Q. Are you proposing to put the case before the Railway Rates Tribunal ?

A. Yes.

Q. I do not think the Tariff Board can do much in the matter except to recommend that your case should be carefully examined by the Railway Rates Tribunal

A. *Mr. Sitaram Khemka.*—That is something.

Q. Coming to the first section of your statement of the 16th of August, you say ' The present depression in the cotton textile industry is not confined to Bombay only, it extends to the upcountry centres as well '. Would you say that Delhi has been as badly hit as

other centres ? How are your four mills here doing ? Which of them make profits, which are making both ends meet and which are carrying on at a loss ?

A. We are not doing nicely at all. We are making both ends meet with great difficulty. Except the Delhi Cloth and General Mills, all the others are doing badly.

Q. You are not doing badly if you are making both ends meet. Is that after providing depreciation or not ?

A. After providing for depreciation.

Q. I think some of the Bombay mills would envy you. The Delhi Cloth and General Mills are doing well ?

A. *Mr. Shankerlal.*—Every competitor would say so.

A. *Mr. Sitaram Khemka.*—I do not mean to say that we are doing very nicely ; but especially the Delhi Cloth Mills are in a better position. They could make big reserves in the war time. That is what I say.

Q. Your mills here are very small. The Delhi Cloth and General Mills is the biggest and the Birla is the second biggest. The Khalsa Spinning and Weaving Mill has got 8,200 spindles and 125 looms.

A. *Mr. Shankerlal.*—They have got about 250 looms now.

A. *Mr. Sitaram Khemka.*—They are making extensions.

Q. The Goenka Spinning and Weaving Mills has got 307 looms only. Do you consider in these days of very keen competition that mills of that size can expect to do well ? Do you consider that small mills like that are calculated to prosper in hard times ?

A. The bigger the mill, the better. But a mill with 400 looms and 16,000 spindles is quite a good unit.

Q. *Mr. Shankerlal's* mill is doing quite well and the Birla mills are making both ends meet. The others are smaller mills and is it surprising that they are not doing well ?

A. *Mr. Shankerlal.*—They should be able to get a fair remuneration on their capital. Why the Delhi Cloth Mill is doing well is because they have got very good reserve fund. It is quite a different thing to pay a dividend on nominal capital on account of the reserves built up in the past.

Q. They have built up reserves for such bad times as the present. Are you sending us the cost of production sheets in the form in which we have sent them ?

A. The first one I did send ; but the second one I could not, because I was suffering from fever.

Q. Are you sending them ?

A. We will get them prepared.

Q. If you come before us and ask for protection as you have done, we naturally expect to receive your cost of production, so that we may know how you are doing. Are these figures in the Appendix for your mill ?

A. Yes.

Q. You say "The causes other than the appreciation of the rupee are of a temporary character". Why do you think so, *Mr. Shankerlal* ? What do you consider are the causes first of all ? You have not stated what you consider are the causes other than the appreciation of the rupee.

A. So far as the internal causes are concerned, it is inefficient working and so far as the outside causes are concerned, it is unfair competition. People outside are working double shifts and working 22 hours. Their overhead charges are very low and they can compete successfully.

Q. Why do you consider that the causes are of a temporary character ?

A. If anybody's word is to be believed, it is certainly so. Japan has been all the time saying so.

Q. Which is the first cause you mention ?

A. Inefficient labour.

Q. How are you going to cure that ? You say it is of a temporary character.

A. Don't you think that an inefficient workman can become an efficient workman in time ?

A. *Mr. Sitaram Khemka.*—We can train them gradually. At present we cannot stand on our own legs. But if you give protection, then we can make the mills paying and provide for the education of the labourers as well.

Q. How much was done when the industry was paying, *Mr. Sitaram* ?

A. Our mill was never paying and so I cannot say anything.

A. *Mr. Shankerlal.*—We have been doing something for the training of our workmen.

Q. What do you do ?

A. *Mr. Shankerlal.*—I have been trying to induce middle class people who are fairly well educated to take to the mill work, and as an inducement I pay them a certain sum, Rs. 15, Rs. 16 or Rs. 20 as the case may be. For a Matriculate I pay Rs. 20. For one who has passed the Middle Class I pay Rs. 15, and so on.

Q. What are they working at ?

A. They come in the weaving line.

Mr. Subba Rao.—As operatives ?

A. Yes.

President.—As ordinary operatives ?

A. Yes, but after four or five months when they are able to work they go on piecework.

Mr. Subba Rao.—This is a new experiment. You pay higher salaries to such people ? Is it working well ?

A. It is too early to say.

President.—It is a very interesting experiment. How long have you been carrying it on ?

A. Well, for over a year now.

Q. And these people work as ordinary operatives ?

A. They do work as ordinary operatives.

Q. How many of them have you got ?

A. I have about 70. I am not quite sure.

Q. How many of them are on ordinary piecework ? Are they spinning or weaving ?

A. Mostly weaving. Some of them are in the spinning section as well, and some of them are doing mechanic work also.

Q. You say that after they pick up work they go on to piecework. How many looms are they looking after ?

A. I do not think any one is looking after more than two looms, but certainly they are giving better work.

Q. How does their production compare with that of the ordinary weaver ?

A. If they stick to work I get about 7 per cent. more. The only thing is that somehow or other there is not the sense of dignity of labour. As soon as they have gone through the course they leave off work.

Q. They want to be clerks ?

A. Yes. Under-paid clerks.

Mr. Majmudar.—Or supervisors perhaps.

A. Yes, they do not want to do manual labour.

Mr. Majmudar.—Is the production better ?

A. Yes.

Q. Do you pay them a higher rate ?

A. The rate is the same ; but since their output is better, their average wage works out more than that of an ordinary labourer.

President.—I understood you to say that you get 7 per cent. more production ?

A. Yes.

Mr. Subba Rao.—Do you pay them more ? What I understood was that you are paying these literate people a higher rate to encourage them to take to industries. Is it a fact ?

A. Yes.

Q. How much more do you pay them ?

A. There are fixed wages in spinning for example. We give them five to ten rupees extra.

Mr. Majmudar.—In the case of piecework ?

A. We do not pay anything.

Q. Take the case of a man working on the frame ? How much do you pay him extra ?

A. We have got his name registered as a Matriculate or anything like that and we pay him extra every month. Some of them work very well. They have risen from the position of mere workmen to almost second in command.

President.—You say that the fall in the price of raw material is always beneficial to the manufacturer ?

A. Yes.

Q. Why do you think so, Mr. Shankerlal ?

A. Because that means a lower cost for the raw material.

Q. Because it promotes consumption ?

A. Yes.

Q. Do you consider that as a general rule when the price of raw material falls the price of the manufactured article does not fall quite so quickly or so far ?

A. Well, in normal times, yes.

Q. Raw material is going down at the moment. It has dropped about Rs. 40 a candy during the last fortnight. Isn't that going to help ?

A. These are not normal times. On every fall in the price of the raw material the mills are losing so much because they have got such a huge accumulated stock. Moreover it creates a feeling of uncertainty in the mind of the purchaser.

Q. Have you got large stocks in Delhi ?

A. I do not know about other mills but I have got higher stocks than I used to have.

Q. What is the reason for that ? The absence of demand ?

A. Well, yes, the absence of demand, which is due to the absence of purchasing power of the ryots.

Q. Why is the ryot's purchasing power absent ? He has had several good monsoons ?

A. On account of the higher rate of exchange.

Q. The high rate of exchange has not been in force all that time. When the exchange was lower was there a sign of a revival of demand, for instance, when exchange was 1s. 4d. ?

A. *Mr. Sitaram Khemka*.—I think the exchange at 1s. 6d. greatly hampers the purchasing power of the ryot, because, when the exchange was 1s. 4d., the ryot used to get Rs. 100 for Rs. 100 produce, but now it is less. He pays about 60 to 65 per cent. in the form of taxes and land revenue to the Government and the zamindars. Supposing he used to get Rs. 100 for his produce when exchange was 1s. 4d. now he gets only Rs. 87-8-0. Out of that Rs. 87-8-0 he has to pay the revenue which was fixed when exchange was at 1s. 4d. So now he has to pay 60 to 70 per cent. of the net crop to the Government and to the landlord and zamindar in the form of rent, taxes, etc. That means he has only Rs. 27½ left to meet his ordinary requirements. Previously he had Rs. 50. So the purchasing power of the ryot is hampered to the extent of about 7 to 8 per cent., and to that extent we are also affected.

Q. Your rent up here must be very high if the ryot has to pay 60 per cent. ?

A. I do not exactly remember. I think he has to pay much of the profits he gets.

A. *Mr. Shankeral*.—He has got to pay the tax to the Government in the form of rupees. That is not affected whether exchange is 1s. 4d. or 1s. 6d. Out of the balance, he purchases his other requirements, cloth and other things.

Q. The land revenue assessment is a very small proportion of his total income ?

A. I do not know.

Raja Hari Kishan Kaul.—Are you talking of the cultivator or of the peasant proprietor ?

A. I am talking of the cultivator.

Q. He divides half and half.

A. He gets 12½ per cent. less for every Rs. 100 worth of goods and he pays Government Rs. 50.

Q. Not to the Government. To the landlord ?

A. In all. So far as the agriculturist is concerned he has got only Rs. 37 and odd rupees instead of the fifty that he used to have before, i.e., about 25 per cent. less to meet his expenses.

Q. Not quite. If he divides the produce, he loses 12½ per cent. on Rs. 50 and not on Rs. 100.

A. But are Government taxes payable in kind ?

Q. No, they are not, but all the taxes are not paid by the tenant. Land revenue is payable by the proprietor. He takes 50 per cent. of the produce and pays the land revenue out of that. On the other hand the tenant pays the water rates. So the Government due is shared.

A. I do not know anything about agriculture but whoever it may be, the tenant or the landlord, he has got to pay in cash and get in kind.

Q. That 12½ per cent. comes out of Rs. 100 and not out of Rs. 50.

A. *Mr. Shankeral*.—Supposing a certain person produced goods worth Rs. 100 when exchange was at 1s. 4d. He used to pay in cash in tax or revenue or anything like that Rs. 50 and he had Rs. 50 left to him for his requirements. That 12½ per cent. forms only 12½ per cent. of his turnover, but it forms 25 per cent. of his savings.

President.—You say he is getting $12\frac{1}{2}$ per cent. less. He may be getting $12\frac{1}{2}$ per cent. less on exports. He can only be getting $12\frac{1}{2}$ per cent. less on what he exports when the rate is 1s. 6d. He only exports a comparatively small proportion of his total produce ?

A. In India as a whole. On the total exports he gets $12\frac{1}{2}$ per cent. less.

Q. That does not work out to $12\frac{1}{2}$ per cent. on the income of each individual ryot ?

A. No.

Mr. Subba Rao.—Are the exports selling in the foreign markets now for the same price they were selling when exchange was 1s. 4d. ? Have they not risen ? Perhaps not so much as you would like.

A. It does not matter. If the price was £1 when exchange was 1s. 4d. and if it is £1 now when it is 1s. 6d.

Q. It is not £1 now. It is more. I am suggesting he has got more in sterling and therefore any reduction in the number of rupees is made up by the high sterling which should give him more rupees than before. If you take the prices of foodstuffs and so on before 1914 and after you would see the ryot is not losing.

A. *Mr. Sitaram Khemka.*—Our point is that while he has to pay the same rent and taxes in rupees the value in rupees of his produce is reduced.

Q. That is another point.

A. Don't you think it would have been more if it was 1s. 4d. ?

Q. In other words you are assuming that foreign prices will remain at the same level if exchange went down. That is very doubtful. But I do not think we should go into exchange very elaborately. About taxes, were they not settled some years before prices rose ?

A. When exchange was 1s. 4d. they had to pay the same amount as now, and therefore by the exchange rising to 1s. 6d. their commodity price is decreased in terms of rupees.

Raja Hari Kishan Kaul.—Have you any idea as to the proportion of revenue to the gross proceeds ?

A. No.

Q. Nearly about 10 per cent. ?

A. I do not know, but it certainly forms a good proportion.

Q. I admit that is reduced by $1\frac{1}{2}$ per cent. but not by 25 per cent.

A. I do not know what the proportion of the rent is to the total produce.

Mr. Majmudar.—The wages due to labour have also to be taken into account.

President.—You refer to three mills which either changed hands or closed down. I take it you refer to the Bhiwani Cotton Spinning and Weaving Mills now called Shri Benkateswar Cotton Spinning and Weaving Mill. Is that the mill you are referring to ?

A. Yes.

Q. It has 14 thousand spindles and 287 looms ?

A. Yes.

Q. Do you consider that it changed hands owing to depression ?

A. Yes.

Q. Are you quite sure of that ? Our experience has been, when these cases are examined individually, that there are other reasons.

A. I went to this mill and when I enquired there it was not paying.

Q. Do you consider it a good mill, an efficient mill ?

A. The mill was all right, but it was a small mill.

Q. A small mill in an out-of-the-way place ?

A. Not out-of-the-way. It is a good cotton centre.

Q. The mill was on too small a scale ?

A. Yes.

Q. If it changed hands owing to depression, how was it that anybody took it over ?

A. It went very cheap—five lakhs of rupees. I do not think the present agents are doing any good. They are not making any profits.

Q. I should like to know a little more about the management before passing an opinion on that. Then the mill in Hathras you say has been closed down ?

A. It is only a spinning mill.

Q. Isn't it the case that spinning mills are doing much worse just now than weaving mills ?

A. It is.

Q. The yarn market is worse than the cloth market. Then another mill in Bhiwani has been unable to start work ?

A. *Mr. Sitaram Khemka*.—It is possibly called the Hariana Cotton Mills.

Q. When was the Company floated ?

A. 1921, I think.

Q. Who are the agents ?

A. I am not quite sure about the year. It may be 1918. Some Calcutta firm is the agent.

Q. It appears to be the Hariana Cotton Mill with 10 thousand spindles and 30 looms with a capital of 8 lakhs.

A. I do not think they imported all these spindles. The building was erected, and some of the machinery was also there.

Raja Hari Kishan Kaul.—Why has this mill not been started ?

A. These people bought it during the boom period and imported machinery when prices were high and they could not meet the liabilities because of the exchange manipulations.

Q. The exchange came down and they could not meet their liabilities ?

A. Yes.

Q. Now, they cannot raise more capital ?

A. No.

Q. What has that to do with depression ?

A. Even if the capital comes, the outlay does not pay.

SECTION II

Competition between imported goods and those of Indian manufacture

President.—You say you have no very intimate knowledge of the competition between imported goods and those of Indian manufacture ?

A. *Mr. Shankerlal*.—The Bombay mills instead of their selling cloth outside India are exporting to upcountry markets and thereby our output is affected.

Q. As a matter of fact, the Bombay mills are selling as much cloth outside India as they have ever done.

A. They are selling more cloth here than before.

Q. I admit they are selling much less yarn but as regards cloth they are selling much more cloth. You say it is due to the loss of foreign markets. Might it not be due to the expansion of the mill industry in Bombay, and the fact that they naturally look to their home markets ? Is not that the reason why you are finding more competition from them than you ever had ? My point is would not you have that competition anyway even if there were no Japanese competition ?

A. No, I do not think we would have. Because the Japanese displace the Bombay goods in our markets and we feel more competition. Our Japanese goods displace Bombay mill goods in Southern India and in markets outside. Now these displaced goods come here.

Q. What reasons have you to believe that they are displacing the Bombay mill goods in Southern India ? We have been in Southern India and the opinion expressed before us there by some witnesses was that Japanese goods were displacing British goods, not Indian goods.

A. In coarser counts they are displacing Indian goods because English goods do not come in coarser counts.

Q. What do you mean by coarser counts ?

A. Below 20s.

Q. Surely there is very little Japanese cloth coming to this country under 20s, a certain amount of drills and shirtings but not much else.

A. I do not know anything about Japanese competition. The only thing is we are getting more competition from Bombay.

Q. Really the point as far as you are concerned is that the Bombay mills are competing with you here to a greater extent than they have ever done before and you are not quite sure whether that is due to their being faced with Japanese competition or to the fact that they have steadily gone on increasing their output ?

A. *Mr. Sitaram Khemka*.—Japanese lower the prices and Bombay has to follow suit and they are dumping their goods at cut prices and consequently we cannot realise good

prices. Because of the cutting competition from Japan they have to cut prices and that cut affects us.

Q. Even at these cut prices you cannot sell your stock? Your stocks and the Bombay millowners' have been higher than ever before.

A. We must further cut the prices. In other words, we cannot sell the goods unless we stand to lose.

Raja Hari Kishan Kaul.—You say 'the Bombay millowners began to extend their weaving sheds to consume their surplus yarn. They began to weave the coarser cloth, etc.' Do I understand you to mean that the Bombay mills used to spin only finer counts before that and you used to spin coarser counts?

A. *Mr. Shankerlal.*—Certainly they are weaving finer stuff there.

Q. Some of them are weaving finer stuff. There is no doubt. Do you mean to say that before the export to China was stopped they used to weave nothing but finer counts?

A. From our point of view it is very coarse cloth. What do you mean by.....

Q. What counts do you weave here?

A. I think the average cloth woven in our side of the country is from yarn below 20s

Q. You think Bombay used to weave above 20s?

A. Mostly.

A. *Mr. Sitaram Khemka.*—Bombay did not manufacture any *khadi* before. Now because of competition from Japan they are manufacturing it.

Q. Don't you think that *khadi* is woven because of the *khadder* movement?

A. To a certain extent, but not to the full extent.

Q. Anyway, it came in like that?

A. Certainly it did.

Q. So that it cannot be the result of any movement to spin coarser counts?

A. *Mr. Shankerlal.*—Well, when one cannot sell finer counts he has to explore other markets.

Q. Were they not weaving coarser counts before?

A. *Mr. Sitaram Khemka.*—Not to the same extent as now. We were manufacturing *khadi* before *Swadeshi* came in, but they were not.

Q. You think that has an effect on the hand-loom industry also?

A. Yes.

Q. This side the hand-looms are not weaving finer counts. In Southern India they do. Here they generally weave coarser counts, *khadi* and other stuff from coarse yarn?

A. Yes.

Mr. Subba Rao.—Is it your impression that Bombay has been going in in recent years for coarser counts?

A. Yes.

Q. First of all, what do you understand by coarser counts in Bombay? What number do you say Bombay has been increasing the production on? Your average is 14. That is what I see here. You cannot say for example that Bombay has been increasing her production of yarn of 11s to 20s to compete more with you?

A. Yes.

Q. I have got the figures here given by the Millowners' Association for the Island of Bombay and the rest of India. You will find that since 1915-16 the production of yarn between 11s and 20s has fallen from 197 million pounds to 116 million pounds, whereas that in the upcountry mills has gone up from 188 millions to 232. You cannot say that Bombay has been producing more to compete with you?

A. That was possibly the surplus yarn for export.

Q. This is the total yarn production in Bombay. The kind of yarn that competes with yours has not increased but decreased in the last ten years.

A. That means that whatever they are producing now is less for sale and more for weaving. Previously only the Textile and one or two mills were producing *khadi* and now we get *khadi* from so many mills. A dozen mills are making *khadi* at present in Bombay.

Mr. Subba Rao.—That is quite possible. But the kind of yarn that competes with yours has not increased but decreased.

A. There is only competition in cloth.

A. *Mr. Shankerlal.*—Yes, If you see the figures for cloth, you will find that the production of coarse cloth has increased.

Q. But unfortunately, no figures give you the kind of counts of which the cloth is made. You must assume, unless you know to the contrary, that practically a good deal of all classes of yarn is made into cloth, because the cloth production has increased.

A. It may be argued that the Bombay mills are making yarn for weaving.

Q. To convert it into cloth to compete with you ?

A. *Mr. Sitaram Khemka.*—Exactly.

Q. But are you in a position to prove that ?

A. *Mr. Shankerlal.*—The only thing is that we are getting more of their production here and have to face a very severe competition. These are hard facts.

Q. On your markets here there is a good deal of Bombay cloth of lower counts ?

A. Yes.

Q. That is under 20s ?

A. Yes. There is one thing more: Supposing we have got competition between cloth woven below 20s and cloth woven from counts above 40s, the competition is not only that there are the two kinds of cloth to be selected and the purchaser has got the option which one to buy ; but there is much more competition, so that the figures for 20s yarn may not have increased but certainly the competition in goods has increased.

Q. We can only go by the figures which we have before us. To say that Bombay is producing cloth of the kind that outs into your trade, you must produce figures.

A. The only figure I can show is that I have connection with the firms which deal in cloth and they are getting more of Bombay cloth now than before.

Q. It may be argued just the other way : that you are competing more and more with Bombay people. Your production has increased and they are not able to put on the market any extra cloth.

A. But certainly the consumption of the ryots has not decreased.

Q. But you contend it has not increased.

A. The consumption of the ryots has not decreased so much as not to consume our surplus product.

Q. He is just able to consume your production ; but nothing more from Bombay ?

A. Yes.

Q. In answer to Question 120, you suggest that Bombay should specialise in fine counts and you will take up coarse counts. Is that also the result of the competition you feel ? Is the suggestion made in order to divide the market between you and the Bombay and Ahmedabad mills ? I assume that also is due to the fact that you are facing the Bombay competition ?

A. Yes.

Q. Are there no Japanese goods at all on the market here ? Are you aware at all of any Japanese goods being placed in the market here ?

A. *Mr. Sitaram Khemka.*—Yes ; a lot of Japanese goods are here.

President.—What are they hitting—your goods or the Bombay goods ?

A. They are hitting Bombay and Bombay is hitting us.

Q. What are they hitting mostly ?

A. Sheetings, drills—these are the most important.

Q. What counts ?

A. That we cannot say. Possibly 20s and 30s.

Mr. Subba Rao.—You say above 20s ?

A. *Mr. Shankerlal.*—Yes, a above 20s.

Q. And there is competition between that kind of cloth and your kind of cloth under 20s ?

A. It is possible that these are not woven from yarn very much below 20s. But certainly they are weaving coarser cloth which is very much like our own cloth and therefore they are competing with us.

Q. In respect of prices also ?

A. *Mr. Sitaram Khemka.*—In respect of prices also.

Q. They are able to sell at prices more or less equal to the prices of your own production in spite of the fact that they are of finer counts ? Have you any list of prices of Japanese products which, you say, in spite of their being of higher counts, compete with your own out-put ?

A. *Mr. Shankerlal.*—If a certain buyer goes to the market and purchases cloth for his shirt he would not think that this price he is paying is 0.5-1 or 0.5-0 ; he looks to the finer stuff.

Q. You are making the assumption that the difference is one pie. Are you able to give a list of prices at which your cloth is sold and the Japanese goods are sold ?

A. I cannot.

Q. You are making a statement in support of which we would like to have concrete details.

A. I will see if I could send them to you.

Mr. Majmudar.—I believe you have the statement of the Bombay Millowners' Association. If you refer to Table 7, you find the production of yarn in the Punjab and Delhi together was 12,873,000 lbs. in 1907-08. It was 13 million in the next year, then it was nearly 11 million and went on dropping till in 1910 it was 8 million lbs. Then it was 6, 5, 6, million lbs. and in 1914-15 it was nearly 7 millions. The figure for 1924-25 is about 8 millions and for 1925-26 about 11 millions. To what do you attribute the fall since 1908-09 ?

A. *Mr. Sitaram Khemka.*—There are more looms set up ?

Q. That should not affect yarn. This a table of total yarn production. It is not yarn for sale only. Which qualities of cloth do you manufacture here ?

Q. Mostly coarse counts—khadi, sheetings.

A. *Mr. Shankerlal.*—Susi, drills, khadi, chaddars, twills, dhootis, etc.

Q. In which of these qualities you find competition from the Bombay mills ?

A. Khadi, sheetings and dhootis, mostly.

Q. So far as the chaddars are concerned, the production of Bombay Island has gone down. Do you refer to the Bombay Presidency or Bombay Island when you refer to Bombay ?

A. Bombay Presidency.

Q. Goods from Ahmedabad also are imported here. Do those also compete ?

A. Yes ; but the increase in goods from Ahmedabad has not been very appreciable.

Q. Are goods from the Indore mills also imported ?

A. It is very little.

A. *Mr. Sitaram Khemka.*—Sometimes you get fancy goods.

SECTION III

Internal Competition

President.—As regards Section III, Mr. Shankerlal, Internal Competition, I notice you mention only the advantages that Bombay has got. You don't mention any advantages that you have got. You have an advantage it seems to me—one we should go into a little more closely—of cheap labour.

A. *Mr. Shankerlal.*—No. Skilled labour is always cheap. Bombay has got advantage over others in that respect.

Q. Your labour rates are very cheap indeed, judging from this statement, appendix, I, A & B.

A. I quite see that ; but then our production is very poor and the cost of labour is certainly not in any way less. It is more than what it is in Bombay.

Q. We can go into that when we come to labour. Then as regards cotton, what cotton do you use mostly ?

A. Mostly Punjab Lyallpur, Broach, Nagpur.

Q. You have got advantages over Bombay as regards that.

A. Only as far as the Punjab Lyallpur cotton is concerned, yes.

Q. Is not that a distinct advantage ?

A. Yes.

A. *Mr. Sitaram Khemka.*—But Bombay gets Dharwar.

Q. Can't you use nothing but Punjab Lyallpur cotton ?

A. *Mr. Shankerlal.*—No ; it is very costly and certainly it does not give the same varieties as the Broach.

Q. Why ?

A. There is difference in softness.

Q. You must have something else to mix with it ?

A. Yes.

Q. What do you mix Punjab Lyallpur with ?

A. Mostly Broach or Nagpur.

Q. As regards coal, where do you get your coal from ?

A. From Jharria.

Q. You have an advantage over Bombay there.

A. What is the price of foreign coal? Don't they get it cheap? I do not know.

Q. There is not very much difference between the price of foreign coal and this coal.

A. Certainly the quality of foreign coal is better than that of the Bengal coal.

Q. It certainly was, Mr. Shankarlal; but, we hope as a result of the Coal Grading Board, that that is no longer true.

A. I hope so.

Q. In reply to Question 38, you say the power loom is steadily ousting the handloom. What are your grounds for thinking that?

A. My ground is this. I remember every week in centres like Pilkua and others handloom weavers used to go and sell goods worth about lakhs and lakhs of rupees. I do not see them now for the last year or so.

Q. Is it the reason why the spinning mills are worse off than the weaving mills, that they have no longer such an extensive handloom weaving industry to supply?

A. No.

Q. If the powerloom is steadily ousting the handloom, that means that the handloom industry must require less yarn.

A. Yes.

Q. And therefore the mills which live by selling yarn cannot be so prosperous as they used to be.

A. I can realise that point. But then it does not matter whether the cloth is produced by handloom or powerloom. The quantity of yarn required is the same.

Raja Hari Kishan Kaul.—You say 'They have extensive borrowing facilities and at lower rates of interest than the upcountry mills.' At what rates can mills in Bombay borrow money?

A. They can borrow at the bank rates.

Q. And you cannot?

A. No, we cannot.

Q. Some of the upcountry mills are borrowing at bank rates.

A. We tried to borrow but the Imperial Bank refused.

Q. That must depend on the credit of the individual concern. In Bombay too we were told that it was something above the bank rate.

A. No, I know of cases where they are getting money at bank rates.

Q. There are also cases like that upcountry.

A. *Mr. Sitaram Khemka.*—Very few mills upcountry get at the bank rates; but many of the mills in Bombay get at the bank rate. We get it.

A. *Mr. Shankarlal.*—It is just an exception.

Raja Hari Kishan Kaul.—You cannot draw general conclusions from that.

A. *Mr. Sitaram Khemka.*—Other mills are not getting the same facilities.

Q. It is not possible to say that the upcountry mills generally suffer in respect of bank facilities when some of them get such facilities.

A. If the Tariff Board can induce the Imperial Bank to extend ample facilities to any good mills, it will be very good.

Q. Why do they lend in certain cases and not in other cases?

A. We cannot say.

Q. We should like to know on what basis it is.

A. *Mr. Shankarlal.*—The only thing that a bank has got to look to is the security for the money it lends and nothing more than that. If any firm is prepared to give a fairly good margin for the overdraft, certainly a reasonable bank should not desist from financing that concern. Why the Imperial Bank is financing some mills and why it is not others is only because those mills which it is financing have got some connection with the Directors, Managers or somebody else connected with the Imperial Bank who can persuade it to give the necessary help.

Q. So it does not do it on any principle; but it lends money at the bank rate to such mills as are in favour with it?

A. *Mr. Sitaram Khemka.*—Except to the Birla Mills they did not lend. The Keoram Mills applied but they did not get any loan.

Q. The Mill was in a bad way. The bank is either acting without any principle or it has some reasons to go upon.

A. *Mr. Shankarlal.*—I do not see any reason for not lending any money to the Delhi Cloth and General Mills at Bank rate.

Q. Do you know the reasons why they refused to lend money at bank rates. Do you know definitely what the reasons were ?

A. *Mr. Sitaram Khemka*.—That is a difficult question.

A. *Mr. Shankerlal*.—Our contention is just the other way. A bank has got nothing to look to but the security of the money lent.

President.—Have you any reason to believe that it does look to anything else ?

A. The only thing is that I applied for the loan at bank rate and I did not get it. I was prepared to give collateral security—money security.

Q. Did they give any reason ?

A. No reason. They said that the Calcutta office did not agree to it. Even if the Delhi branch recommends a certain procedure, it always rests with the Calcutta branch to decide finally.

Raja Hari Kishan Kaul.—Then you say something about railway freights. Are you prepared to lay down some principles on which you want the concessions ?

A. I think for an industrial concern certain concessions should be granted. In any case the freights from industrial centres for finished goods should not be more than what they are in other places.

Q. That is, for any particular articles the rates from a manufacturing centre to the market towns should be the lowest ?

A. For the export of manufactured goods and for the imports of raw material, the rates should be less.

Q. You want to have the lowest rate for the import of raw material, and for the export of manufactured articles. Is it in force anywhere ?

A. Yes, Cawnpore and Agra have got that advantage.

President.—Which is the railway which you most complain of ? There are several railways here.

A. We generally deal with the G. I. P., the B. B. & C. I. and N. W. Railways.

Q. Which is the railway of which you complain the most ?

A. All of them. It is simply a question where we are getting our goods from ? For instance, take Bombay.

Q. Then it is the B. B. & C. I. and the G. I. P.

A. We get also cotton through N. W. Railway—we send our manufactured goods mostly through N. W. Railway.

Mr. Subba Rao.—I wish you would elaborate the statement you made about the loans to your mill by the Imperial Bank. We have been told in various centres that there is some difficulty about the loans. And in answer to Question 118 you say that the exchange banks will not give loans and the Indian Banks cannot. Therefore we want some definite information on the point. You have said that in your own case you asked for a loan and you were refused. We want some definite information like that. Are you prepared to go into the matter more fully and say why they refused ? There must have been certain circumstances why they did not give you the loan.

A. I will tell you without disclosing the names. I was in need of money because of certain reasons. I applied to certain banks. The Exchange Banks said they would not finance and on no conditions whatsoever.

Q. Their business was perhaps different.

A. I expect every bank to finance an industry.

Q. That is a different point. Then ?

A. Then I applied to the Imperial Bank.

Q. To the local branch here ?

A. Yes ; and it wanted us to give a very exorbitant rate of interest.

Q. Was it a question of rate or of security ?

A. I was prepared to give collateral security and security of other persons as well. It was simply a question of rate. They said that they would have their durwans at my place and I agreed.

Q. Is it in writing or was it communicated by word of mouth ?

A. Writing. Then they could not come to terms with regard to rate.

Q. Was it above the bank rate ?

A. It was above the bank rate.

Q. Much above ? Because the bank rate is given only for first class loans. We cannot expect them to give you loans at that rate.

A. They do it in certain cases and I do not see any reason why they should not do it our case.

Q. You suggest that they give to other industrial concerns loans at the bank rate and it was not so in your case ?

A. Yes.

Q. Was the security given by others not better ? Do you mean to suggest that their security was no better than yours and the bank gave them a loan ?

A. With an equally good security they gave the loan to a certain industrial concern and they did not give it us.

Q. Surely that is asking us to believe far too much.

A. It is all autocratic. That is all what I say. I say one thing. If I want a loan of a lakh of rupees and my shop is worth 60 or 70 lakhs of rupees, certainly, it cannot be a question of security.

Q. It might be a fixed security. They want a more liquid or a more tangible security. The 60 lakhs may be on the building and the Imperial Bank is not expected to give loan on the security of brick and mortar.

A. I was prepared to give good security of stocks.

Q. I want merely some definite information. We had more or less vague statements. If you could give us more definite facts it will help us.

A. *Mr. Shankarlal.*—I think I have told you definite facts. We are prepared to give good liquid security with a very good margin.

Q. And all this correspondence is in writing. It is not merely a question of having personal talks ?

A. Yes.

Q. You could give access to the papers if required ?

A. Then they are giving loans in certain cases without appointing any durwans.

Q. They do not get actual control of the material ?

A. Yes.

Raja Hari Kishan Kaul.—Do you want at bank rate or at higher rates ?

A. At the bank rate.

Q. You are not prepared to go higher ?

A. No.

Q. Was it exorbitantly above the bank rate ?

A. Certainly it was very high. They did come down a little but still it was too much.

Mr. Majmudar.—Are you importing Broach and Nagpur cottons to a great extent ?

A. Yes, to a pretty big extent.

Q. Would it form about 25 per cent. of your total consumption, or more or less ?

A. More than 25 per cent.

Q. If your average count is 14s you would not require much Broach and Nagpur unless you are spinning 10s and 20s and bringing down the average to 14s ?

A. I did not say I import only Broach and Nagpur cotton.

Q. You say more than 25 per cent.

A. It may be 30 or 33 per cent.

Q. The rest of the cotton is purchased locally ?

A. From various centres in the Punjab and partly locally too.

SECTION IV

Mill Management

President.—Coming to the question of mill management, Mr. Shankarlal, what is the system of remuneration in force here ?

A. Managing agency. A certain percentage on profits.

Q. What is the usual percentage in Delhi ?

A. Ten per cent. on profits.

Q. Is that the system in force in your mill ?

A. Yes.

Q. Do you get an allowance for office expenses as well ?

A. The office expenses are debited to the mills.

Q. How much do they come to ?

A. I have not got any idea about it because office expenses are debited to the expenditure.

Raja Hari Kishan Kaul.—Without any limit ?

A. Without any limit and then the 10 per cent. is after allowing for depreciation.

President.—After allowing for depreciation ?

A. Yes, after allowing for depreciation, income tax and everything.

President.—It is on net profit ?

A. Yes.

Q. Your system is the same, Mr. Sitaram Khemka ?

A. *Mr. Sitaram Khemka.*—No. Ours is 2 per cent. on production and Rs. 500 per month as managing agent's office remuneration.

Q. How does that work out as compared with 3 pies a pound ? I think it works out at about 3·6 pies. There is not very much in it. You are in favour of a system of remuneration on profits. Have you got a fixed minimum ?

A. Rs. 500 a month.

Q. Fixed minimum ?

A. Yes.

Mr. Subba Rao.—In answer to Question 44 you say the association of managing agents of a cotton mill with business other than cotton mills and allied business is not detrimental to the interest of the industry. In the first place is such a practice common in Delhi ? Do mill managing agents undertake any other kind of business in Delhi ?

A. We do not, but others do.

Q. Some of them do ?

A. Yes.

Q. What other kind of business do they undertake ?

A. We have got a jute mill in Calcutta. The Khalsa mill people do contract business. They are doing the Raisina work. They do export and import business, not all in piecegoods but also in gold and silver.

Q. Some mill agents do other business.

A. Yes.

Q. Do you think it gives enough time for the managing agents to attend to the technique of the mills ?

A. There are others expert in the business.

A. *Mr. Shankerlal.*—The managing agents are not required to look to the technique side or to work all the time.

Q. It depends on the size of the mills they manage. Your mills being small they do not give enough occupation for a man of talent ?

A. Yes.

Mr. Majmudar.—In some places where the managing agents charge 2 per cent. on sales they also charge something on the purchase of cotton, etc. Do you also charge anything like that ?

A. Nothing.

SECTION V

Mill Finance

President.—You say there are a few cases of over-capitalisation on this side. Which one are you thinking of ?

A. Goenka mills.

Q. What about the Goenka mills ? I notice they have got a capital of 10 lakhs—the same as yours. They have got only 300 looms against your 820.....

A. We have got 1,250.

Q. When did you put the other 400 in ? My figures here are for 1925.

A. It was under erection then.

Q. You put them in recently ?

A. Yes.

Q. That does not look like depression ?

A. Yes, it is depression. If I put up a new mill it does not mean that there is no depression. If I increase the size of the mill the overhead charges come down and necessarily we are much better off.

Q. Quite so ; but one does not usually associate extensions with depression,

A. The machinery was ordered before the depression set in.

- Q. When was it ordered ?
 A. 1924.
- Q. The depression began in 1924 ? Surely according to the Bombay millowners it began in 1923 or earlier.
 A. It was not felt on this side then.
- Q. You have doubled your spindles since that time ?
 A. Yes, since 1924.
- Q. Did you extend out of reserves or out of new capital ?
 A. Part of it was out of the reserves and part of it out of new capital.
- Q. What is your capital now ?
 A. Ten lakhs.
- Q. It was ten lakhs then ?
 A. Probably those figures cannot be relied upon. There must have been some mistakes.
- A. *Mr. Sitaram Khemka*.—For 3 lakhs of rupees they got a mill. If you build a new mill to-day you won't get 3 per cent. return.
- Q. When did the Goenka mills start ?
 A. *Mr. Shankerlal*.—Four or five years back.
- Q. In the boom time ?
 A. Yes.
- Q. You say there was no unduly liberal distribution of dividends during the boom on this side of the country. Yours is rather a curious case. You distributed 20 per cent. in 1920, 25 per cent. in 1921 and 170 per cent. in 1922 ?
 A. Yes. The dividends were paid out of the profits. The profits for the boom period were large and the dividends too were comparatively large but they did not form a very large percentage of the profits.
- Q. In most cases the biggest dividend was in 1920.
 A. It was 25 per cent. in 1923. In 1914 we paid only 4½ per cent., in 1915 4½ per cent., in 1916 4½ per cent. So that during the war when every other mill was making profits and paying large dividends we were not doing so but we were building up the reserves.
- Q. I am not criticising your distribution in any way. It looks to me perfectly sound. You waited until you recuperated and then paid one big bonus.
 A. Yes.
- Q. I consider that very sound. I am not criticising it in any way whatever. I am merely asking whether my inference from these figures is correct. Since then you paid 42 per cent. in 1924 and 32 in 1925, so that, really you are doing very well. I do not wonder that *Mr. Sitaram Khemka* whose mill has not been paying since 1921 wishes he were in the same position.
 A. *Mr. Sitaram Khemka*.—We could not take advantage of the boom time.
- Q. When did Messrs. Birla take over the agency ?
 A. We bought this mill in 1922.
- A. *Mr. Shankerlal*.—These do not represent a very good profit on the actual outlay.
- Q. You say the system of obtaining loans exists to some extent but it is most unsound. Why do you think it is most unsound ?
 A. I think every business man will say, to put in one's money in brick and mortar and plant and then be subject to heavy demands at any time is one of the most unsound policies.
- Q. How do you get your working capital ?
 A. Up till very recently we had the reserve and we had no need to borrow any money, but for the last two years since putting up this new mill we feel the pinch and must borrow money from somewhere. The Indian banks are financing us to a certain extent and now and then we get money from our own people.
- Q. You are using the short term loans to a certain extent now ?
 A. We have got to use it because there is no other resource.
- Q. But you do not like it ?
 A. No.
- Q. You say you consider it good policy to invest the funds of the industry in sound allied manufacturing concerns. The policy as a matter of fact was strongly condemned by the Bombay Millowners' Association. I do not know whether you have understood what we meant by allied concerns. There was some misunderstanding

elsewhere and perhaps it has happened in your case also. What we meant was, concerns under the same managing agent.

A. What I meant was this. Supposing ours is a cotton mill, and there is another concern manufacturing bobbins, pickers, ropes and other things which are used in the mill, then I would certainly consider it a good policy to invest the mill money if available in these concerns

Q. Under the same managing agent ?

A. No. Didn't I say that managing agents of cotton mills should not deal in business allied to cotton mills.

Q. I do not think you made it quite as definite as that. You say 'the association of managing agents of a cotton mill with business other than cotton mills and allied business is not detrimental.' Now, am I to understand quite clearly that you do not consider it a sound policy to invest the funds of one mill in another concern under the same managing agency ?

A. I do not think it is a sound policy.

Q. That is what I wanted to be clear about.

Raja Hari Kishan Kaul.—Isn't it a fact that you want surplus funds in the buying season when you have to buy raw cotton ?

A. What do you mean by 'surplus' ?

Q. You want a great deal of running capital ?

A. Yes.

Q. We were told in Bombay that it is just at this time that they take these short term deposits and that it was found to be a more economical way of raising the capital than tying oneself down to a permanent loan ?

A. I do not understand what you mean.

Q. For instance, you have to buy raw cotton and you have to keep your money tied up for six months. For those six months you want more money than you have in hand. If you take short term deposits for six months at favourable rates of interest.....

A. What does 'favourable' mean ?

Q. Low rates of interest. Comparatively low, lower than what you would have to pay for the whole year round. Then you repay these loans at the end of these six months. By that time you have sold your cloth.

A. I think it is a very desirable thing if I can get money for six months at a lower rate of interest.

Q. Would it not be better to pay interest for six months than for twelve months ?

A. There is one thing. When we have got to pay money early we have got to get rid of our cloth at times at very low prices, almost at a loss.

Q. What I understood to be the practice of the mills in Bombay which go for these short term deposits is that they take money on one year's fixed deposit and they so arrange matters that during these six months they have more money in hand than at other times of the year and they can easily reduce their cash balance at the end of that period.

A. It sounds very good on paper but I do not think it is practical.

Q. We were told this by the mills which actually work the system.

A. At this time of the year when cotton crop has come in the sale of cloth is very good. What money was locked up in cloth is free for the purchase of cotton. When the year rolls off, the stock of cotton diminishes so that the money is free.....

Q. I suppose conditions are somewhat different here. In Bombay the purchasing season is somewhat different from the season upcountry.

A. Yes, the Bombay season begins later.

Q. You think the system does not suit your conditions so much as it does Bombay conditions ?

A. It does not suit us. I cannot say anything about Bombay.

Q. You say 'the average rate of interest of 8 per cent. mentioned by the Bombay Millowners' Association is very near the mark.' Is that the rate at which money can be obtained here ?

A. Yes, on the average.

Q. The bank rate is at present about 4 per cent.

A. Yes. I do not understand how the Bombay millowners can reconcile their figures. The average yearly bank rate is 5 per cent.

Q. At present it is 4, and you say the average of 8 per cent. is very near the mark ?

A. So far as we are concerned.

Q. You get your money at 8 per cent. ?

A. We pay about 8 per cent. on our loans on this side of the country.

Q. Whatever the bank rate may be ?

A. No.

Q. I wanted to know whether there was any relation between the bank rate and the rate at which you borrow ?

A. There is no direct relation, but certainly a low bank rate is reflected in a low rate of interest.

Q. Is it 2 per cent. or 1 per cent. above the bank rate ?

A. Not that. I do not think there is any direct relation.

Q. There is no direct relation between the bank rate and the rate of interest ?

A. No, but certainly when the bank rate is low it is reflected in the rate of interest, just to a very small extent. There is no definite proportion between them.

Q. The bank rate only slightly affects the rate of interest ?

A. Yes.

Q. If the difference is so great, banks would not be very wrong if they wanted to charge a little more than the bank rate ?

A. That is for the banks to decide.

Q. You are demanding that the banks should.....

A. When banks can give money to people on securities, Government securities or bank securities themselves, at 4 per cent. I do not understand why they should not be able to lend us money in that way. That is my contention. It is only a difference in security. In one case the security offered is guilt-edged security. In the other case it is a floating assets.

Q. This 8 per cent. charged in the market is on fairly good security ?

A. On the credit. They do not demand any material security.

Q. Is that rate lower on hypothecation ? If a man hypothecates some property would he be able to get money at less than 8 per cent. ?

A. I do not know.

Q. You do not think so. He will still be charged 8 per cent. ?

A. I do not know.

Q. I was trying to see whether this difference between the bazaar rate and the bank rate is not a justification for the banks asking ordinarily for something slightly higher than the bank rate on loans advanced for industrial purposes ?

A. If a man can advance money at 4 per cent. rate of interest on Government securities I do not understand why he should not be able to advance money at 4 per cent. rate of interest on securities other than Government securities which are equally good.

Q. Somebody has to decide that ?

A. I ask the bank to give loans on Government security. When I give an equally good security why can't they give the loan at the same rate ?

Q. You want them to advance money at bank rate at very good margin. We want to find reasons for being able to recommend something of that kind.

A. *Mr. Shankerlal.*—The bazaar rate fluctuates.

Q. You say it does not fluctuate.

A. It does fluctuate. But it has no direct relation with the Imperial Bank. I am certainly not in favour of having money for two or three or four months.

Q. For one year ?

A. One year is a little better. I do not think it is right to have short term money ; and there should always be subject to the creditor's note.

Q. You do not think it is a handicap to have these two—the permanent bazaar rate of interest and the fluctuating bank rate.

A. There are so many things. The bank wants statements. It is not so elastic. There is the security of durwans. Certainly you feel a little lowered. You give personal security.

Q. On the other hand, you must enable the bank to satisfy itself.

A. Certainly, on reasonable grounds. Satisfaction does not mean all these things. I do not see how a bank would be satisfied when lending money at 5 per cent. and not when lending money at 4 per cent.

Mr. Subba Rao.—You objected just now to these mills taking money on short term deposits.

A. Yes.

Q. For what purposes are they used ? Mostly for financing purchase of material like raw cotton, etc. Is it not ?

A. I said that money which is to be for the installation of plant or putting in brick and mortar should not be money on short terms.

Q. Therefore in addition to fixed capital, plant and machinery should be financed by share capital or long term loans or reserves. There should be no addition to fixed plant or buildings unless that be financed by share capital or your own reserve funds or by long term loans, say for ten or fifteen years.

A. Yes.

Q. Therefore there should not be as a rule any part of the block account uncovered by such long engagements ?

A. Yes.

Mr. Majmudar.—When does the cotton season start on this side ?

A. In about 15 days from now. In the beginning of November and end of October.

Q. And it lasts up to what period ?

A. The end of March.

Q. So you cover up your cotton between November and March ?

A. Yes, for the whole year's requirements.

Q. The demand for yarn continues throughout the year ?

A. We do not sell much yarn. But for all I know the demand fairly continues.

Q. The demand is evenly distributed throughout the year ?

A. It is not so. But at certain times of the year it is very good.

Q. When do stocks accumulate ?

A. Formerly the sales of cloth used to be just for two or three months in the year, towards Deepavali festival. But now the sales are fairly well all round except that they are a bit increased at this time of the year.

Q. In November and December they are more ?

A. Yes.

Q. You are able to sell off your monthly production throughout the year ?

A. Not now.

Q. When are your stocks in cloth highest ?

A. September.

Q. And when are they at the lowest ? In December ?

A. Yes, December and January. Usually at that time.

Q. Do you take public deposits in small amounts ? Is it not the usual practice on this side to take deposits from outside people ?

A. Not usual.

Q. If you are getting deposits from the public at 5 or 6½ per cent. against 8 per cent. that you have to pay.....

A. I never said that I was paying 8 per cent. I said that it was just near the market rate.

Q. In that case you would prefer public deposits ; or would you prefer big deposits ?

A. The best course is to have money from the banks ; and take as much as you like and whenever you like it and pay it off when you have surplus.

Q. You mean an over draft account ?

A. Yes.

Q. Even there, there is the minimum clause and a certain percentage above the bank rate and so on, and all that works out to a high figure.

A. That is what I was saying. That is what is most undesirable.

Q. So from the business point of view if public deposits are available at a lower rate, it would not be a bad policy to take deposits from the public rather than pay a higher rate to the others.

A. The best course would be to have a over draft account with the bank.

Q. But if you can get money from the public at a lower rate ?

A. That is not a better proposition than what I suggested.

Q. From what point of view ?

A. From our point of view.

- Q. If you are making a saving in interest, why should not that be done ?
 A. I do not think anybody can advance money at less than bank rate. An over draft account at the bank rate is by far the best.
- Q. Banks won't agree to that rate unless you deposit Government securities or something of that sort.
 A. That something is the liquid assets of the company that we want in this respect.
- Q. May be the liquid assets of the company or other securities ?
 A. That is what I was telling you all this time.
- Q. Generally the banks prefer to give on Government securities.
 A. Just take the case of Birla Mills. They have got money from the Imperial Bank at the bank rate on the security of the cloth stocks.
- Q. They are in the bank godown ?
 A. They are in the mill godown.
- Q. There is a guard of the bank there ?
 A. No ward of the bank either.
- Q. But if those facilities are not available ?
 A. Then make the best of a bad bargain.
- Q. Would you go in for public deposits if you are getting them at a lower rate ? You do not consider that to be a bad policy ? That is what I am trying to find out.
 A. The best is the one I suggested. It is a question which is the second best.
- Q. Which is it ?
 A. Certainly if you could get money at a fixed percentage, at a fairly cheap rate, for a long term it is quite good.
- Q. What do you mean by a long term ? Is a year's deposit considered to be a long term or a short term ?
 A. It is neither too long nor too short.

SECTION VI

Costs of Production

President.—As regards cost of production, Section VI, Question 57, you say 'The foreign manufacturer has the advantage of (1) cheap stores; (2) cheap money; (3) cheap power; (4) efficient labour; (5) and lower capital cost.' Which foreign manufacturer are you referring to ?

- A. I had chiefly in mind the English and the Japanese.
- Q. Take the Japanese, what is the ground for saying that they are having cheap stores ? Where do you learn that ?
 A. *Mr. Sitaram Khemka.*—We import Japanese bobbins.
- Q. Bobbins are made in this country. Have you tried them ?
 A. Yes; we have tried them but they are no good.
- A. *Mr. Shankarlal.*—Of course all the bobbins in my mills are Indian made.
- Q. How do you find them ?
 A. They are certainly cheaper in rate but they are not so good.
- Q. What about cheap money ? What do you base your statement on, as regards Japan ?
 A. I think I saw in 'Capital' that money is everywhere very cheap. It is exceptionally low in India at this time of the year. Perhaps this is the first time when the bank rate is so low. But usually it is higher than in many foreign countries. I think the English manufacturer was in my mind when I wrote this.
- Q. I want to be quite sure, because if you are thinking of the Japanese manufacturer we should like to have more particulars.
 A. So far as the Japanese are concerned, I do not think it would apply equally well.
- Mr. Subba Rao.*—In reply to Question 59 you say 'By providing humidifiers the production can be increased by about 10 per cent'. Which departments are you referring to ?
 A. Mostly weaving. But humidifiers affect the spinning too to a certain extent.
- Q. You get 10 per cent. increase in weaving due to humidifiers ?
 A. I cannot be quite sure, but certainly I think it is increased by about 10 per cent.
- Q. Does the cloth lose in weight when it is sent to the folding room after the ware house ?

Q. Certainly, yes.

Q. How much of the 10 per cent. goes to weight ?

A. If I get a little more than one piece of the same quality, the loss in weight does not come in at all.

Q. You mean in yardage ?

A. Yes.

Q. So you get 10 per cent. increase in production in yardage ?

A. Yes.

Q. And in spinning ?

A. You know in Delhi we have got extremes of climate both as regards heat and as regards humidity. We have got to make artificial arrangements to keep the temperature at the right level. Sometimes when the weather is dry, the machines will not run, so that we have got to give humidity to make them run. If there is no humidity probably they will never run. So that a statement like an increase of production on account of humidifiers will be a very bold statement. Certainly, it helps working in certain times of the year. That is all what I can say.

President.—As regards your raw material, how do you purchase it ? Have you to purchase for a year ?

A. For the whole year, during the cotton season we purchase cotton for the whole year.

Q. You get the Punjab American in what months ?

A. December, January.

Q. You buy enough for one year ?

A. Yes.

Q. And the same with Broach ?

A. Yes.

Q. How do you buy ? Through your agents ?

A. I have got agents there and then I send my own representative from here. He sees to the best stuff and the rates.

Q. Do you the same, Mr. Sitaram Khemka ?

A. *Mr. Sitaram Khemka.*—Yes. We generally buy seed cotton and get it ginned at factories.

Q. Have you got ginning factories ?

A. No. We get it ginned at the outside ginning factories.

Q. Do you the same Mr. Shankerlal ?

A. Yes. Sometimes the course differs.

Q. Are you able to do any hedging at all ?

A. We do not go in for speculation.

Q. Hedging is not speculation. In fact it is the opposite. Hedging is insurance

A. We do not do that.

Q. Take the present position. If you had a large stock of Broach cotton on hand it means that by hedging a loss of perhaps Rs. 40 per candy would have been avoided.

A. I do not think the rate of Broach cotton has fallen so much.

Q. *Mr. Sitaram Khemka.*—If the market advances, then we will lose.

Q. In that case, you would hedge that too, to ensure against any fluctuation.

A. It leads to speculation and we do not want to do that.

Q. It would be a little difficult for you to hedge, I suppose.

A. *Mr. Shankerlal.*—Yes.

Mr. Majmudar.—In reply to Question 62, you say 'Information which is placed at the disposal of the foreigner by his Government'. Will you please amplify that statement ?

A. It does not need any explanation. It is plain enough. For instance, the price of cotton in the American market has been fluctuating very widely and it affects the price of Indian cotton. If we had a fair crop certainly there would not be so wide a fluctuation. The prices of Indian cotton are governed by prices in America. We do not have authentic information about the American crop.

Q. Do you suggest that the Japanese Government gives authentic information to the Japanese mills ?

A. I think so.

President.—Then you are making a somewhat startling statement. I do not think you quite realise the implication of your statement. Your statement amounts to this, that the Japanese Government are able to obtain from America authentic information whereas the information published by the American authorities is incorrect.

A. Unfortunately the facts are so, without meaning any allegation against anybody.

Q. You are making a serious allegation which I think you would find it extraordinarily difficult to substantiate. I for one, should find it extremely difficult to believe that the Japanese are in a better position to obtain information in regard to the true state of the American market than is Lancashire.

A. I simply mean that the information about foreign cotton is so very meagre and poor in India and we have to depend on world fluctuations and if we had good information as I think other Governments give, it would be better.

Q. The information available here in regard to the state of the American crop is as good as it is in Japan.

A. I have no reason to doubt your statement.

Q. There are various ways of obtaining information about the American crop. There are published in Lancashire—we are as a matter of fact subscribing to them ourselves—various reviews such as Tattersalls which can easily be obtained and are obtained by the Bombay merchants.

A. I am not making any allegation against anybody. I simply meant that the prices of cotton fluctuated so much and depended very much on American markets, so that if we could get better information it would certainly help us in the purchase of our cotton.

Q. There are faults on the part of the American reporting agency which they are apparently doing their best to rectify, but I do not think that the foreigner, as you call him, is in any better position to obtain authentic information about the American crop than the Indian merchant.

A. I do not know.

Q. I think Mr. Majmudar would agree with me.

Mr. Majmudar.—Perhaps the Japanese firms might have an arrangement to get crops estimated by their own men.

A. That was what I was thinking.

Mr. Majmudar.—That would be done by the Japanese firms trading in cotton in America and not by the Government.

President.—We now come to the question of labour. You say 'the new Factory Act of 1922 has reduced the spinning and weaving production by about 12 per cent. and 15 per cent. respectively'. Your figures seem to vary considerably from those produced by the Bombay Millowners' Association. We should like to know the reasons for the difference. The Bombay millowners told us that the spinning production has gone down by 16 per cent. and their weaving production by 10 to 12 per cent., almost exactly the opposite. Why is that?

A. *Mr. Shankerlal.*—I have got the facts. I have got to face the facts about production in our mills. And then commonsense says that the production of weaving must be lower than in spinning, because in spinning you take off the doff as soon as it is ready, within half an hour or so. In weaving on the other hand you cannot just weave half the cloth and leave the other half. The production in weaving is considerably lower than the production in spinning owing to this Factory Act. That is what I was driving at.

Q. The Bombay millowners say that the efficiency in spinning was in no way affected by the reduction, because the machine goes at just the same speed whether the hours are 10 or 12 and therefore turns out exactly the same per hour so the reduction was 16½ per cent. You say that it is not so with you.

A. *Mr. Sitaram Khemka.*—I differ from Mr. Shankerlal. My figure is just like Bombay's.

Mr. Majmudar.—Is it because you are spinning different counts and producing different qualities of cloth?

A. It may be due to that.

Mr. Subba Rao.—Do you produce different counts?

A. My experience is that there is more difference in spinning than in weaving. Spinning is reduced in proportion.

Q. Is there much difference in counts between you?

A. Not much.

Q. Then that won't explain the difference as between you two.

Mr. Majmudar.—When did you take figures?

A. Immediately before and immediately after.

Q. Can you give us the figures for the same counts and the same qualities of cloth ?

A. That would be difficult.

President.—As regards the number of spindles looked after by one spinner you say a competent spinner can mind about 200 spindles. Is he doing it ? How big is your frame ?

A. Weft 364 and warp 420. We take both on average.

Q. Then he looks after half a frame in each case ?

A. Yes.

Q. If he looks after 210 weft spindles can't he look after 210 warp spindles ?

A. *Mr. Shankerlal.*—No.

Q. Why ? I cannot quite understand why the number of spindles a man looks after should be limited by the size of the frame. Cannot you divide a frame up ?

A. There is such a thing as the layout of the machine as well so that it will be difficult to accommodate machines of a different length in the same building.

Q. But could not put instead of putting two men to a frame, three men to look after two frames ?

A. No.

Mr. Majmudar.—The point is this. Four sides are looked after by four people. Instead of that if you could keep three people and ask them to mind four sides, would that not work ?

A. That is not practicable.

Q. It is being tried in one of the Southern India mills.

A. With what success ?

Q. Satisfactory so far.

A. Is it working satisfactorily ?

A. Yes, we were told so.

A. When did they try it and what is the production ?

Q. It is under trial.

A. When did they start the trial ?

Q. Recently.

A. There has been no fall in production ?

Q. The experiment is under trial.

A. *Mr. Sitaram Khemka.*—It is only in an experimental stage ? We should think the production will fall to a certain extent.

President.—Try it and see.

A. Thanks very much for the suggestion, but I do not think I can.

Q. You may be compelled to do things like that.

A. I would do many things if they were only possible.

Q. You do not go in for coloured, dyed or bleached goods in Delhi ?

A. No.

Q. Your statement of wages which you have given in answer to Question 68 is very interesting. I notice that your weaving wages have gone up singularly little in proportion to some of the other departments. On what principle is your increase given ? Take your blow room. The blow room wages are double and the card room wages are $1\frac{3}{4}$ ths of what they were. In the frame department, per hank, the rate is more than double, in the mule department it is $1\frac{1}{2}$ times as much, in the ring department it is $2\frac{1}{2}$ times as much, in the reeling department it is $1\frac{1}{2}$ ths, in the winding department it is $3\frac{3}{4}$ ths, in the warping department it is $3\frac{3}{4}$ ths, in the sizing department it is $2\frac{1}{2}$ times as much in the drawing department it is just double and in the weaving department it is less than 30 per cent. more than it was in 1914. There are very marked differences between the figures.

A. It would be difficult to explain each of these rises, but certainly some of them can be. At least an attempt can be made to explain them. The blow room increase is due to the general increase in the cost of labour. A coolie can get more, about 16 to 18 annas by doing simple labour, so that the wages of the blow room operatives have to be increased in proportion. There has not been much increase in the card room. Next in the frame department the increase has probably been more since the inauguration of the Factory Act because in this department we are paying by piece-work so that the number of hanks turned out on a frame has diminished on account of the reduction of working hours and to make the workmen work on a fairly good remuneration it was necessary to increase the wages. In the mule department there has not been much increase; in the ring department the increase can be attributed to the fact that there was practically no ring department in Delhi in 1914.

Q. In all mills ?

A. Probably in all mills. If at all there were a few frames. Then in reeling there has not been much increase.

Q. Winding and warping are the two most extraordinary cases. Are the figures right for warping ? Rs. 50 seems very high.

A. In some cases they get more than Rs. 50. I know some are drawing more than Rs. 60.

Q. They are getting higher wages than others ? Your increase in wages in the weaving department has been much less than anywhere else ?

A. In 1914, probably the warpers were earning very low wages.

Q. They have gone up less than 30 per cent. In some cases they have gone up 250 per cent. Is there any explanation why you have been able to keep weavers' wages down like this ?

A. Probably the weaver is the best paid man in the whole show.

Q. But the increase he has obtained is very low.

A. In 1914 we were not weaving the same counts of cloth as we are weaving to-day. We are weaving closer reed and pick cloth, which means lower production.

Q. How does the production in 1914 compare with the production now ? How many pounds a day could the weaver turn out in 1914 compared with what he is doing now ?

A. I have not got a good idea.

Q. A general idea ?

A. If you see the figures in 1914 there were very few looms, so that wages then were more than what they should have been at that time.

Q. That is quite a reasonable explanation.

A. And now we have got 2,500 looms.

Q. What is the average production ?

A. Per day per loom ?

Q. Yes.

A. About 20 pounds.

A. *Mr. Sitaram Khemka.*—It is *khadi*.

Mr. Subba Rao.—Each person minds two looms !

A. Yes.

Mr. Majmudar.—Twenty pounds is the average production ?

A. It is *khadi*.

Q. The rates given are for *khadi* ?

A. Yes.

Q. What is the average wage ?

A. Of a weaver ?

Q. Yes.

A. About Rs. 40 for people who are working on two looms and about Rs. 22 to Rs. 25 for workers of one loom. It is the average.

President.—You say in Bombay labour is not migratory. I do not think the Bombay millowners would agree with you there.

A. *Mr. Shankerlal.*—Probably not. It is a question of degree—this migration.

Q. Do you find your labour very seasonal ? You do apparently ?

A. Yes.

Q. Do you provide any housing accommodation for your work people ?

A. *Mr. Sitaram Khemka.*—We do.

Q. For how many do you provide ?

A. For about 50 per cent. of the labour.

Q. You will be able to show us some of the chawls ?

A. Yes.

Q. You say the Factory Act has increased the overhead charges by 20 per cent. ?

A. *Mr. Shankerlal.*—Yes.

Q. I do not see how it could have done that. You say it has increased them because of the cost of coal, insurance, etc.

A. Because we have got to keep our boilers warm all the 24 hours and have to work for only 10 hours instead of 12.

Q. It increases the cost of coal relatively to production. I take it that is what you mean ?

A. Increases the overhead charges for a pound of cloth by 20 per cent.

Q. Surely it has not increased the cost of coal by 20 per cent.? And then you mention insurance, wages and interest. I should like you to work out the figures.

A. One thing is that production is very low.

Q. The production has gone down by 15 per cent. according to your figures. But your charges have also decreased ?

A. Decreased for what ?

Q. For coal. They have actually decreased for coal. You speak of insurance and interest, etc. I cannot see that any of these charges has gone up 20 per cent.

A. The coal bill has gone down but the cost of coal per lb. of cloth produced has gone up. We have got to pay the same amount of insurance. Then wages have not gone down.

Q. Your weavers' wages have gone down ?

A. Yes, the piece-workers. But what percentage do they form of the total labour force ?

Mr. *Majmudar*.—Which is the highest count that you spin ?

A. I used to spin 30s. Now we are doing 24s. That is the highest.

Q. That is on ring frame I take it ? and what is the lowest you spin on the ring frame ?

A. 13s 10s too sometimes.

Q. At present each spinner minds the same number of spindles whether you are spinning 13s or 24s ?

A. Mr. *Sitaram Khemka*.—We increase the number of boys when spinning coarser counts.

Q. You do increase the number of boys when spinning coarser ?

A. Yes.

Q. In reply to Question 69 you say the average weaver's wage per lb. of standard grey cloth is nine pies, whereas you told us that 9 pies is the rate for khadi ?

A. Mr. *Shankertal*.—That is a discrepancy. That is a typographical mistake.

President.—Do you consider that depreciation should be the first charge on profits ?

A. It should be part of the cost of production.

Q. The principle you follow is that your managing agent gets commission after depreciation has been deducted ?

A. Yes.

Q. What fee do your auditors get ?

A. Rs. 1,000 and a little more.

A. Mr. *Sitaram Khemka*.—Rs. 500 for each audit. We have got two audits in a year. *Raja Hari Kishan Kaul*.—You propose $7\frac{1}{2}$ per cent. depreciation on account of machinery.

A. Yes.

Q. And on buildings ?

A. Five per cent. The income-tax department allows $2\frac{1}{2}$.

Q. And you want ?

A. We want 5 per cent.

Q. You want 5 and $7\frac{1}{2}$ per cent. ?

A. Yes.

A. Mr. *Subba Rao*.—You say the amount of depreciation should be credited under a separate head and utilised for renewals, etc. Would you approve of the funds being used for extensions ?

A. No.

Q. Do you regard it as sound or unsound ? Suppose you have accumulated a depreciation fund, would you use it for having more looms and spindles and extending your building ?

A. It would be better if the amount of depreciation is kept reserved for renewals and replacements only.

Mr. *Majmudar*.—You would debit the renewals and replacements of machinery and buildings to the expenditure side of the profit and loss statement every year ?

A. Yes.

Q. Do you utilise the amount of depreciation for purposes of renewals and replacements of machinery ?

A. I never said we are doing so. I said it should be done.

Q. Suppose you put in a capital of Rs. 100. You take out the depreciation amount, say Rs. 5 a year with the idea that after 20 years you may be able to put in new machinery when your machinery does not work economically or is obsolete. If you go on spending money for renewals and replacements out of this fund, at the end of 20 years you will not have a sufficient amount on your hands to replace the machinery which has become obsolete or depreciated.

A. Quite. If you see our balance sheets you will find that we have debited repairs to machinery to the debit side.

Q. So the amount spent on renewals, etc., should be debited to the expenditure side and not to depreciation fund ?

A. Renewals and replacements.

Q. By replacement of machinery I mean the replacement of parts, not the whole machine. Of course they buy the whole machine out of depreciation fund. If a machine is replaced certainly, it should come out of the depreciation fund but otherwise it should be shown on the expenditure side.

A. Quite.

Q. And the amount to the credit of depreciation fund should be used in the purchase of new machinery only ?

A. Yes.

Raja Hari Kishan Kaul.—You say "An additional 10 per cent. is added on to the price of the goods ex-mill for cartage, railway freight, etc. Can you give us any idea of how much the middlemen's profits are out of this 10 per cent.?"

A. Nearly $2\frac{1}{2}$ per cent. I think.

Q. All the middlemen together ?

A. Per middleman.

Q. How many middlemen are there ?

A. Usually two. In our case there are two.

Q. That means 5 per cent. ?

A. Yes. 5 per cent. for middlemen's profits and 5 per cent. for the rest.

A. *Mr. Shankerlal.*—In our case there is only one middleman.

Q. You have got a commission agent, a guarantee broker or some other sale agent ?

A. No.

Q. You sell your goods yourself ?

A. Yes.

Q. You do not pay any commission to anybody ?

A. We sell direct to merchants in Delhi, and outside Delhi we have got commission agents.

Q. How much commission do you pay ?

A. Usually it is Re. 1-9-0 per Rs. 100.

Q. Then this wholesale dealer to whom you sell the goods, he sells it to other wholesale dealers ? The Delhi wholesale dealer sells to other wholesale dealers who pass it on to others ?

A. *Mr. Sitaram Khemka.*—We have got a shop here. Outside people come and buy from us. They do not sell here to wholesale merchants.

A. *Mr. Shankerlal.*—We have got a shop also. We sell to anybody who comes there.

Q. Whether he is a retailer or wholesaler ?

A. Yes.

Q. Isn't it the wholesaler who buys mostly ?

A. Mostly it is the outside people who come there.

A. *Mr. Sitaram Khemka.*—Petty shopkeepers from outside. They go into the villages and sell.

Q. He makes $2\frac{1}{2}$ per cent. profit to which should be added $2\frac{1}{2}$ per cent. in case of sales outside ?

A. He also pays discount.

Q. So it comes to 4 to 5 per cent. middlemen's profits and 5 per cent. on account of other charges ?

A. Yes.

SECTION VII

Remedial Measures

President.—First of all, what are you in favour of, a duty on all piece-goods ?

A. *Mr. Shankerlal.*—All piece-goods.

Q. To what extent ?

A. About 13 per cent.

Q. Making it 25 per cent. altogether ? Supposing you put a 25 per cent. duty, do you admit that it is bound to raise the prices ?

A. Not much.

Q. If it does not raise the prices, of what use is it going to be ?

A. It will raise the prices to a slight extent.

Q. If it does not raise the prices substantially, how is it going to help the millowners ?

A. *Mr. Sitaram Khemka.*—It will raise the price of imported cloth. We do not get the advantage to the extent of 13 per cent., because there will be internal competition and most of the stocks at present held will be sold and we can have advantage to the extent of 5 or 6 per cent.

Q. You think you will get about half the advantage ?

A. Yes.

Q. Supposing you raise it only by 6 per cent. ?

A. We cannot sell if it is raised by 6 per cent.

Q. Then what is the use of a duty ?

A. *Mr. Shankerlal.*—The first effect of the duty will be to clear off the stocks.

Q. How ?

A. Because the prices of the imported goods will necessarily be increased and all the imported goods will be displaced by the Indian made goods.

Q. If you cannot sell them at present prices, how can you sell them then ?

A. The sale is there. It is a question of cost. The imported goods now displace the Indian made goods. When there are no imported goods to compete or in other words, the imported goods are coming in at higher prices, only the Indian cloth will be in demand.

Q. But if it is not in demand at the present prices, how is it going to help you ?

A. *Mr. Sitaram Khemka.*—It is because the imported cloth is there. There is demand for all piece-goods—dhoties, etc. But whether the merchant buys the Indian made dhoties or the Japanese dhoties, that depends upon the choice. When you have no cheap English made or Japan made dhoties, he will have to come to the Indian made dhoties.

Q. You consider then that an increase of 6 per cent. in your present prices would be sufficient to compel the Indian consumer to take to Indian made goods in preference to imported goods ?

A. Yes. Because the imported goods will be raised by 13 per cent.

Q. But you say also that the purchasing power of the ryot has decreased owing to the appreciation in the exchange. If that is so, what justification is there to compel him to pay more for the cloth ?

A. If Indian industries are to be encouraged, it must be done.

A. *Mr. Shankerlal.*—He pays the same prices ; whether it is foreign or Indian cloth, that does not matter.

Q. If his purchasing power has decreased, why do you propose to compel him to pay more for such cloth as he buys ?

A. He won't pay more for his cloth.

Q. He will pay 6 per cent. more according to your calculations.

A. I only said that the imported goods would be prohibitive in price and the level of prices of the Indian made goods will not increase.

Q. But you say that it will increase by 6 per cent.

A. *Mr. Sitaram Khemka.*—That is my contention.

Q. You now say it will not increase at all ?

A. *Mr. Shankerlal.*—It will increase for some time.

Q. Then the only way in which the millowners are going to gain is by ?

A. Clearing of stocks at present.

Q. You propose that the duty should be on all yarn of counts below 30s. Is there any much of yarn of counts coming below 30s ?

A. I should say 40s, to be on the safer side.

Q. If you make it 40s, won't that have a bad effect on the handloom industry ? You would raise it by 10 at one stroke in order to be on the safe side.

A. No ; it won't affect the handloom industry.

Q. Why not ? They use a good deal of yarn of counts between 30s and 40s.

A. Above 40s and up to 60s.

Q. In any case if you exempt yarn above 40s, won't that enable the handloom industry to place itself in a favourable position relative to the mill industry ?

A. I do not follow.

Q. If the handloom industry has to pay no duty on yarn above 40s won't it be in considerably more favourable position to compete with the mill industry in cloth of counts below 40s ?

A. After all there is a good deal of handloom cloth woven above 40s.

Q. If there is no duty on yarn above 40s, will not the handloom industry be in a position to sell its finer goods cheap and will they not displace the mill made goods to some extent ?

A. *Mr. Sitaram Khemka*.—The Indian mills do not manufacture over 40s generally.

Q. Do you want to keep out all British and Japanese cloth and replace it by coarser cloth ?

A. There must be some foreign competition.

Q. You want to have a prohibitive duty ?

A. It is not very prohibitive.

Q. You said a prohibitive duty.

A. It is only reasonable, not prohibitive.

Q. In any case, you say in answer to Question 106 " It will not appreciably increase the price of cloth except probably for just a time as the cut-throat policy of the Indian Mills will act favourably for the consumer." But if the cut-throat policy of the Indian Mills is going to keep the prices down for the consumer, what is the use of a duty ?

A. *Mr. Shankerlal*.—Instead of having accumulation of stocks, the whole thing will be cleared and there will be expansion of the industry.

Q. You want a duty in order to enable you merely to clear the stocks. Is that so ?

A. The rise in prices will come later on after the clearance of stocks.

Raja Hari Kishan Kaul.—You say Indian mills generally do not weave cloth from counts higher than 40s. When you propose that yarns above 40s counts should be exempted from import duty, why would you not exempt cloth woven from yarn above 40s ?

A. *Mr. Sitaram Khemka*.—Just as an encouragement for the handloom industry.

Q. But is it not a fact that the handloom industry confines itself to lines different from those which are pursued by the mills ?

A. The handloom industry generally means finer counts.

Q. And those varieties are different from the varieties produced by the mills ?

A. By the Indian mills.

Q. Also the foreign mills. You are not going to tax yarn above 40s. But if no cloth being produced in yarns over 40s, why should you impose a duty on cloth of counts higher than 40s ?

A. The mills do not generally produce cloth over 40s. The handloom industry does.

Q. The handloom industry does not come in competition with the mill industry so far as the finer counts are concerned ?

A. The imposition of duty on cloth of counts above 40s will give an impetus to the Indian mills to go in for finer stuff.

Q. At present you say there is no such production.

A. At present ; but if you put a duty ?

Q. Before you begin to produce these finer qualities of cloth you make it more expensive to the consumer ?

A. If it is protected from the beginning ?

A. *Mr. Shankerlal*.—It affects a very few people. You see our answer to Question 106. "The third class of consumers are in a microscopic minority and are very rich people who can afford to pay even a little higher price for their requirements."

Q. Quite right. But you want to penalise those people who are using the finer goods without being able to produce similar qualities of cloth. Is there any justification for that ?

A. Only this justification ; first of all I refer you to our answer to Question 116 "for subsidising Indian mills weaving yarn above 30s counts. This will induce the well equipped mills to take to finer spinning and weaving and thus avoid keen competition with the upcountry mills which are weaving coarser goods."

Q. Do you know that at present some of the mills have begun to weave finer counts, because they find it more profitable ?

A. I do not know if they find it more profitable.

Q. Even under present conditions they find it more profitable.

A. I do not know if they are working profitably.

Q. I want to know whether you are aware of this.

A. I do not know if they are working profitably.

Q. In that case their position will not be any the worse if they went to finer counts. If certain mills have taken to weaving finer counts and they are doing it profitably at present in the present state of depression, they will continue to do so even when any additional duty on cloth woven from finer counts is put.

A. Quite. But the only thing is that at present they are not working as profitably as to induce other mills to go in for finer counts.

Q. The other mills do not know that they are working profitably. It is their business to find it out.

Mr. Subba Rao.—Your demand for protection, I suppose, is a mere replica of the demand of the Bombay people ? You have not worked out any special figures yourselves.

A. Yes.

Q. You merely accept their figures ?

A. Yes.

Q. So when you demand protection of 11 plus 13 or 24 per cent., it is merely based on general impression. You are not basing your calculation upon any ascertained facts ?

A. No.

Q. Is it not, therefore, making a big demand on the Indian consumer unless you know what the actual disability is ? You are asking for protection, but you are not supplying any figures on the point. How do you expect the consumer to bear the burden unless you tell him why he should bear it ?

A. I quite see the point. We have got no reason to disbelieve the figures of the Bombay Millowners' Association.

A. Mr. Sitaram Khemka.—If you want to protect the textile industry, you must have a protective duty.

Q. I am speaking of the measure of the protection you have asked for.

A. Mr. Shankeral.—We have no reason to disbelieve the figures of the Bombay Millowners' Association.

Q. They give 5 per cent. for difference in labour conditions, 8 per cent. for exchange, and that means 13 per cent. 13 plus 4 is 17 and you have 11 per cent. already. Now why do you want 27½ per cent. which is the maximum they want ?

A. Mr. Sitaram Khemka.—We are working under the same disabilities as the Bombay mills do.

Q. You have got 11 per cent. already.

A. We know. But the condition is, had there been no duty, the mills would have gone into liquidation long ago.

Q. Therefore you have some protection already ?

A. That is nothing.

President.—If 11 per cent. is nothing, 25 per cent. is nothing.

A. When 25 per cent. is not sufficient, we will demand more.

Mr. Subba Rao.—That must be based on some calculation.

A. Mr. Shankeral.—We are working under the same conditions as Bombay people and in some case even under more disadvantages. We have no reason to think or to suggest any modification.

Q. But several of your mills are not suffering now. You are declaring dividends.

A. Who says so ?

Q. We are taking your own figures.

A. This dividend is calculated on the share capital of the company which is very low.

Q. Ten per cent. on the total block account is declared by Sir N. N. Wadia to be a reasonable reward in the cotton industry.

A. Do you see that the land is valued about Rs. 10,000? In the balance sheet the assets are very much under-valued.

President.—Why do you propose a 5 per cent. export duty on cotton?

A. It would lower the price of cotton.

Q. How would it lower the price of cotton? To whom?

A. To the Indian mills.

Q. How?

A. There would be the export duty.

Q. The price of cotton is, as you have said just now, fixed by world conditions.

A. Mr. Sitaram Khemka.—When there is 5 per cent. duty, certainly the Indian mills will get the cotton cheaper.

A. Mr. Shankerlal.—Any way, the foreign competitors will get at higher prices.

Q. No; they would not. They would get it at the same price.

A. The Indian manufacturer will pay £1 for his one maund of cotton purchased. But this is not in case of the foreigner for the Indian cultivator will not get £1 for his maund of cotton sold to the foreigner. He will get less to the extent of the export duty. The duty will be ultimately borne by the purchaser.

Q. If he gets less to the extent of the export duty, it does not mean that the foreign consumer will pay more. That is my point. You said a minute ago that the foreign consumer would have to pay more for this cotton. Now you say that the Indian cultivator would get less.

A. The position is this: that the Indian cultivator has got to sell his cotton to the foreigner and to the Indian mill equally. The foreigner will buy cotton wherever he finds it cheap. There are very few countries which produce, say, such poor cotton as the Indian cotton and so there is not much foreign competition in the prices of Indian cotton in outside markets. The prices of Indian cotton will be dictated by the Indian cultivator and not by the manufacturer.

Q. Is the argument is that the Indian cotton being poor cotton has a special value of its own?

A. Yes; and it would command a sale even at a little higher price.

Q. It depends on what you could substitute for it.

A. I do not think there is any profitable substitute for the Indian cotton.

Q. The lower grade American cotton particularly. And cotton from China and Korea, etc.

A. But is it sufficient to cope with the demand?

Q. In any case, how is the 5 per cent. duty going to help? Can it make any real difference?

A. Not to the outsider.

Q. It makes a difference to the cultivator? Why should you penalise the cotton cultivator for the benefit of the cotton industry? Why should you penalise one class of cultivators alone?

A. But does it penalise to any great extent? Then the cotton crop is still the most paying crop.

Q. It penalises him to the extent of 5 per cent. as you said just now.

A. The Indian cultivator dictates his prices to the outsiders.

Q. How can he dictate his price to the outsiders when you told us already that the prices of Indian cotton are fixed by the American cotton? If that is so, it is the American cotton which fixes the prices of Indian cotton and the Indian cultivator has nothing to do with it. However, we will pass on. You suggest a bounty on Indian yarn and cloth exported to foreign countries?

A. Yes.

Q. That would mean subsidising a few mills.

A. Yes.

Q. Why should you pick out a few mills for subsidy?

A. There may be many more later on.

THE MANAGERS OF THE MILLS IN SHOLAPUR TOWN

Written Statement dated the 25th October 1926

The Indian cotton mill industry has been passing through a period of unparalleled depression. The mill industry in the mofussil has to face an unfair competition with the industry in sea-coast towns as it has to pay higher rates of freight on its raw materials and the finished products. This has been admitted by the Railway Board in their letter No. 1391-T., dated the 17th March 1926 (Annexure A). The mill industry is thus systematically penalised for the benefit of sea-coast towns with the result that the legitimate expansion is retarded. We have further to bring to your notice the fact that the Sholapur mill industry in particular fared worst in this respect and it has to pay very high rates of freight on almost all the raw materials and finished products, as compared with other industrial centres in India. It is a well-known fact that one great thing which helps the Japanese competition with the Indian industry on its own grounds, is the cheap freights. India has got all the necessary raw materials and men for the development of a full-fledged cotton industry and the memorialists appeal to the Tariff Board to recommend the readjustment of railway freights in such a way as to lead to the development of this most important nascent industry. The Millowners' Association of Bombay has pointed out in its written statement that the cost of freight per bale of cotton from Bombay to Kobe both ways comes to Rs. 16-4-0 for a distance of 6,000 miles as against Rs. 15 from Bombay to Sholapur for a distance of 283 miles. We beg to append various statements in support of our contention :—

(1) *Cotton in Full Pressed Bales.*—Mills at Sholapur are importing cotton chiefly from the Nizam's districts, such as Karkhelli, Nanded, Purna, Jalna, Latur, and also from Ahmednagar, Bijapur, Bagalkot, Gadag, Hubli, Kudchi, Sangli and Miraj. Sometimes from Bombay also. The rates charged by the railway at present are very high as compared to the special rates charged for cotton imported into Bombay from cotton centres.

We are enclosing herewith statement (Annexure B) showing the rates for cotton in full pressed bales imported into Sholapur as against those for Bombay and other upcountry centres—Statement (Annexure C). We request that special station to station rates should be charged for imports of cotton in Sholapur. We have again to point out that no owner's risk rate is charged for cotton on N. G. S. Railway.

(2) *Loose Cotton.*—Special station to station rates should be given for loose cotton that is imported into Sholapur from Bijapur, Kurduwadi, Barsi, Latur, Bagalkot, Gadag, Hubli, Ahmednagar and Jeur. At present the rate charged is for a minimum weight of 120 maunds. It should be for 81 maunds. We enclose statement (Annexure D) to show the present rates charged. So, as stated above special station to station rate should be charged on the basis of rates between Cawnpore and Saharanpur, i.e., 35 pies per maund, per mile.

(3) *Coal.*—Coal is imported from the Singareni collieries as well as from Chanda and Bengal collieries. The rates charged from these centres to Bombay are much cheaper than the rates charged from those places to Sholapur as detailed in Statement (Annexure E). We propose it should be 2·03 pies per ton per mile in all cases.

(4) *Machinery.*—Machinery is charged at 2nd class owner's risk rate, i.e., 46 pies per maund per mile, and 4th class railway risk rate, i.e., at 66 pies; other centres, however, are given special rates as mentioned in Statement (Annexure F). We therefore propose that the rates from Sholapur to Bombay for machinery should be as under :—

Bombay to Sholapur—Distance 283 miles—Rate per maund 4 annas, i.e., 22 pies per maund per mile.

(5) *Farina.*—Before 1922 this material was charged from Bombay to Sholapur at 2nd class rate, i.e., 38 pies per maund per mile; since then it is being charged at the same class but at the enhanced rate of 46 pies per maund per mile owner's risk, and at 66 pies per maund per mile at railway risk. We therefore propose that the material should be accepted from Bombay to Sholapur at 1st class rate, i.e., 425 pies per maund per mile and at railway risk.

(6) *Sago Flour.*—At present this material is charged at 2nd class rate at railway risk. We propose it should be charged at 1st class rate railway risk, i.e., at 425 pies per maund per mile,

(7) *Chloride of Magnesium*.—This is charged at 2nd class railway risk rate, i.e., 46 pies per maund per mile; other stations are given low rates as mentioned in statement (Annexure G). We therefore propose that the material should be charged from Bombay to Sholapur at 17 pies per maund per mile as between Kharaghoda and Sarai Rohilla via Delhi.

(8) *China Clay*.—This material is charged at 2nd class rate from Bombay to Sholapur, i.e., 46 pies per maund per mile. We propose it should be sent at 1st class rate, i.e., 425. The rates for other centres are very low as mentioned in statement (Annexure H).

(9) *Lubricating Oil, Castor Oil, etc.*—This is charged at 2nd class rate at present, i.e., 546. We propose it should be given at a special rate of 21 pies per maund per mile both from Bombay and Madras to Sholapur, as special rates are given for other centres as detailed in statement (Annexure I).

(10) *Mill Stores*.—The present classification is very high. These articles being very common and essential for the use of the mill industry, the lowest possible rate should be given both to the mutual advantage of the railway and the mills. The rates given at present are as under :—

Belting, leather, etc.	6th class,	R.R.	87 pies per maund per mile.
Bobbins, shuttles, etc.	4th „	R.R.	66 do.
Cotton rope, etc.	2nd „	O.R.	46 do.
	4th „	R.R.	66 do.

We therefore propose that lowest possible rates be given for mill stores booked from Bombay to Sholapur.

ANNEXURE A

Copy of a letter dated 17th March 1926 from the Government of India (Railway Board)

With reference to your joint letter dated the 28th September 1925, I am directed to state that the Railway Board have made enquiries into the matter and I am to offer the following remarks on the points raised in your letter under reply :—

(i) *Rates to Calcutta*.—There is an alternative route by sea for goods traffic between Bombay and Calcutta and railway rates between these places have been forced down as a result of this competition. The same reasons have caused the Great Indian Peninsula Railway to quote reduced rates from Bombay to Madras and Madras. As regards Sholapur the Railway Board are informed that with effect from 1st February 1926 special reduced rates of Rs. 2-15-5 and Rs. 3-1-1 have been introduced for piecegoods from this station to Calcutta via Nagpur and Naini respectively.

(ii) *Delhi*.—The Bombay-Delhi rates are governed by competition with Calcutta and Karachi Ports, and the Madras-Delhi rate is forced down by competition via Calcutta and the sea route.

(iii) *Cawnpore*.—The Bombay-Cawnpore rates are quoted in competition with the East Indian Railway rates between Calcutta and Cawnpore. The Hubli-Cawnpore rate is quoted equal to the Bombay rebooking rate due to competition with the Marmagaoa route.

(iv) *Madras*.—The correct Bombay-Madras rate is Rs. 2-2-3 per maund and not Re. 1 per maund against the rate of Re. 1-10-7 from Sholapur to Madras. The Ahmedabad Madras rate is influenced by the sea competition via Bombay.

(v) *Amritsar*.—The Madras-Amritsar rate is forced down by sea competition via Calcutta.

(vi) *Madura*.—The rate from Petlad to Madura is Rs. 2-10-11 and not Rs. 3 as stated, and is quoted in competition with the rate obtained by the sea-cum-railway route via Bombay and Tuticorin.

2. It will be seen from the above that the special rates in force have in every instance been necessitated by adjustment with rival competitive routes which factor does not operate in the case of Sholapur.

ANNEXURE B

Cotton full pressed

Station from	Station to	Distance in miles	Condition	Rates per maund	Rates per maund per mile in pies
				Rs. a. p.	
Bombay	Sholapur ..	283	O. R.	1 8 1	1'02
Dharamabad	Do. ..	338	O. R.	1 9 6	'9
Karkhell	Do. ..	347	O. R.	1 10 1	'9
Umari	Do. ..	357	O. R.	1 10 10	'80
Nanded	Do. ..	383	O. R.	1 12 6	'89
Purna	Do. ..	401	O. R.	1 13 10	'89
Parbhani	Do. ..	419	O. R.	1 15 1	'89
Jalna	Do. ..	490	O. R.	1 14 4	'74
Latur	Do. ..	135	O. R.	0 8 0	'71
Lyalpur	Bombay ..	1,345	O. R.	3 14 1	'55
Nagpur	Do. ..	520	O. R.	1 11 5	'63
Surat	Do. ..	170	O. R.	0 10 11	'77
Broach	Do. ..	207	O. R.	0 12 10	'74
Ujjain	Do. ..	635	O. R.	1 9 7	'48
Khandawa	Do. ..	853	O. R.	1 6 8	'77

ANNEXURE C

Railway freight payable on full pressed cotton bales

Station from	Station to	Distance in miles	Condition	Rate per maund	Rate per maund per mile in pies
				Rs. a. p.	
Bombay (Byculla)	Ujjain	635	O. R.	1 9 7	'48
Wadi Bunder and Cotton Depot.	Cawnpore General Gunj.	839	O. R.	2 3 8	'5
Karachi City via Hyderabad ..	Cawnpore via Kuchman Road.	987	O. R.	2 5 10	'46
Davangri	Wadi Bunder and Cotton Depot.	642	O. R.	1 5 7	'4
Ujjain	Bombay (Byculla) ..	635	O. R.	1 9 7	'48
Karvi	Wadi Bunder and Cotton Depot.	864	O. R.	1 15 0	'43
Bajchi	Do. ..	1,083	O. R.	2 9 11	'46
Chandauli	Do. ..	1,073	O. R.	2 11 9	'49
Asatpur	Do. ..	1,064	O. R.	2 11 9	'49
Nagpur	Mirzapur do. ..	615	O. R.	1 5 4	'41
Sangla Hill	Hinganghat do. ..	1,108	O. R.	3 1 7	'53
Lyalpur	Do. ..	1,137	O. R.	3 3 1	'53
Sharhanpur and vice versa ..	Cawnpore and via ..	352	O. R.	0 15 4	'52
Cawnpore	Karachi City via Hyderabad.	987	O. R.	2 5 10	'46

ANNEXURE D

Statement showing the rates per maund per mile for loose cotton

Station from	Station to	Distance in miles	Condition	Rate per maund per mile in pies	
				Rs. a. p.	
Bijapur	Sholapur	60	O. R.	0 8 0	1.39
Kurduwadi	Do.	49	O. R.	0 6 1	1.40
Barshi	Do.	71	O. R.	0 8 3	1.39
Latur	Do.	135	O. R.	0 12 9	1.13
Bagalkot	Do.	125	O. R.	0 8 7	.82
Hubli	Do.	219	O. R.	0 13 6	.74
Jeur	Do.	119	O. R.	0 13 5	1.35
Gadag	Do.	183	O. R.	0 11 7	.76

ANNEXURE E

Coal

Station from	Station to	Condition	Distance in miles	Rate per maund per mile in pies	
				Rs. a. p.	
Balarsha	Bombay	O. R.	555	7 8 0	2.6
Mahuda (Bengal Coal)	Do.	O. R.	1,156	13 12 0	2.28
Singareni	Do.	O. R.	744	10 10 0	2.74
Balarsha	Sholapur	O. R.	656	7 12 0	2.27
Mahuda (Bengal coal)	Do.	O. R.	876	14 6 0	3.15
Singareni	Do.	O. R.	361	6 15 3	3.69

ANNEXURE F

Station from	Station to	Condition	Distance in miles	Rate per maund per mile in pies	
				Rs. a. p.	
Bombay	Shalimar and Armenian Ghat.	O. R.	1,221	1 8 0	.23
Do.	Banmore	O.R.W.	775	1 1 3	.27
Do.	Madras via Raichure.	O.R.C.C.L.	794	1 1 0	.25

ANNEXURE G

Chloride of Magnesium

Station from	Station to	Condition	Distance in miles	Rate per maund	Rate per maund per mile in pie
Virangaon	Bombay (Carnac Bridge).	C. C. O. R. L.	348	Rs. a. p. 0 6 2	21
Kharaghoda	Do. ..	C. C. O. R. L.	371	0 6 2	20
Do.	Via Cawnpore ..	O.R.L.C./270	775	0 13 11	21
Do.	Via Delhi Rohilla. Sarai	O.R.L.C./270	847	0 12 4	17

ANNEXURE H

China Clay

Station from	Station to	Condition	Distance in miles	Rate per maund	Rate per maund per mile in pie
Karachi City (via Hyderabad Kuchaman Road).	Cawnpore and via Cawnpore.	O.R.C.C.L.	987	Rs. a. p. 0 13 0	15
Via Delhi (for traffic from Howrah).	Amritsar ..	O.R.C.C.L.	278	0 5 3	22
Howrah	Via Delhi ..	O. R.	903	0 9 9	11
Howrah via Delhi ..	Amritsar ..	O. R.	1,175	0 15 0	15
Howrah and via ..	Cawnpore and via (except O.R. Section and via).	O. R.	633	0 1 0	19
Colgong	Howrah ..	O. R.	245	0 3 3	16
Kedarma	Do. ..	O. R.	245	0 3 3	16
Simultala	Do. ..	O. R.	217	0 2 11	16
Talijhari	Do. ..	O. R.	201	0 2 8	16
Howrah	Lucknow (via Moghalsara).	O. R.	616	0 12 2	23
Do.	Via Shaharanpur (via Moghalsara).	O. R.	988	0 12 11	16
Bombay (Wadi Bunder) ..	Cawnpore ..	O.R.C.C.	839	0 11 0	15
Nagpur	Bombay ..	O.R.C.C.	520	0 12 1	28
Bombay (Carnac Bridge) ..	Delhi Sadar ..	R.R. 1st C. adjusted.	865	1 9 8	36
Howrah	Delhi ..	R.R. 1st C. adjusted.	903	1 9 8	3

ANNEXURE I

Lubricating Oil

Station from	Station to	Conditions	Distance in miles	Rate per maund	Rate per maund per mile in pies
Karachi City (via Hyderabad Kuchaman Road) and vice versa.	Cawnpore ..	O.R.	987	Rs. a. p. 1 3 3	23
Cawnpore (via Kuchaman Road) via Cawnpore.	Karachi City via Hyderabad	O.R.W. 160/L.	987	1 1 11	21
Agra Fort and Balangunj ..	Do. ..	O.R.	765	1 3 0	30
Bombay	Cawnpore (General Gunj).	O.R.	839	1 2 0	25
Cawnpore	Bombay Bunder). (Wadi	O.R.W./ 300	839	1 0 8	24
Cawnpore (B. B. & C. I.) vice versa.	Bombay Bridge. Carnac	O.R.	839	1 3 0	27
Cawnpore	Do. ..	O.R.W./ 300	839	1 1 8	25
Bombay (Wadi Bunder) and vice versa.	Delhi Sadar ..	O.R.W./ 300L.	865	1 1 1	23
Bombay (Carnac Bridge) ..	Do: ..	O.R. 2nd Cl. adjust- ed.	865	1 12 4	41
Howrah	Delhi ..	O.R. 2nd Cl. adjust- ed.	903	1 12 4	41

THE SHOLAPUR DISTRICT WEAVERS CENTRAL CO-OPERATIVE UNION

Written Statement dated 5th September 1926

SECTION I

General

3. Our Union is not in a position to judge whether the causes of the present depression in the textile industry are of a temporary or permanent character. Since the close of the war, depression in the hand-loom industry is general. Experience has shown that whenever mills were prosperous, the hand-loom industry also prospered. This shows that the same causes as governed the prosperity of the mills, governed the prosperity of the hand-loom industry in general.

6. Sometimes it was found that the price of cotton was high and that of cloth comparatively very low. At some other times the price of cotton was low while that of cloth ruled high. This was due to the rise and fall in the demand for cloth. Hence it is not simply a fall in the price of raw cotton that will materially help the prosperity of the industry unless there is a good demand for both yarn and cloth in the market.

9. Hand-loom weavers generally weave 'saris' (loin cloth for women). Some of the mills in Sholapur produce these 'saris'. The mill 'saris' are inferior to hand-loom 'saris' in texture and durability but are comparatively cheaper than hand-loom 'saris'. The demand for these mill 'saris' has of late increased to some extent. This shows that the purchasing power of the ryot is falling. This is one of the causes of the depression of the hand-loom industry.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture.

15. The following table gives the counts of yarn—Indian and foreign—used on hand-looms in the Sholapur District and the extent to which each count is used :—

Counts	Quantity	Indian or Foreign
20	35 per cent. ..	Indian.
30	35 " ..	All Japanese until about the beginning of this year. Recently Indian yarn is taking its place and since then the percentage has been 20 per cent. Japanese and 15 per cent. Indian.
40	20 " ..	All Japanese.
60	5 " ..	Mostly Japanese and a little English.
64,2	} 5 " ..	Except 100s all Japanese and 100s English.
80		
84,2		
100		

SECTION III

Internal competition

38. Exact figures regarding the number of hand-looms in India, quantity of yarn consumed or quantity of cloth produced are not available. One has to rely on an approximate estimate. The figures are estimated as follows :—

The number of hereditary weavers in the Bombay Presidency is 222,536 including males and females—adult and young. (This figure is worked out from the last census report, as detailed in Annexure A, enclosed). On an average a family consisting of an adult weaver and his wife and two children manage one hand-loom. A family may consist of a number of adult members and consequently may manage more looms than one. On the other hand there may be a family consisting of

many children who cannot weave themselves and have to depend on the male adult of the family. On an average one hand-loom for every four persons would be an approximate estimate. The approximate number of hand-looms in the Bombay Presidency thus comes to 55,000. There are a number of men who weave on hand-looms but do not belong to the hereditary class of weavers. On the other hand a number of persons belonging to the hereditary weaving class work in mills and live on other professions. Both these classes are left out of consideration in calculating the number of hand-looms.

A hand-loom weaver weaves from 4 lbs. to 12 lbs. of plain cloth per week. Assuming 8 lbs. as an average of cloth produced on one loom per week, the production of hand woven cloth comes to—

440,000 lbs. or 3,928½ cwts. per week.

62,857 „ or 561 „ per day.

The estimate is very rough. In the case of fine cloth the production will be less than the above.

SECTION VII.—REMEDIAL MEASURES

(a) Suggestions put forward by the Bombay Millowners' Association

96. Foreign machinery and mill stores are used in hand-looms to a very small extent. From the hand-loom weavers point of view the customs duty on machinery and mill stores need not be abolished.

100. Railway freights on Indian yarn and cloth—mill made as well as hand made—should be reduced. At least freights on hand made cloth require reduction. The reasons are that compared with mills, the hand-looms are worked under every disadvantage, in point of machinery, organization, technical knowledge, finance, etc. The cost of manufacture on hand-looms is nearly three times the cost of manufacture in mills (Annexure B). The hand-looms provide employment for over 2 million workers (as per Fiscal Commission Report) while the mills provide employment for 367,827 workers (Table 2, page 102, Indian Tariff Board) in the whole of India. The hand-loom industry, therefore, requires to be given every possible assistance and facility.

104. Duty should be imposed on imported yarn of 20s and 30s and all kinds of imported cloth. Indian mills mostly produce coarse yarn. They will be protected by the imposition of duty on yarn 20s and 30s without detriment to the hand-loom industry. Indian cloth of every kind—mill made and hand made—requires protection.

105. No restriction of time should be placed on the imposition.

106. The imposition of duty as suggested above will tend to increase the price of foreign cloth and foreign yarn in 20s and 30s but it will not increase the cost of living of the middle and lower classes, because most of the middle and lower classes use rather coarse cloth and even in the case of those who use fine cloth, fine yarn being exempted from duty can be extensively used in Indian mills and on hand-looms for producing fine cloth which will be less costly than foreign imported cloth.

108. Whether the internal competition between Indian mills would operate to restrict the increase in the price of yarn and cloth, this Union is not in a position to deliberate. But internal and external competition of mills with the Indian hand-loom industry has operated and will operate to restrict the increase in price of hand woven cloth.

109. The imposition of duty on imported cloth does not increase the prices for those consumers who use Indian cloth. In the case of fine cloth prices will increase until fine cloth is produced in India. There may be some cloth which is not likely to be produced in India but the number of consumers of such cloth is comparatively small. The imposition of duty on imported cloth would be an indirect imposition of duty on the consumers of that cloth to a certain extent. It is making our Government richer which will be for the good of Indian industry and of the consumers in the end.

113. In the reply to question 15 above the kind and quantity of yarn used on hand-looms is stated. In consideration of these figures imposition of duty on imported yarn 20s and 30s is advised. As regards the reply to question 104, both these counts are produced in Indian mills and imposition of duty on the imported yarn of the quality will not affect the hand-loom industry. In the case of other counts imported yarn is mostly used on hand-looms and imposition of duty on them will tend to harm the industry which is already working under so many disadvantages.

(b) Other suggestions

118. It will greatly facilitate the hand-loom industry if banks will advance loans at a lower interest than 6 per cent. to corporate bodies of hand-loom weavers.

121. It would be beneficial both to the mill and the hand-loom industries, if mills were to specialise on all kinds of cloth except coloured cloth which is produced on hand-looms, grey cloth not being termed as coloured cloth.

125. In the case of the hand-loom industry, besides the causes pointed out by the Mill-owners' Association, the following are the additional causes of the depression of the industry :—

1. Lack of organization and unity.
2. Lack of technical knowledge and knowledge of economic principles.
3. Want of sufficient working capital.
4. Want of adaptability in weavers in point of production and sale.

The Union suggests the following remedies in addition to those advocated above for the improvement of the hand-loom industry and of the general condition of hand-loom weavers :—

1. Great propaganda work requires to be done among weavers. This cannot be done by weavers who are in a precarious condition in point of money and very backward in education. Government is doing something for them through the co-operative and industrial department. But it is not sufficient. The co-operative department which is expected to do propaganda work has mainly directed its activities to agriculturists and has engaged a very meagre staff, viz., one Inspector and one Assistant Inspector for the hand-loom industry in the Bombay Presidency. The appointment of a weaving assistant to the registrar and of a sufficient number of weaving Inspectors would serve very useful purposes towards propaganda work.
2. Government should appoint an expert officer who will tour in India and in such foreign countries where there are hand-looms in existence to examine the industry carefully, to study its economic conditions and report what method should be adopted to improve the hand-loom industry in India and to make it stand against the powerloom competition.
3. Government should take steps to establish technical schools in large weaving centres to impart higher knowledge in weaving, sizing, dyeing, and spinning and in economics. At least one is required in Sholapur which is a big centre of weavers who number about 25,000 souls.
4. The bulk of hand-loom weavers are labourers. The labourers employed in all the mills in the Bombay Presidency number 153,009 while the hereditary hand-loom weavers number 222,536. The latter should be allowed to be adequately represented in the Legislative Council to enable them to protect their interests.

ANNEXURE A

Population of weavers, Bombay Presidency including States and Agencies
(Census of India, 1921, Volume VIII)

Castes	Males	Females	Total
Koshti, Hutgar, Jed, Vinkar and Devang	47,085	43,523	90,608
Sali and Padamsali	35,912	32,486	68,398
Patwekari, Pategar, Khatri and Somavanshi Sahasrarjun Kahatriya .. .	33,912	29,618	63,530
		Total weavers.	222,536
<i>Koshti, Hutgar, etc.</i>			
Northern Division	450	468	918
Ahmedabad	338	345	683
Panchmahals	50	58	108
Thana	62	65	127
Central Division	14,547	13,899	28,446
Ahmednagar	2,756	2,847	5,603
Khandesh E.	1,336	1,211	2,547
Khandesh W.	197	198	395
Nasik	894	846	1,740
Poona	1,275	1,279	2,554
Satara	3,464	3,305	6,769
Sholapur	4,625	4,213	8,838
Southern Division	17,099	16,206	33,305
Belgaum	3,260	2,998	6,258
Bijapur	6,946	6,999	13,945
Dharwar	5,839	5,180	11,018
Kanara	49	38	87
Kolaba	36	36	72
Ratnagiri	970	955	1,925
Bombay States and agencies	11,623	11,205	22,828
Bombay City and Suburban	3,366	1,745	5,111
<i>Sali and Padamsali</i>			
Ahmednagar	2,856	2,562	5,418
Khandesh E.	4,022	3,821	7,843
Nasik	1,440	1,410	2,850
Poona	2,441	2,070	4,511
Satara	1,596	1,529	3,125
Sholapur	12,560	10,065	22,625
Bijapur	1,739	1,538	3,307
Dharwar	3,600	3,531	7,131
Ratnagiri	1,077	954	1,931
Kolhapur	872	789	1,661
S. M. C. States	947	979	1,926
			57,328*
<i>Patwekari, Pategar, etc.</i>			
Gujrat	16,382	13,012	29,394
Karnatak	12,964	12,447	25,411
			54,805*

*Distribution of the remainder not given in the census report.

ANNEXURE B

Approximate cost of manufacturing cloth (coloured 'saris') on hand-looms

Details of charges	For 10 lbs. of yarn 20s	For 10 lbs. of yarn 30s	For 10 lbs. of yarn 40s
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Dyeing (fast)	3 8 0	5 8 0	6 0 0
Warping and sizing	1 2 0	1 8 0	2 8 0
Weaving	3 0 0	6 0 0	7 8 0
Pern winding	0 5 6	0 11 0	0 15 0
Taking threads through healds and reeds	0 4 0	0 6 0	0 7 6
House rent	0 7 6	0 7 6	0 7 6
Interest on capital	0 9 0	0 10 0	0 11 0
Supervision	0 12 0	0 12 0	0 12 0
Interest on investment in tools	0 6 0	0 6 0	0 6 0
	10 6 0	16 4 6	19 11 0
For 1 lb. ..	1 0 7	1 11 0	1 15 6

The finer the yarn used the higher the cost of manufacture.

Witness No. 105

Mr. S. R. TIKEKAR, SHOLAPUR

Written Statement dated the 19th August 1926

SECTION I

General

1 and 2. The present depression is chiefly confined to Bombay mills and as Bombay is the centre of cloth and yarn markets, the effect has been reflected in other areas too. In fact the depression in up-country mills means that the margin of profits is very little as compared with that of the pre-war or boom periods. Since the Indian mills manufacture but a third of the total cloth consumed in the country, depression cannot be restricted to any locality.

3. The depression, as will be seen later on, is due to many other causes, and it will continue as long as these remain operative.

4. The present position is the test period of the efficiency of the industrial workers and as such mills that have any special disadvantage,—a heavy debt for instance,—are likely to suffer. The margin of profits realised now is exactly sufficient to meet a reasonable return on the invested capital. Interest charges on the borrowed capital beside the subscribed capital cannot be paid and hence such a mill would be working at a loss.

5. It is clear from the above that the mills that have no debts are making some profits or at the most they are not suffering any loss.

6 and 7. A fall in the prices of cotton would not improve matters much since the cause of the depression is somewhere else. Market rates are always fluctuating and stability of prices might have a slight effect in securing future contracts, but this makes no important change in the state of affairs.

8. Yes. Prices of cloth have not corresponded with the price of cotton or other commodities; but the price of cloth was maintained very high or in other words the percentage of profit was greater in case of cloth than any other commodities. Prices were not reasonable then.

9. There has been a fall in the purchasing power of the public since requirements are being curtailed to the minimum. The effect of this tendency is visible in the decline of imports, and as mills record but a slight fall in the production in the last two years, the effect of this tendency is not material.

10. It is not owing to the low prices of gold and silver that the public is restricting the requirements of cloth to a minimum, but it is the high cost of general living that has brought about this change. Preference is also given to cheaper qualities for the same reason.

11. The mill-owners are directly responsible for this depression. They have never bothered to (i) organise an efficient department of sales; (ii) study the changing fashions and likings of the consumers thus giving them the kind of cloth they want; (iii) maintain an uniform quality; (iv) regulate the prices by claiming a reasonable return on invested capital and (v) to win the confidence of the consumers. This so-called organisation of our mill-owners contrasts with the efforts of the exporting countries who (i) supply the consumers with the kind of cloth they require at quite reasonable rates. Khadi was being sent to India from Japan in large quantities when the N. C. O. movement was in full swing. Indian mills took to manufacturing it long after the movement had lost its intensity. (ii) The quality of the cloth or yarn as supplied by the foreigners remains uniform irrespective of the prices. The readiness with which consumers prefer a certain brand or "chhap" of cloth or yarn even at high prices proves the confidence of the consumers in the manufacturers. Some of the Cawnpore and Madras mills have that confidence of the public and they have suffered the least from this depression.

In the distribution of profits again, the mill-owners have shown very little prudence. When a golden harvest was reaped during the boom period, it was imperative for them (and any thoughtful person would have done so) to save something for bad days. It is the law of nature and we also experience that a good year is followed by a famine and *vice versa*. To distribute the whole of the profits as dividends without providing adequately for the hard times was sheer folly and want of prudence on the part of the authorities concerned.

The mill-owners have taken great pains to manufacture goods ; but they have neglected the disposal or sales of the same. It seems that they do not realise the importance of the sales department in the organisation of which we see so many of the eminent leaders of England are engaged. Advertising or salesmen are quite unknown, it seems, to our mill-owners. When the outlet is thus closed, it is natural that there should be too much congestion.

12. Some mills at Barsi Town (District Sholapur) were projected ; but work has not started in any of them. The Jayshankar and The Lokmanya Mills are likely to commence work within a period of six months. Yet they find it very difficult to call up the remaining amount of the allotted shares. Collections were actually made from house to house as the share-holders are reluctant to pay their calls. This is due to the depression in the textile trade. People foresee the fate of such mills. The other mills in the same place have not yet collected sufficient funds to undertake the construction of buildings or to place orders for machinery. Their fate is obvious.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. The loss of the China market is a serious factor. But Indian mills have decreased their output of spinning considerably. The probable reason for this decline in the production of yarn is the superior quality of the Japanese yarn. Even in the rough counts up to 20s Indian mills could not withstand the competition from Japan. In 1913-14, yarn of 1s—10s count was recorded at 130½ million lbs. while in 1918-19 this figure was only 87 million lbs. thus recording a fall of 43 million lbs. in counts up to 10s only. A similar fall of 47 million lbs. was shown during the same period for counts 11—20, thus making a total of 90 million lbs. During 1918-19 exports of yarn were recorded at 63 million lbs. and since these are mostly rough counts from 1s—20s the only reason why Indian mills spun 27 million lbs. less is that they could not compete with the Japanese quality. The door was thus thrown open for Japanese yarn to enter into Indian markets with the result that it has ultimately tried to oust Indian yarn out of Indian markets. So the main reason for the loss of the China market is the inferiority of the Indian yarn and the comparatively high price although enhanced freight charges have a share in making up the total price of yarn. The expansion of the weaving industry has practically no share in bringing about the depression since the total spindles have increased with the number of looms.

14. The competition from Japan is rather dangerous as she produces the same rough counts and the same grey cloth of which we consume most. The Japanese quality is both superior and cheaper as compared with the Indian produce and so the competition is keenly felt. The United Kingdom specialises in higher counts of yarn above 40s and in finer cloth and coloured piece-goods. These products do not directly compete with the Indian mill produce.

15. Rough counts up to 30s and grey unbleached cloth are the products that compete against Japan's products.

17 and 18. Both Japan and the United Kingdom are placed at an advantage in obtaining stores for the mills, which are manufactured locally. The import duties alone on mill-stores without considering the cost of carriage and other charges, enhance the cost of manufacture by .75 pie per lb. of yarn and 1.5 pies per lb. of woven goods. The cost of fuel in those countries is comparatively less. All the textile machinery is manufactured in the United Kingdom. Thus they can produce goods at lower costs.

19. The percentage seems small, but the total quantity it represents is nearly 40 million lbs., which means a considerable amount. The percentage is likely to increase. In 1913-14, the percentage of counts 1s—10s imported from Japan was only .35 ; while in 22—23, it rose to 2.14 or roughly six times.

23. The imported cloth is more charming and for a variety of reasons people prefer it. It is offered cheap in some cases. That is why the imports of cloth from all countries are likely to increase.

27. The public naturally is inclined to purchase finer cloth and as it comes from the United Kingdom, stability of exchange would lead to a greater demand for that cloth. If the exchange were to be steady at 18 pence to the rupee, the exporting countries would indirectly get a bounty of 12½ per cent,

31. The prompt attention paid by the manufacturing countries to meet the changing fashions of the public and the excellent make up and attractive features of a uniform quality, not only induce a good and ready sale, but secure permanent customers.

32. Quality has been maintained uniform and charming patterns are being introduced.

33. 30s and 40s counts of yarn from the United Kingdom have practically been ousted by Japanese spinners from Indian markets.

34. The tendency to prefer fine clothing is natural and as all these are imported, Indian mills would be put to a disadvantage in this respect.

SECTION III

Internal Competition

36. Bombay mills have not to bear the railway freight charges on (i) machinery and other mill stores, (ii) dye-stuffs and chemicals and other materials. Bombay being a big cotton market, mills can easily obtain cotton at any time and occasionally cheaper than elsewhere. Bombay enjoys a special concessional rate from the railway companies for the carriage of coal, cloth or yarn and the like.

37. Up-country mills have a few advantages on their side. They need not seek a market for their produce. The area in which they are located provides this and thus heavy railway freights or high establishment charges for keeping a godown or a showroom are absent in their case, cotton also can be had in seasonal years at cheaper rates if the mills are in the cotton centre.

38. Hand-looms prepare quite a different kind of cloth, *viz.*, turban, saree, khan and silken fabrics. Thus their markets are different and there cannot be any competition between the mills and hand-looms, although in some cases, both produce the same kinds of cloth.

39. Cotton piece-goods woven on hand-looms amount to over 250 million lbs. per year.

SECTION IV

Mill Management

40. The Indian mill industry in general is not working with reasonable efficiency and economy. Bombay and Ahmedabad mills are more inefficient than some of the up-country mills.

41. The present system of appointing managing agents is defective for the following reasons: (i) The capitalists are the managing agents and their only object is to earn profits. (ii) They have very little technical knowledge or any other similar qualifications to enable them to carry on the work efficiently. Thus an elaborate machinery of management is required to be kept up and hence the inefficiency. (iii) The general standard of the honesty of the average Indian, it must be owned with regret, falls low as compared with that of any other nation. Many dishonest means are in vogue and it is practically impossible to bring them to light. The only remedy to remove this indirect tax on the industry is to raise the standard of honesty and to allow as few opportunities as possible for the scope of such methods.

In my opinion, the following restrictions might serve a good deal to effect this: (i) The ex-officio director alone shall act as the managing agent instead of a joint firm as is done in most cases. (ii) He must have some technical knowledge and the power of business organisation. (iii) He should not associate himself with any other business in a proprietary fashion; he may, however, be a director of other firms. (iv) His remuneration shall depend on the net profits. (v) He shall be as faithful a servant of the firm as he expects his servants to be.

42. Most of the mills have fixed the remuneration of the managing agents on the sales or profits. But mills of old standing whose contracts have undergone no change, still pay the managing agents on production. The method to pay commission on net profits is preferable.

43. Managing agents appoint a manager to represent them and thus increase the overhead charges. All other expenses including office charges, purchase of raw materials and sales of finished goods, etc., are borne by the firm. In some cases managing agents do receive some commission on these transactions.

44. Most of the managing agents are found to conduct a variety of businesses directly or indirectly connected with the mill industry. This practice is certainly detrimental to the mills since their attention is divided and it is natural that the managing agents should neglect some of them. Their interests might clash and managing agents look more to the personal gain than to the interests of the shareholders who appoint them.

SECTION VI

Costs of Production

A.—General

57. Indian mills have to pay heavy freight charges and import duties on (i) machinery and stores, (ii) dyes and chemicals, (iii) coal.

58. The advantages which Bombay mills have over others are mentioned in reply No. 36. The disadvantages which the Bombay mills suffer from are: (i) High cost of labour, and heavy office and establishment charges. (ii) Being a harbour, Bombay stands on an equal footing with the imported goods, while in the case of up-country mills, imported goods have to bear freight charges to the place of sale.

B.—Raw Material

60 and 62. Many of the mills have their agents in cotton districts who purchase the raw cotton required during the season. Bombay has got a good cotton market where cotton can be had at any time of the year. What the English or Japanese purchasers do is this: they generally advance money to the cultivators before the cotton is on the plants, thus securing easy prices of the cotton when ready. Besides, they purchase the whole requirements during the cotton season. Indian mills cannot afford to advance money to the farmers and besides they cannot store up the annual requirements partly because of the risk it involves and partly because they have not sufficient funds. Indian mills are just like retail purchasers, while the foreigners are wholesalers. The difference between wholesale and retail dealings is the gain of the foreigners. In order to remove this unjust practice of advancing money to cultivators thus to command easy prices, legislation as passed by the African Government against Indians must be introduced. There is no other way of effecting a remedy to this.

C.—Labour

65. Bonuses to the operatives were not unduly liberal; but the dividends paid to shareholders were too liberal. The amount paid to workers goes to the productive labour to increase production but the dividends go to the unproductive class.

67. B. Two.

C. The following workers are required for 10,000 spindles:—

Mixing dept.	..	..	2
Blow room	..	..	13
Carding	..	..	13
Roving	..	..	62
Throstle	..	..	160
Reeling	..	..	60
Total	..	..	310

So 31 workers are required for spinning 20s count on 1,000 spindles.

D. 283 workers are required for weaving grey cloth 20s on 230 looms. Therefore 124 workers approximately work 100 looms. The details are:—

Winding dept.	..	..	52
Warping	..	..	7
Sizing	..	..	6
Beaming	..	..	17
Weaving	..	..	195
Calender	..	..	6
Total	..	..	283

69. The total cost of wages for spinning 1 lb. of 20s yarn in 1925 was 13·50 pies. And for weaving 1 lb. of cloth during the same period it was 17·50 pies.

71. The general percentage of absenteeism in an up-country mill is 4·5; it was not found to vary with the season. The granting of bonuses for regular workers has proved effective and the percentage is reduced considerably by this method. They are not generally granted.

72. "Budli" workers are not so efficient as the original workers and so there is a loss of about 25 per cent. of efficiency.

74. Skilled and trained workers are always scarce in all the centres. Labour changes very often and the system of long service bonuses or provident funds would put a stop to this. As far as I know, there is no such system in any of the mills.

76. Operatives should be trained in the mills and they should pick up what little they can while doing their work. This means a great loss to the mills. Supervisors are trained in the Victoria Jubilee and other technical schools; but the demand is far greater than the supply.

79. Such introductions would involve much expenditure and the position of the industry would be still worse. The workers, jobbers and fitters, being unaccustomed to the new changed models would contribute their inefficiency to increase the cost.

80. By rousing the sense of duty and by efficient supervision, reduction in cost might be effected.

81. No doubt a good deal of saving is effected by working double shifts. My figures show that 75 pie per lb. of spinning 20s yarn and 1·5 pies per lb. of cloth (grey) of the same counts are the savings effected by working an up-country mill at Barsi Town on double shifts.

82. It is not advisable though it would be possible to introduce double shift working either in Bombay or in Ahmedabad because of the adverse effect it would produce on the health of the workers in those already congested centres. And as for up-country mills, double shifts might be introduced after making sufficient provisions for the comforts and safety of the workers.

D.—Overhead charges

84. Water-tax at Barsi Town was annas 8 per 1,000 gallons and it has been raised to annas 10. The annual water-tax amounts to Rs. 2,400 and the house and rent tax is Rs. 3,000.

86. The depreciation is generally calculated by estimating the life of the machine or the building and covering its whole cost over that period. This fund should be kept aside and should be utilised to replace worn out machinery or to re-erect the destroyed buildings. This should be a charge on the profits and I think this is the general practice.

87. The actual cost of the article is taken for the purpose of balance-sheets. There is no independent valuation as far as I know and the auditors satisfy themselves by investigating the figures arrived at if they find it doubtful. But in most cases they rely on the managing agents.

88. The audit is generally an annual one.

SECTION VII

Suggestions as to medical measures

A.—Suggestions put forward by the Bombay Millowners' Association

96. Although the abolition of the import duties on machinery and stores would reduce the cost of manufacture by at least 75 pie per lb. of yarn and 1·5 pies per lb. of cloth, it is not desirable that the duty should be abolished. By proposing a protection to themselves, the millowners are denying such a protection to other industries.

97. Super-tax should not be abolished. The very fact that the millowners are required to pay such heavy charges shows that they are earning profits.

98. Such a local taxation cannot be abolished. It is for the good of the general public and millowners should share the burden.

99. Facilities in railway freight, etc., would be applicable both to Indian as well as foreign goods. Thus that would make no difference. If preferential tariffs could be afforded to Indian produce it would be welcome. But this would lead to more dishonest and fraudulent means.

102. Instead of the Government of India making appointments the Trade Commissioners should be selected by the millowners. The office of course would be maintained by the Government of India. These Trade Commissioners should not exceed four in number. They should be from the commercial class, and well acquainted with the business. The lost overseas markets could be regained by, (i) improving the quality, (ii) suddenly reducing the prices to eliminate competition, (iii) sending efficient salesmen to introduce articles.

104. The imposition of an increased import duty is undoubtedly necessary; but this should be done after compelling the millowners to conduct the mill affairs with "reasonable efficiency and economy". After this is done, a protective additional import duty should be levied. I am not in favour of an uniform 13 per cent. extra duty on cloth or yarn. The additional duties in my opinion should be as under:—

For counts 1—20	7½ per cent.
For counts 21—40	12½ "
For mercerised yarn of all counts, twists and counts above 40	17½ "
Grey cloth	8 "
Bleached	12½ "
Coloured	15 "
Hosiery	15 "

These duties should be levied for a period of at least seven years in which time they would adjust itself.

106. The rise in the cost of living of the middle class public would be not more than 8 per cent. At present they are spending about 15 per cent. on clothing, henceforth they would have to spend 23 per cent. at the most.

109. Import duties necessarily mean an increased cost to the consumers. When the industry to be protected is considered from the national point of view, so much sacrifice has got to be made. The example of a 33½ per cent. duties on imported cutlery imposed by the English Government is fresh before us.

111. The additional import duties are sure to check the consumption of cloth. But they will prevent the foreign cloth from being imported into India. In 1913-14, the length of cloth imported was 3,100 million yards, while in 1923-24 it was only 1,700 million yards. If the import duty is higher for finer counts consumed mostly by wealthy people, imports will be stopped, and the use of superfluous clothing will be curtailed. The steady rise in the production of Indian mills will be in the best interests of the country. The average cloth consumed by an Indian per annum was estimated at 15 yards in 1895 and this figure rose until the war after which a big fall has set in and curiously enough consumption of cloth per capita per annum stands today at 15 yards again. That is why there seems a big drop in the total cloth available for consumption in the two years, 1913-14 and 1924-25.

B.—Other Suggestions

116. Instead of an export duty on cotton, a cess of annas two per bale in addition to the present cess should be levied on exported cotton. The amount thus received should be utilised for the maintenance of a reference officer, to be proposed below.

119. A "Reference Officer" shall be stationed at Bombay to whom all the mills in the Presidency shall submit statistical reports every month giving therein the details of (i) working and other charges of a lb. of yarn, (ii) and similar figures for a lb. of cloth. The officer on comparing notes, should inform millowners of the excess in their figures. The officer shall also obtain similar figures from the rest of the mills in the country and also of foreign mills who compete with us. He will thus make a regular and scientific study and his duty would be to watch the interests of the Indian mills against foreign competition.

Annual balance-sheets of the mills should also be submitted to him and he should see whether the profits are distributed after duly providing for the bad days. A limit would be set for the percentage of profits to be exacted and it would be the duty of the officer to point out any digression beyond this limit. He should be appointed after joint approval by the Legislative Council and the Millowners' Associations. He should have spent at least ten years in the textile industry previous to his appointment.

125. The causes that have brought about this depression are of long standing. It is impossible that this slump should have suddenly fallen from heaven. Some of them are enumerated here.

(1) The prices of cloth and yarn were kept high simply because there was no competition and the millowners wanted too much profit to be exacted and so raised prices. This naturally resulted in inviting Japan to the Indian market and she was satisfied with a

small profit. Our mill-owners have reaped a golden harvest by exacting from three to four annas per lb. of cloth as profits, which was not in the least businesslike. Profits should be so rated that it should be but a reasonable rate of interest on the invested capital. By keeping the margin of profits very high, we practically invite competition. The depression which is due to the increasing competition from Japan is in its turn due to the excessive profits realised by the Indian mills.

(2) Public tastes and fancies have not been regarded at all. If cloth which the public is inclined to wear is given for sale there should not be any difficulty in finding a ready sale.

(3) The department of sales has been utterly neglected. The mill-owners are under a mistaken belief that their duty ends in producing a certain amount of cloth. On the contrary, they ought to so arrange the business that the cycle of produce and sale should smoothly proceed without any obstacle. By paying attention only to the manufacturing department, heavy stocks of finished goods are lying in the godowns and unless these are cleared up, further production cannot be commenced. So, to avoid such a plight, it would be better to conduct the department of sales together with production.

(4) General dishonesty in anyhow meeting the public demands or covering the defects of the cloth by a heavy percentage of sizing, has been in a way responsible for this depression. The foreign manufacturers try to win the confidence of the consumers while our mill-owners try to evade it.

(5) Profits of the boom period were distributed foolishly as dividends without making provision for the future.

(6) The mill-owners seem to be confident of their efficient working. They do not think that any improvement could be effected in their works. In fact it is human nature to believe so. But the real truth is that there is yet room for economy in the mill management; the highest efficiency is put forth only in most adverse circumstances. A good many curtailments are being effected to meet the depression. So a full and complete enquiry into the management with a comparative study of the similar affairs of the nations that now lead in the industry is necessary to put matters right. Competition is absolutely essential for maintaining the efficiency of any industry, and when the mill-owners raise a cry for help, without setting their house in order, against the competition from Japan, it seems that they are not industrial in the real sense of the term. Of course, if the competition is unfair owing to Government help, we must also try to secure corresponding facilities for our mills.

126. After overhauling the industry and setting all affairs in order, Government help by means of protective tariffs is necessary. Preachers of free trade plead that this would result in an increase in the prices of the articles. This is neither the time nor the place to deal with the heated question of free trade versus protected trade. We have been following closely in the footsteps of the English Government which is the so-called centre of free trade. Sheffield has been known the world over for its cutlery for centuries. Yet when it was found that this industry was in danger from Continental competition, a duty of 33½ per cent. was levied for a long period with a view to eliminating the element of competition.

It is nothing short of a farce to give a nominal protection to any industry for a period of a year or two. The industry cannot make any real progress in so short a period with so little protection and hence this becomes a futile tax on the general tax-payer. Capitalists will not venture to invest the capital in such industries and the protection will not have served its purpose. If the Government wants seriously to afford any protection to the industries—and as a Government it must—the relief must be substantial and spread over a period sufficiently long to allow the industry to gain ground. The suffering of the tax-payer should not be made an excuse to avoid this duty; for without suffering, nothing can be gained. A country has to suffer many hardships if a real step towards nation-building is to be taken.

It would not be out of place to picture the state of affairs if sufficient protection is not given to the industry.

Japanese mill-owners are waiting eagerly for an opportunity to purchase Indian mills and thus carry on the fight in the enemy's trenches. This is not only true of the textile industry but also of others which are carried on in Japan successfully. For example, the match industry enjoys a protection of about 200 per cent. Naturally, many factories have started in India. Simultaneously, Japanese capitalists have erected two match factories in the suburbs of Bombay. Government has connived at this. When Indians are not allowed to own any land in a foreign country, why should foreigners be allowed to do so? And still further to carry on a factory to crush Indian industry? Apart from

this reciprocal international treatment, it is not in the least in the interests of the Imperial Government of His Majesty The King Emperor to allow such foreign factories to be worked in India. After crushing the industries of India, they would extend their activities against British industry; Germany has done the same. It is industries and commerce that serve as an entrance to enemy's camps and thus enable the rival nations to get access to affairs of political import. The matter of protection should therefore be treated seriously.

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