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REPORT
OF THE
Indian Tariff Board
ON
GOLD THREAD
INDUSTRY.



CALCUTTA : GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH
1930

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Report on Gold Thread Industry.

1. The enquiry into the gold and silver thread and allied industries was referred by the Government of India to the Tariff Board under its Resolution No. 180-T. (12), dated 15th May, 1930, which runs as follows:—

Terms of Reference.

“ In accordance with the statement made in the Legislative Assembly on the 22nd March 1930, the Government of India have decided to refer to the Tariff Board, for investigation, the question of extending protection to the manufacture in India of silver plate, silver thread and wire (including so-called gold thread and wire mainly made of silver), silver leaf and other silver manufactures.

2. In making its enquiry the Board will be guided by the principles laid down in the Resolution adopted by the Legislative Assembly on the 16th February 1923, and will consider—

- (i) whether the conditions laid down in paragraph 97 of the Report of the Indian Fiscal Commission are satisfied in the case of the industry and whether it should be protected;
- (ii) if so, in what form and for what period protection should be given; and
- (iii) how its recommendations, if any, will affect industries using silver manufactures.

3. Firms and persons interested who desire that their views should be considered by the Tariff Board should address their representations to the Secretary to the Board.”

2. The articles in respect of which the enquiry has been initiated fall under number 43 B B B of the Statutory Schedule. Until

Silver Plate.

March, 1930, they were assessed at 30 per cent. *ad valorem* duty but with the imposition of a duty of 4 annas an ounce on silver bullion in the Budget Session of 1930 the duty on silver manufactured articles including silver and gold plated silver thread was increased to 38 per cent. Since 1922 therefore when the 30 per cent. duty was first introduced a high duty has been in existence. This was imposed primarily for revenue purposes but it has also had the effect of protecting the Indian industry, which has in consequence grown in certain directions to considerable dimensions. Where a substantial duty is already in existence the onus of proving whether a case for protection can be established tends to fall mainly on the Tariff Board. Manufacturers already enjoying substantial pro-

tection under the revenue tariff hesitate to put forward any claim for protection lest investigation should prove that on protective grounds a somewhat lower duty is justified. Further if under the shelter of the revenue duty satisfactory profits are already being made, the incentive is lacking for manufacturers to establish a claim for protection. This Board has no power to summon witnesses or compel the production of evidence and it is clear that investigation must be a matter of peculiar difficulty where spontaneous representations from manufacturers are not forthcoming. This consideration is of some importance in the present enquiry. In regard to 'silver plate' and 'silver manufactures all sorts not otherwise specified', we have received no application for protection nor, so far as we have been able to ascertain, has any such application been presented to the Government of India. Messrs. P. Orr and Sons, who are perhaps the largest manufacturing silversmiths in India, have expressed the view that the present revenue duty of 38 per cent. adequately protects the Indian industry and no further duty is required. It is to be noted that this firm makes no claim that the duty should be declared a protective duty or be imposed for any specified period of years. The range of goods included in the classification referred to above is very wide and the relation of costs of material to total costs of manufacture must vary largely for the different classes of goods both in India and abroad. In the absence of definite claims for protection based on the difference between the import price and the cost of manufacture in India of articles which may be regarded as typical or which represent the bulk of production in India, together with detailed evidence in support of such claims, no satisfactory investigation is possible by this Board. Since no application for protection has been made by manufacturers in India of 'silver plate' and 'silver manufactures all sorts not otherwise specified', we have no recommendations to make in regard to this industry.

3. The case is somewhat different in regard to silver thread and wire including so-called gold thread mainly made of silver and Gold and silver thread. silver leaf including in this classification lametta. Here too we received no application for protection from manufacturers. But we have reason to believe that this was due, at any rate in part, to want of organization of the industry which is conducted largely on cottage industry lines with the result that many of the manufacturers are not in a position to represent their case effectively. Further, in the discussion in the Legislative Assembly, which resulted in an undertaking that the matter should be referred to the Tariff Board, specific reference was made to the gold and silver thread industry. Finally, we were satisfied by the representations made to the Government of India some years back by representatives of the Gold Thread Industry and from the information contained in various memoranda on the subject, both official and non-official, that a considerable industry concerned in the manufacture of gold thread existed. that the capital invested in the industry was by no means negligible and that the employ-

ment afforded by it was greater than that afforded by some industries which figure more prominently before the public. We considered it desirable therefore to attempt to get in touch with the industry and ascertain the true facts concerning it. In this we have been greatly assisted by Mr. P. B. Advani, M.Sc., Tech., M.I.E., Director of Industries, Bombay, whose ready co-operation we desire to take this opportunity of acknowledging. Questionnaires were prepared and forwarded to the Directors of Industries, Madras, Bombay and the United Provinces and manufacturers whose names had come to the notice of the Board. We received replies to our questionnaire from the Perambur Gold Thread Works (in liquidation), Madras, and at a later stage in the enquiry from the Surat Gold Thread Manufacturers Association, the latter we understand being prepared with the advice and assistance of the Industries Department, Bombay. During our visit to Surat we met all the leading gold thread manufacturers of that town and discussed with them the figures relating to costs and the possibility of improvements in processes. We were much assisted in this by Mr. B. J. G. Shastri, M.A., who represented the Surat Gold Thread Manufacturers' Association. His interest in the industry is well known and much of the improvement in machinery and processes which has taken place in Surat in recent years may be considered to be the result of his deputation to Europe for the study of this industry and of the demonstration work undertaken by him on his return. We have visited Madras, Bombay and Surat of which the latter constitutes perhaps the main centre of production. We have inspected a large number of factories, examined in detail the processes of manufacture and cost of production and also ascertained generally the conditions of the industry. Our conclusions are based in the main on conditions at Surat. We received no application from manufacturers at Benares either direct or through the Director of Industries, United Provinces. We addressed the latter officer in July regarding the number of factories and workmen employed in this industry at Benares, but have as yet received no reply though nearly three months have elapsed. In these circumstances a visit to Benares would have served no useful purpose. In any case we believe that conditions at Benares are not essentially different from those at Surat and the figures which are set forth in our report may be taken as typical of the industry as a whole.

4. The article known on the market as gold thread consists of a foundation of silk, or sometimes fine cotton, thread on which is twisted thin gilded leaf or lametta. The lametta used for this purpose is made by flattening fine silver wire. Two different methods of gilding this wire are in use in India at the present time. The first process is known as the hot plating process and has been in existence from very early times. In this method of manufacture real gold leaf is wrapped and pressed round a bar of silver which is then heated almost to melting point. The leaf or plate is again pressed on the red hot metal and is then allowed

Processes of manu-
facture in India.

to pool. The plated rod is then drawn through drawing dies of various sizes until the desired degree of fineness is obtained, flattened between revolving rolls and finally spun round cotton or silk thread in the manner described below. The quality and in particular the durability of the gilding of gold wire manufactured in this manner depends on the skill of the workman in pressing the gold leaf on the silver bar. In the method described above gold plating constitutes the first stage in the manufacture of gold thread. In the more modern method however the gilding is the last of the operations undertaken. Silver bars are first rolled in a small rolling machine to the required diameter and then drawn through dies of various sizes. The wire thus obtained is passed between two small well polished rolls revolving at a high speed and is thus flattened and elongated. It is then collected on small spools and spun round cotton or silk thread by means of mechanically operated spindles. The silver thread thus obtained is gilded by being passed through electroplating baths, uniformity of deposit and tone being secured mainly by proper attention to the speed of the thread, the temperature and concentration of the baths and the strength of the electric current. From the commercial point of view the main distinction between these two methods consists in the percentage of gold used in manufacture. Since in the hot plating process at the commencement of operations gold leaf is wrapped completely round the silver bar, it follows that the gold wire when flattened is gilded on both sides. On the other hand, electroplated gold thread is gilded on the outside only, the flattened wire being gilded only after it has been twisted round the yarn. Consequently to obtain the same effect almost twice the amount of gold must be used in the hot plating process as compared with the electroplating method. For this reason there is a difference in many cases of at least Rs. 5 per marc of 8 ounces between the costs of hot plated and corresponding qualities of electroplated gold thread. Further, the cost of labour in wire drawing is greater in the case of hot plated gold thread, since manual labour has to be used throughout, no satisfactory drawing machine having yet been invented which will not damage the plate. On the other hand, the durability of hot plated gold thread is generally considered to be greater while, owing to the additional quantity of the more precious metal used, its secondhand value is also higher. As a rule the gold content in electroplated thread does not exceed $1\frac{1}{2}$ per cent., while the hot plated article is occasionally manufactured with a gold content of 6 per cent. Speaking generally it may be said that hot plated gold thread serves a special market and that the competition of the imported article is mainly with Indian electroplated gold thread.

5. Before the war nearly all gold thread in India was manufactured by the hot plating process. Very crude methods of manufacture were employed, and the use of machinery in the industry was much restricted. For example, plated bars of silver were drawn through drawing dies by means of a wooden windlass,

Present position of the industry.

operated by a workman jumping on the spokes. This method of drawing is still in operation in Bombay and Surat. Immediately after the war, largely as a result of investigations by the Industries Department, European methods of manufacture were adopted, machinery introduced, and gold plating by the electric process began to supersede to a very large extent the earlier and more expensive methods. Messrs. B. J. G. Shastri and J. K. Capadia were awarded special travelling scholarships to enable them to undertake an investigation into the industry in Europe and as a result of their report, published early in 1923, the industry in Bombay undoubtedly derived a considerable impetus. The chief centres of the gold thread industry in India are Surat and Benares. The industry is also carried on to some extent in Bombay city, in Poona, Patna and until recently in Madras. The main centres however are Surat and Benares. From a letter written by the United Provinces Government to the Government of India in 1926 we find that in the latter town before 1921 there were some two or three factories: by 1925 the number had increased to 35. The following are the figures as reported by the Bombay Government for the industry in Surat:—

	1916-21.	1921-22.	1922-24.	1924-25.
Average production	Rs. 5,00,000	Rs. 10,00,000	Rs. 25,00,000	Rs. 20,00,000
Hands employed	500	1,000	2,500	2,000
Number of factories	15	30	70	80
Capital	Rs. 25,000	Rs. 5,00,000	Rs. 12,50,000	Rs. 10,00,000

In a report published in 1929 as the result of an enquiry initiated by the Bombay Provincial Co-operative Institute the number of workmen engaged in the industry at Surat is placed at about 10,000 and the annual output valued at Rs. 100 lakhs. This estimate appears to us to be distinctly on the high side. But even so we have been puzzled to account for the very large difference in output between 1925 and 1930 if the figures for the former year are correct since, as will appear later, the extension of the market cannot be accounted for entirely by a decline in imports. We understand however that the figures compiled by the Bombay Government for the years 1916-1925 refer only to the finer classes of Indian gold thread which are in direct competition with imported thread for weaving purposes and do not refer to the coarser classes used for embroidery and other forms of ornamentation. If all classes of gold thread and wire are included these figures should be approximately doubled. We have ascertained that there are at present in Surat 410 small gold thread factories in which electric power is used. There are probably at least 200 in which the power is provided by manual labour. Since the demand for gold thread depends very much on general prosperity and is also to some

extent seasonal, the market improving with the marriage season, the outturn must clearly vary considerably from time to time. Any estimate of outturn or of numbers employed based upon the number and capacity of factories is therefore apt to be misleading. From our local enquiries at Surat we should estimate the output at not less than Rs. 60,00,000 and workmen directly employed at 6,000 in round figures. The number of men employed in allied industries is of course much greater. In the time at our disposal we have not been able to obtain from the Director of Industries, United Provinces, figures regarding the output at Benares. The number of workmen employed is of course difficult to ascertain, as the industry is run entirely on cottage industry lines and the workers are frequently assisted by members of their families. Our enquiries from the trade lead us to believe that taking India as a whole an estimate of a total production of approximately Rs. 100 lakhs annually giving employment to over 10,000 men would not be unreasonable.

6. Even on these figures we find that there has been a remarkable revival of this industry and it might be concluded that this result has been attained entirely on account of the increase in the duty from 15 per cent. to 30 per cent. in 1922, the local industry being thus enabled to capture that portion of the market previously supplied from abroad. Such a conclusion would, we believe, be only partially correct. In endeavouring to arrive at some conclusion as to the extent to which the high revenue duty has enabled local goods to capture markets previously supplied by importers of foreign gold thread, considerable caution must be exercised in drawing deductions from the trade returns. It must be remembered in the first place that the ratio of the rupee exchange has varied largely during these years. Since the trade returns record imports of gold thread by value and not by quantity, the figures cannot be taken at their face value. Further, the value of silver, which constitutes the largest single item in the cost of manufacturing gold thread, has fluctuated widely, standing before the war at about 2s. 2d., in 1920 at 5s. 2d. and at present at about 1s. 4d. per ounce. Consequently prices of gold thread have fluctuated in sympathy and deductions from the value of imports are likely to be misleading. Again, since the duty of 30 per cent. was imposed in the year 1922, smuggling of real gold thread from Pondicherry, for which the previous low duty offered little inducement, has attained considerable dimensions and it is probable that at least 20 per cent. of the total imports of gold thread enter British India without payment of duty and consequently find no place in the trade returns. Finally, the entry in the trade returns of gold and silver thread does not distinguish between real, half fine imitation and imitation gold thread. By half fine imitation we mean thread in which base metal replaces silver but the gilding remains, while imitation gold thread may be defined as thread containing practically no precious metal. Thus from the trade returns it would appear that in 1929-30 gold thread of Rs. 14·5

lakhs value was imported into Bombay. But we are informed by the Collector of Customs that of this probably not more than 1 to 2 per cent. or about Rs. 14,500 to Rs. 30,000 is real gold thread. This however is only an approximation as no definite figures are available in the Customs office and the evidence of importers on the point is conflicting. Since we have no information regarding the proportion of real gold thread in the total imports shown in the trade returns under the head 'Gold and Silver Thread', it is impossible to say to what extent the introduction of a duty of 30 per cent. *ad valorem* in 1922 has enabled the Indian industry to capture the market previously supplied by the foreign manufacturer.

7. At the same time it is possible to state with some precision the present situation in regard to the import of gold thread. The two chief points of import are Bombay and Madras. According to the trade returns, the import under Gold and Silver Thread (which as we have pointed out includes also imitation gold thread) in 1929-30 was Rs. 14.5 lakhs in Bombay and Rs. 19.5 lakhs in Madras. Karachi also imported Rs. 1.66 lakhs. The total import for the whole of India was Rs. 36.99 lakhs. According to the estimate which we have received from the Collector of Customs, of the Rs. 14.5 lakhs imported into Bombay from Rs. 14,500 to Rs. 30,000 represents real gold thread, about Rs. 3 lakhs half fine imitation, Rs. 2.5 lakhs fancy goods and dress lengths embroidered to some extent with half fine or imitation and the balance, *viz.*, some Rs. 9 lakhs imitation gold thread. This estimate is in accordance with the evidence of two leading importers who appeared before us. On the other hand the Director of Industries, Bombay, on enquiry from other importers would put the import of real gold thread somewhat higher, at perhaps Rs. 3 lakhs per annum. We have not however been able to verify either of these figures. Whichever estimate is accepted, the consensus of trade opinion is to the effect that the imports of gold thread into Bombay have been very considerably reduced in recent years. In Karachi of the total imports of Rs. 1.66 lakhs about 8 per cent. or Rs. 13,000 represents the value of real gold thread, 10 per cent. or Rs. 17,000 that of half fine imitation and the remainder Rs. 1.36 lakhs that of imitation. In Madras the Collector of Customs estimates that Rs. 14.24 lakhs represents the value of real gold thread imports and Rs. 5.25 lakhs that of half fine and imitation gold thread imports. To the imports of real gold thread into Madras must be added the amount smuggled from Pondicherry. This is estimated at Rs. 6-7 lakhs annually, giving a total of about Rs. 21 lakhs as the value of real gold thread entering the Madras Presidency. It will be seen therefore that, while the quantity of real gold thread imported into Western and Northern India is now inconsiderable, a large trade in imported gold thread still exists in Southern India. At the same time, since the aggregate value of imported real gold thread as shown by the trade returns is about 50 per cent. more than the average

import between 1921 and 1923, and since prices excluding the duty are not much more than half the prices prevailing in 1920, it would appear probable that the import of half fine and imitation gold thread has largely increased in quantity. As regards lametta which is almost entirely imitation, the trade returns give figures regarding quantities imported. In the three years 1920-21 to 1922-23, the average annual import was 228,000 lbs. In the triennium 1927-28 to 1929-30 this had increased to 557,000 lbs. We believe therefore that the trade returns support the view that in the last ten years there has been a notable expansion in the market for the cheap classes of real and all classes of imitation gold thread.

8. We have already given figures to show how the gold thread industry has expanded in the last ten years and there is no doubt

The market for imported thread in Southern India.

that the expansion in the demand for the cheaper classes of real gold thread has been met almost entirely by the Indian manufactures. But it will be seen that notwithstanding the high revenue duty, a very considerable quantity of real gold thread is still imported into Southern India and for an explanation of the failure of the Indian manufactures to capture the market in Southern India it is necessary to consider the organization of the Indian industry. The industry has been built up on cottage industry lines although the type of organization differs considerably in different localities. In Surat there are three classes of workers. A certain proportion are entirely independent, working in their own homes with their own material and finding their own market. Others work on a commission basis for dealers in gold thread who supply the raw materials. Still a third class are those working in small factories usually owned by dealers in gold thread. Many of these specialise on one process of manufacture only such as wire drawing, gilding or spinning. In Benares too the industry is almost entirely a cottage industry, workmen specialising on one or more processes, carrying them out in their own homes assisted by the members of their families. Materials are however as a rule provided by the gold thread merchant. It will be seen that the merchant or dealer as entrepreneur occupies a predominant position in the industry and under normal conditions he is able to obtain Indian thread on much more favourable terms than imported thread. On the other hand, speaking generally the dealer is in a comparatively small way of business; his trade connections are mainly local and his goods used by local weavers. He is therefore in no position to push the sale of his goods in distant markets. Further, with a multiplicity of cottage units each working on its own lines no guarantee exists as to quality. No standardization of quality has been attempted and it is thus impossible for a dealer in Madras to be certain that gold thread even though obtained from the same source will at all times conform to his requirements. In Southern India foreign manufactures have built up trade connections extending over many years. Their goods are reliable and unvarying in quality. No local industry on any considerable scale exists and dealers in gold

thread are not themselves interested in manufacture. Weavers also are accustomed to and prefer the foreign article. It is easy to understand therefore that it is a matter of peculiar difficulty to replace imported by Indian gold thread in this part of India. Trade connections must first be built up, the quality of thread standardised and the requirements of the market ascertained. But apart from these considerations there is also the question of quality. In point of fineness of thread Indian thread surpasses the imported article. 1,800 yards to the ounce is the finest thread imported, while local manufacturers produce 2,500 yards and even more to the ounce. There is no doubt however that speaking generally the quality of Indian thread is inferior as compared with French thread. For reasons which will be explained later it will not resist wear to the same extent. Therefore when a very costly fabric is being woven, which the purchaser does not expect to replace save at lengthy intervals, French gold thread is preferred in the weaving. It appears that for the most expensive silks woven in Southern India weavers generally will not use the average quality of Indian gold thread. To the difficulties arising from the lack of trade connections and of proper standardization of quality must be added also the uncertainty caused by the sale of gold thread smuggled through Pondicherry.

9. Our conclusion is that at present under a revenue duty of 38 per cent. *ad valorem* the Indian industry holds practically the entire market in Northern and Western India, but has not been able to capture the market in Southern India where the finer class of woven silk goods is made. The

Conclusion as to present position of Indian industry.

very considerable expansion in the industry which has occurred cannot be accounted for entirely on the supposition that the duty has led to the substitution of Indian for foreign goods, for the total import of gold thread including imitation in 1921 when prices stood at almost double what they are at present was only Rs. 22.76 lakhs while since the increase in the revenue duty, notwithstanding the decrease in prices, Indian manufacture has increased by not less than Rs. 40 lakhs. It is clear that the demand for goods into which gold thread has been woven or embroidered has largely increased. We attribute this expansion in demand mainly to the decline in price of this class of goods. Gold thread now stands at less than half the price at which it stood in 1920 and is considerably cheaper than before the war. In this connection it is interesting to note that the present price of inferior Indian real gold thread (2,000 yds. per oz.), *viz.*, Rs. 20 per marc, is much below the price of half fine imitation in 1920, which then stood at Rs. 28 per marc. This reduction in the price of the Indian article has been rendered possible partly by the great fall in the price of silver. To the extent that the duty has enabled the Indian industry to reorganise and has prevented the foreign manufacturer from sharing in the extension of the market, which has resulted from the fall in the price of the precious metals, it has been of real assistance to the Indian industry. The bulk of the market is now

held by the Indian manufacturers, but for the finer class of goods imported gold thread still competes. Intense competition also appears to exist between the inferior kinds of Indian real gold thread and imported half fine imitation.

10. We turn now to a consideration of the question whether the industry fulfils the conditions laid down in the Fiscal Commission's Report which runs as follows:—

Fiscal Commission's
first condition satisfied.

- (1) The industry must be one possessing natural advantages,
- (2) The industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country,
- (3) The industry must be one which will eventually be able to face world competition without protection.

We may state at once that the question of raw materials has very little bearing on the points raised in this enquiry. An ample supply of raw materials is of importance where it results in a decrease in cost under this head, thus eventually giving the Indian industry an advantage over its competitors which may in the long run enable it to stand without protection. Of the total cost of raw materials in the manufacture of gold thread, gold and silver constitute by far the greater part. The precious metals have a world market and are easily obtainable and no country derives any appreciable advantage, so far as the manufacture of gold thread is concerned, by the production of gold or silver within its borders since the prices of these metals tend to be determined even in the country of production on a world parity basis. In point of fact both metals are produced in India. Another important material required for the industry is silk which is available in India in sufficient quantities, most of the silk used in the Indian industry being obtained from Kashmir. More important however than raw materials is the question of the existence of a large home market. Here it would appear that the Indian industry has some advantage. In Europe the use of gold thread is largely a matter of fashion and the demand fluctuates very considerably from time to time. On the other hand in India gold thread has a steady demand among the well-to-do classes; the market is more constant and less dependent on changes in fashion, such fluctuations as occur being connected with the marriage season or general trade conditions. The industry is also favourably situated as regards conditions of labour since the processes can be carried on in the worker's own home. The machinery required is not bulky, power is supplied by electricity which can be cut off when not required in periods of trade depression and the processes are such that they can be carried on separately at different centres. We consider that the industry is more suitable than any other which we have investigated for organisation on cottage industry lines and is thus peculiarly adapted to Indian conditions of labour. Since in home work the labourer invariably enlists the

assistance of the members of his family in their leisure moments, the cost of labour is not only lower than in Europe but below the standard in other Indian industries conducted on the modern factory scale. Both in Benares and Surat power is supplied by electricity and we have no reason to suppose that the rate per unit is unduly high. In any case the cost of power forms an insignificant item in the total cost of manufacture. We consider therefore that the first condition of the Fiscal Commission is substantially satisfied.

11. As regards the second condition, the Indian manufacturer already holds about 80 per cent. of the Indian market for real gold thread and it may therefore be thought that

Fiscal Commission's second condition considered. the industry does not fulfil this condition. The Gold Thread Industry consists of certain fairly well defined sections each based to some extent on its own methods of manufacture and its own market. It is in one of these sections, namely, the manufacture of electroplated thread of finer qualities, that competition from foreign real gold thread mainly centres. Here the proportion of the market held by the Indian industry falls far short of the general average and is not likely to increase unless protection is granted. Moreover there is one important respect in which the circumstances of this industry are different from those of other industries investigated by this Board. The Fiscal Commission contemplated applications for protection from nascent industries assisted only by revenue duties standing at the normal level. The problem as envisaged by the Fiscal Commission was one of increasing the rate of duty in order to develop the Indian industry. Conditions in this case are different. The question before us here is whether, if the revenue duty were abolished, the industry would be adversely affected and lose a considerable portion of its market. We have no hesitation in stating that such would be the result. The industry has made good progress since the revenue duty was increased but further organization and development are required before it can fully establish itself. Unless suitable assistance is extended to it in the meantime the progress achieved under the revenue duty will be fruitless. The reasons for this and also for our view that the industry will eventually be able to stand without protection will be clear after an examination of the costs of manufacture under Indian conditions.

12. In the case of a cottage industry of this nature, it is a matter of peculiar difficulty to obtain exact information regarding

Cost of Manufacture. costs. Not only are there a large number of brands of gold thread of different qualities on the market containing different proportions of the precious metals and different qualities of silk but the same brand also to some extent varies in quality from time to time. In the course of our visit to Surat we assembled all the leading gold thread manufacturers in order to obtain reliable information as to the cost of manufacture. Each item of the costs was discussed at this meeting and the figures which we give represent the conclusions arrived at by us and assented to by the trade. Indian gold thread competes on

the one side with imported half fine imitation and on the other with imported real gold thread of the finer quality. We propose therefore to give first the fair selling price of the cheapest class of real gold thread approximately 1,800/2,000 yards to the ounce; we shall then give the figures for the most superior Indian gold thread of the same length manufactured at present and finally consider what increase in fair selling price will be involved in bringing the latter up to the imported standard.

13. The figures of works costs for the cheapest quality of Indian Cheap quality gold gold thread 1,800/2,000 yards to the ounce, are as follows:—

	Works costs per tola of gold thread 2,000 yards to the oz.
Silver 67 per cent. at Rs. 49 per 100 tolas	A. P. 5 3
Silk	2 0
Wire drawing	1 6
Flattening	0 3
Spinning	2 3
Gilding	0 9
Wastage	0 6
Office, staff, supervision and miscellaneous	0 6
	13 0

This works out to Rs. 16-12 per marc of 20g tolas. To this has to be added selling commission 6 annas per marc and where sales are not made locally 3 annas per marc to cover postage and registration, bringing the total to Rs. 17-5 per marc. We now have to consider overhead charges and profit. Our usual practice in this respect is to calculate depreciation charges and profit on a percentage of what we consider a reasonable capital charge for plant and machinery, buildings and land for a factory erected at the present time. In the case of a cottage industry such a course is inapplicable and likely to produce misleading results. Work is frequently carried on in the workman's own home; machines are of varying types and at times processes are carried out by manual labour. In these circumstances it is practically impossible to determine the cost of machinery and buildings required for a typical factory. Further the cost of machinery is small and profits based on the capital cost of plant would manifestly represent inadequate remuneration. Depreciation constitutes a very small item and we were informed that it has already been sufficiently provided for under the head "miscellaneous" in the works costs. But no allowance is made in the works costs for the services rendered by the proprietor in his capacity as Manager, nor for the periods of enforced idleness brought about by variations in seasonal demands. On the whole we think the best course is to follow the practice of the trade which is that an allowance of 10 per cent. on the works cost should be made to cover profit, expenses of management and the risk resulting from seasonal changes in output. We are satis-

fied upon an examination of the figures placed before us that this represents no more than a reasonable allowance for such overhead charges. Applying this method we get a figure of Rs. 1-11. We have been informed that working on factory lines 6,000 marcs a year is an economic output. Allowing a four months turnover at works cost, we obtain a working capital of about Rs. 35,000. Interest on this at 9 per cent. gives an annual payment of Rs. 3,150 which on the assumed output of 6,000 marcs gives an incidence of 8 annas per marc. The total fair selling price may therefore be stated as follows:—

	Per marc of 8 oz.
	Rs. A.
Works cost (including postage and commission)	17 5
Profit, expenses of management, etc.	1 11
Working capital	0 8
	19 8
TOTAL	19 8

14. We turn now to a consideration of the works costs of the best gold thread at present manufactured at Surat. This quality is intermediate between the normal quality of Indian gold thread and that of imported French thread. The costs are based on those of Mr. Nattubhai Jariwala, who produces a special brand well known in the market. On a careful consideration of these costs in consultation with other manufacturers at Surat we have arrived at the following figures per tola of gold thread:—

	Works costs per tola of gold thread 2,000 yards to the oz.
	Rs. A. P.
Silver at Rs. 49 per 100 tolas	0 5 9
Silk thread	0 3 0
Wire making charges	0 2 0
Flattening charges	0 0 5
Spinning lametta on thread	0 3 6
Gilding	0 5 0
Wastage	0 0 9
Office staff, supervision and miscellaneous	0 0 6
	1 4 11

or Rs. 27 per marc.

To this has to be added postage and registration charges 3 annas per marc and commission 12 annas. Commission is on a higher scale owing to the difficulty of sale in competition with the imported article and the comparatively small turnover. We thus get a total of Rs. 27-15 per marc. To this has to be added 10 per cent. (Rs. 2-13) on account of profit and overhead charges. Working capital may be estimated at about Rs. 60,000 which is approximately equal to a four months turnover at works cost, output being 6,000 marcs annually. Interest on this at 9 per cent. amounts to Rs. 5,400.

per annum, which on an economic output of 6,000 marcs amounts to As. 14-6 per marc. The fair selling price may thus be stated as follows:—

	Rs.	A.	P.
Works costs (including postage and commission)	27	15	0
Profit and other charges	2	13	0
Working capital	0	14	6
TOTAL .	31	10	6

Imported thread of comparable fineness of the best quality extra deep gold is imported at about Rs. 29-4 per marc, including commissions and trade charges but excluding duty. It is obvious therefore that, were the quality the same, Indian gold thread could compete with the imported article either without a duty or with a much reduced duty. Even the best Indian gold thread however falls short of French gold thread and is considered by the market less suitable for use in the finest and most costly fabrics. In order to enable us to determine to what extent protection is required it is necessary to take comparable qualities and for this purpose we must ascertain the directions in which the quality of Indian gold thread must be improved so as to make it comparable with imported thread and the addition to the cost of manufacture necessary to effect such improvement.

15. In the flattening process silver wire in India is elongated to a far greater extent than is the practice elsewhere. This results in the production of a thinner and weaker lametta which is more subject to wear. Improvements required in Indian thread. With greater care in manufacture and a slower revolution of the flattening rolls this defect can be removed. For a less elongated and therefore thicker and stronger lametta more silver will be required. With a higher silver content the amount of gold in the gilding must also be increased. In both these directions therefore the cost of manufacture will be enhanced. Since the lametta will not be drawn out to the same extent, a thinner and therefore more expensive silver wire must be used. With a thicker lametta, a finer silk must also be used if the appearance and weight of the finished gold thread are to remain unaltered; such silk will be more expensive to manufacture or to buy. The silk at present in use is inferior to that used abroad; its surface is not so regular and the same evenness therefore in twisting the lametta is not obtainable. The dyeing of the silk thread also leaves much to be desired; the dyes in use in India are not fast and run in the process of gilding, thus staining the gilt and impairing its lustre. The lustre of the gilt is also affected by the excessive handling which the silver thread receives during the various processes. The traces of perspiration left as a consequence of this handling adversely affect the gilding process and the same lustre as is observable in French gold is not obtained. Greater care and supervision is also required in the gilding process. It is obvious therefore that to obtain the required standard of quality the em-

ployment of picked workmen is required and this must add considerably to labour charges.

16. In the light of these observations, we attempt to set out below what in our opinion would be the fair selling price in

India of gold thread of the same quality as the imported article. These figures have been discussed with all the leading manufacturers in Surat and represent in our opinion as close an approximation to the probable cost as we can make.

		Works costs per tola of gold thread 2,000 yards to the oz.
		Rs. A. P.
Silver 80 per cent. of total weight at Rs. 49 per 100 tolas		0 6 3
Silk		0 4 6
Wire drawing		0 2 9
Flattening		0 1 0
Spinning		0 4 9
Gilding		0 6 0
Wastage		0 1 6
Office supervision and miscellaneous		0 1 0
		1 11 9

This amounts to Rs. 35-12 per marc. Postage 3 annas and commission Re. 1 per marc must be added giving a total of Rs. 36-15. To obtain the fair selling price, interest on working capital, overhead charges and manufacturer's profit must be added. Adopting our previous method of calculation, we allow 10 per cent. of the works costs (Rs. 3-8) for manufacturer's profit and overhead charges. Assuming that an economic output of 6,000 marcs a year will be attained and taking working capital at a 4 months turnover at works costs, the working capital required would be about Rs. 74,000. Interest on this at 9 per cent. per annum would give an annual charge of about Rs. 6,700 or nearly Rs. 1-2 per marc. The fair selling price may therefore be stated as follows:—

Works costs	Rs. A.
Profit and other charges	36 15
Working capital	3 8
	1 2
TOTAL	41 9

or in round figures Rs. 42 per marc.

17. We have already discussed the first condition of the Fiscal Commission's report and we are now in a position to consider the remaining two conditions. With the revenue duty standing at 30 per cent. *ad valorem* and recently increased to 38 per cent. the Indian industry has been able to

Fiscal Commission's second condition satisfied.

capture completely the market for all but the finest classes of gold thread. If the revenue duty were completely removed, it appears to us that the market for better quality gold thread would be much restricted. The best quality of foreign gold thread (about 1,800 yards to the oz.) is sold at about Rs. 29-4 per marc free of duty. We have found that Indian gold thread of comparable length and quality cannot at present be produced to sell at less than Rs. 41-9 per marc. It is clear therefore that if this portion of the market is to be secured by the Indian manufacturers some additional assistance beyond the present revenue duty is required. But we have to consider also the effect of a complete removal of the duty on the classes of gold thread at present manufactured. The fair selling prices, as we have shown, vary from about Rs. 20 per marc for the cheapest quality to Rs. 31 per marc for the special quality and we may take Rs. 25 per marc as an average price for Indian gold thread (2,000 yards to the oz.). We have stated that the best quality of imported thread sells at about Rs. 29-4 per marc free of duty. But there are other brands of imported thread of about 1,800 yards to the oz. which may be of a somewhat inferior quality but possess a finish much superior to that of Indian gold thread and which sell at Rs. 24 per marc excluding duty and even lower. With a definite market preference in favour of imported thread on account of its superior finish it is clear that with no duty, revenue or protective, so far as gold thread used for weaving is concerned, the Indian industry would be unable to maintain its present position. As regards the coarser kinds of gold thread (800 yards or less to the oz.) which are used mainly for embroidery and brocade work, it is difficult to form any opinion as to the effect of a withdrawal of the duty since the market is supplied entirely by Indian manufacturers and this class of thread is not imported. It is, however, not unreasonable to suppose that a withdrawal of the duty would not be without effect on this branch of the industry also. We find therefore that the second condition of the Fiscal Commission is fulfilled.

18. In considering whether the industry fulfils the third condition laid down in the report of the Fiscal Commission the possibilities of the future organization of the industry must not be overlooked. We believe that even in regard to the manufacture of the finest qualities of thread such as are used in weaving in South India the industry, with better machines, closer supervision and training and with the co-operation of the Industries Department, will eventually be able to face competition without protection. As we have stated, Indian manufacturers have completely superseded imported gold thread in the coarser qualities such as 800 yards per oz. or below which are mainly used for embroidery and brocade work and it is therefore impossible to ascertain the price at which such qualities could be imported. But the coarser kinds of Indian gold thread which represent the great proportion of the market already sell as low as Rs. 16 per marc and it appears

likely that under the present high revenue duty the consumer is obtaining much of the Indian production at prices equal to or little above those at which gold thread of comparable fineness could be imported. For the class of embroidered goods for which this thread is used the same degree of finish is not required and it is undoubtedly true that both for embroidered and woven goods the Indian thread satisfies the requirements of the market except in South India. The consumer is therefore not penalized by its use. The third condition laid down by the Fiscal Commission is designed to protect the interest of the consumer by ensuring that the cost of manufacture in India eventually shall not appreciably exceed the cost abroad and that in consequence under the policy of protection the consumer shall not be compelled to pay a higher price for the home manufacture. We believe that for some classes of gold thread this position has already been approached.

19. But much remains to be accomplished in the direction of better organization and substitution of machinery for manual labour. We have seen that plated bars are drawn by means of a crude windlass, worked by hand power. Although plated bars cannot be passed through rolling mills without injury to the gilt, it should not be impossible to devise some comparatively simple machine for the drawing process which, even if too expensive for the average workman, might be used in the factories or worked on co-operative principles. Again, though small rolling mills worked by electricity are now in common use, the old method of flattening wire by striking it on a polished anvil with a polished hammer has not yet completely died out. Where rolls are used, more attention is often needed to their polish on which depends the finish of the flattened wire. After dies have been in use for some time the hole becomes irregular in shape and needs correction. In India this correction is often not carried out early enough and when carried out the correction is sometimes imperfect, resulting in the production of wire which flattens irregularly. In dealing with the cost of producing gold thread of equal quality to imported thread we have already indicated various directions in which improvements can be effected. But we wish to emphasize once again that the wire is handled far too much by the workmen in process of manufacture, with the result that in the electroplating process the gilt adheres much less securely while the gloss and colour of the finished thread is also said to be affected. We have not attempted to give an exhaustive list of the improvements which are possible in the Indian industry, but have merely indicated the main directions in which manufacture of gold thread in India admittedly falls short of European practice. The industry constitutes a fruitful field for investigation by the provincial Industries Departments and it appears probable that with the assistance of that Department and the extension of co-operation, particularly in the direction of co-operative employment of the more expensive machines, Indian manufacturers will not only be able to produce an article equal in quality to that produced abroad, but considering

the industry as a whole, will also be able to manufacture at a lower cost. We find, therefore, that the requirements of the third condition laid down in the report of the Fiscal Commission are substantially satisfied and that a good claim for protection has been established by the Gold Thread industry.

20. While we believe that the industry considered as a whole will eventually be able to withstand competition without tariff

The revenue duty and tariff equality.

assistance, it is necessary to point out that the complete abolition of the duty is a very remote possibility which from the practical point of view may well be completely disregarded. At present the chief raw material of the industry, namely, silver is subject to an import duty of 4 annas one ounce. On grounds of tariff equality, therefore, a duty of from 6 to 8 per cent. on imported gold thread according to quality may reasonably be claimed. Further, the use of gold thread is undoubtedly a luxury and it is not unreasonable to suppose that the general rate of revenue duty (30 per cent.) for luxuries would be continued for a considerable period and that in any case if protection were withdrawn a revenue duty on imported gold thread would remain which, even if reduced below its present level, would still be substantial. These are considerations which must not be overlooked in attempting to estimate the future position of the industry.

21. We have found the fair selling price including selling charges of Indian gold thread comparable in quality and appearance with imported thread to be Rs. 41-9 per marc and the corresponding price of imported thread excluding duty to be Rs. 29-4 per marc. The measure of protection required is, therefore, Rs. 12-5 per marc. In determining the *ad valorem* equivalent of this it is necessary to remember that owing to the great difficulty of ascertaining the market price of the different qualities, all of which are similar in appearance, the duty on gold thread is assessed on the invoice price. The invoice price of the quality of gold thread which we are considering is Rs. 25-12 per marc and the difference between this and the wholesale price *ex-duty*, namely Rs. 3-8, is made up of agents' and dealers' commission, delivery expenses, insurance and miscellaneous charges. On an invoice price of Rs. 25-12 per marc a duty of Rs. 12-5 is approximately 48 per cent. and we consider that 50 per cent. *ad valorem* might reasonably be fixed as the measure of protection required.

22. Our terms of reference require us to consider how our recommendations will affect industries using silver manufacturers. The

Effect of the proposals on other industries.

industry affected by an increase in the duty on gold thread is the handloom weaving industry and the direction in which the enhanced duty might be expected to operate is by way of restriction of consumption. It is necessary, therefore, in the first instance to consider the position of the purchaser of woven goods in the manufacture of which gold thread is used. In this connection there are two aspects of the case to be considered. In the first place the use

of gold thread is undoubtedly a luxury and in the case of luxury articles it is reasonable to impose a scale of duty considerably in excess of that which could be justified for articles more commonly in use among the poorer classes. In the second place, an increase in the duty will not affect the majority of the consumers of gold thread. As a result of the operation of the revenue duty during the last eight years combined with the adoption of improved processes of manufacture about 80 per cent. of the market is already supplied by the Indian manufacturer. The price of Indian gold thread is, therefore, determined entirely by internal competition and, as is the case with most cottage industry manufactures, is cut to the lowest possible limit. In the greater part of the market, therefore, an increase in the duty will have no effect upon prices. Except in Madras, where for certain classes of woven goods imported thread is still used, it makes no difference to consumers at what figure the protective duty is fixed. The effect of an increase in the duty on purchasers of the finer class of woven goods manufactured in Southern India has now to be considered. At our request Messrs. Peirce Leslie and Company have been good enough to obtain from their dealers information as to the prices of the most usual articles woven in South India and the value of the gold thread used in them. Of the articles included in the list supplied to us that which contains the greatest amount of imported gold thread is the 9 yds. silk sari made at Salem. The total value of this is Rs. 116 and it contains one marc of French gold thread costing Rs. 38. Of this about Rs. 10 constitutes the duty. If the duty were doubled and stood at 75 per cent. the cost of the finished article would be increased by Rs. 10 from Rs. 116 to Rs. 126. A duty of 50 per cent. would mean an increase in the cost of the finished article from Rs. 116 to Rs. 119. Speaking generally, it appears to us that the present duty represents about 9 per cent. of the value of the classes of woven goods in which gold thread is used and an increase in the duty from 38 to 50 per cent. would result in an increase of not more than 3 per cent. in the cost of the finished article in which gold thread is used. The classes who use articles of this quality suffer no great hardship by an enhancement of the duty to this extent. Even assuming that a case could be made out for the complete abolition of the duty on gold thread, we doubt whether a reduction of 9 per cent. in the present price of the expensive class of goods, in the weaving of which imported gold thread is used, would have any appreciable effect upon sales. The effect of an addition of 3 per cent. to the cost of such articles will, we believe, be negligible and we have no reason to suppose that our proposals will adversely affect the weaving classes by restricting the market for their goods.

23. We have referred previously to the increase in the competition which the Indian industry has to meet from imported imitation and half fine imitation gold thread. The suggestion has frequently been made that the duty levied on real gold thread should be applied also to imitation

Administrative inconvenience of different rates of duty on real and imitation thread.

and half fine imitation thread. We propose now to consider this question. We have been impressed with the difficulty of Customs administration under the present differentiation of duties. Strictly speaking under the Sea Customs Act all gold thread containing even a trace of precious metal is assessable at 38 per cent. Practically all half fine imitation and possibly a portion of imitation gold thread is thus assessable at the higher duty, the bulk of the imitation being assessable at 15 per cent. On the representation of the manufacturers and importers that it was difficult to ensure that all traces of the precious metal were absent, Government fixed a margin of error of 1 per cent. precious metal. The trade again represented that hardship was caused by this limit and that manufacturers of half fine and imitation found it difficult to ensure that their goods would be below this standard. The limit was therefore raised again to $1\frac{1}{2}$ per cent. We understand that the same complaints are still put forward by the trade. The truth is that whatever limit is fixed competition will drive manufacturers to produce as near that limit as possible and cases will occur where importers find themselves unexpectedly assessed at the higher duty. At the same time considerable work is thrown on the Customs staff by the present differentiation of duty and it is understood that in Bombay alone as many as 150 tests a month are carried out in this connection. From the administrative point of view it would be a great convenience if all gold thread including colourable imitations and also lametta were assessable to the same duty.

24. There is some justification for this course also from the protective point of view. Without a chemical test it is impossible to distinguish between imitation and real gold thread. The difference lies in the wearing qualities and the liability of the former to tarnish. It is indisputable that

Application of protective duty to imitation thread justified.

the import of half fine imitation diverts a certain amount of custom from Indian real gold thread while it is not improbable that occasionally goods finished with half fine imitation are sold as genuine gold thread articles. If the duty is raised to the same figure as that for real gold thread a portion of this market may be secured by the Indian manufacturer. The market price for the superior kind of half fine imitation 1,200 yards to the ounce is Rs. 7 to Rs. 8 per marc and of the cheapest real gold thread 2,500 yards to the ounce about Rs. 21. It should be explained here that it does not follow because the lengths per ounce of these two kinds of gold thread are different, that the actual thickness of the thread also necessarily differs. For the real gold thread contains a smaller proportion of metal and more silk, while the half fine imitation contains a considerable proportion of base metal as compared with silk. The metal, whether gold and silver or base metal, being the chief factor in the weight of the thread, it is possible that the same bulk of real gold thread might be half the weight of half fine imitation. We understand, therefore, it is quite possible to substi-

tute one for the other in weaving. Now, the real gold thread is twice as long per ounce as the imitation and if, as explained above, the actual thread is of the same thickness as the half fine imitation thread, the weaver can cover the same area with half the quantity. From his point of view, therefore, the comparison is between one marc of half fine imitation at between Rs. 7 and Rs. 8 and half a marc of real gold thread at Rs. 10-8. If now the duty on half fine imitation is raised to 50 per cent. the price will rise to between Rs. 9 and Rs. 10-8 and the Indian manufacturer of real gold thread may hope to extend his market substantially, particularly as owing to the presence of the precious metals real gold thread has a definite secondhand value. Further, the process of manufacture is much the same as that of genuine gold thread and the higher duty may enable the Indian industry to extend in the direction of the manufacture of imitation gold thread. This has not as yet been undertaken on any considerable scale in India but we understand a small factory has been started at Bangalore. We have considered whether such a duty would bear hardly on the poorer consumer. The price of cheap imitation is however so low, amounting only to some 3 shillings a pound c.i.f. and the quantity used by the lower classes so small, that we believe the imposition of the higher duty will not be felt. It is relevant to point out in this connection that the price of half fine imitation has fallen from Rs. 28 to Rs. 8 per marc in the last 10 years. Even with the enhanced duty, therefore, the price level cannot be considered high.

25. We have considered to what extent the imposition of a high protective duty would be defeated by an increase in the illicit importation of foreign gold thread. So far as we have been able to ascertain the amount of smuggling of gold thread into the Bombay Presidency is negligible illicit importation is confined to the Madras Presidency, where it is facilitated by local trade connection with the French possession of Pondicherry. Before the revenue duty on gold thread was enhanced to 30 per cent. in 1922, practically no smuggling existed. Smuggling on a considerable scale appears to have begun with the increase in the revenue duty to 20 per cent. in 1921-22. It is believed that the smuggler's remuneration amounts to about Rs. 6 per marc and it is obvious, therefore, that a fairly high duty is necessary before the business becomes profitable. The illicit import of gold thread before 1927-28 is placed as high as 48,000 marcs per annum and even if the market price now prevailing for the lower classes of imported gold thread is taken its value must be placed at 17 lakhs of rupees. The Customs Department has however taken special measure to check this. The old Madras Land Customs Act has been replaced by a new Act No. XIX of 1924. Under the old Act the only penalty for smuggling was confiscation of the goods. The new Act renders persons who are concerned in the smuggling of goods liable to a fine not exceeding Rs. 1,000 in addition to confiscation. Further, the frontier forces have been considerably strengthened since 1922 and now stand

at a figure almost double that of 9 years ago. These measures have not been without effect. In 1925-26 the value of gold thread legally imported into Madras was about Rs. 11 lakhs: although prices have steadily declined, these figures show a steady increase and in 1929-30 stood at about Rs. 19½ lakhs. It is believed also that in the last four years the figures of imports into Pondicherry show a progressive decline. It should be explained that since very little gold thread is used in Pondicherry, the bulk of the imports into that port may be presumed to be smuggled into British India. On a consideration of all the figures which have been produced by the Customs Department, Madras, we should estimate the present extent of the illicit importation of gold thread at not more than Rs. 6 to Rs. 7 lakhs or about half what it was some years ago. We believe, therefore, that the energetic action of the Madras Customs Department has been effective and the success so far attained encourages the hope that in the future illicit importation of gold thread will be largely suppressed. But in any case in considering the advisability of imposing a protective duty any reaction of such a duty on Government revenue may be ignored. The fact that an inducement may be afforded by the duty to increased smuggling and that thereby Government revenue may suffer does not necessarily constitute a valid argument against the proposal of such a measure. The sole point for our consideration is whether a protective duty of 50 per cent. will encourage smuggling to such an extent as to defeat its own purpose of assisting the Indian industry. To bring about such a situation it would be necessary for gold thread to be smuggled in such quantities and with such regularity that the market level of prices would be determined by that of smuggled instead of legally imported goods. We doubt if with the control now exercised by the Customs Department any appreciable risk is incurred of this happening. A protective duty of 50 per cent. should enable Indian gold thread of a quality comparable with imported gold thread to establish itself on the market in South India and, once this has been effected the greater regularity of delivery as compared with that of smuggled goods and the gradual decline in price which we anticipate as the result of improved machinery and practice should enable the Indian industry to face with equanimity such competition as may arise from illicit importation. Though we do not ignore the inducement which an increase in the duty may offer to illicit importation, we are of the considered opinion that this possibility should not be held a bar to the grant of adequate protection.

26. There are various ornamental articles such as spirals, discs and flattened wires, the manufacture of which is closely allied to that of gold thread. These are in practi-

Suggested definition
for Tariff Schedule.

cally every case manufactured from silver wire and we consider that the duty which we have proposed for gold thread may suitably be applied to such articles also. We give below a definition prepared in consultation with the Collector of Customs, Bombay, which will cover all such

articles as well as gold thread and all colourable imitations thereof—

“ Metallic filaments used for the ornamentation of woven fabrics, including—

- (1) silver thread and wire (including so-called gold thread and wire mainly made of silver) and silver leaf;
- (2) imitation gold and silver thread and wire;
- (3) lametta, and

metallic spangles

irrespective of the quantity of precious metal contained therein.”

In order to give effect to our proposals, it will be necessary to include this as a separate article in the protective part of the Tariff Schedule and consequently to omit the words “ Silver thread and wire (including so-called gold thread and wire mainly made of silver), silver leaf ” in Article 43 BBB. We do not think it necessary that the protective duty should be applied to ‘ gold thread and wire ’ included at present in Article 131. This item refers to thread and wire made entirely of gold which do not compete with any of the articles under enquiry and of which in any case the quantity imported is inconsiderable. On the other hand we have included ‘ silver leaf ’ among the articles liable to the protective duty since it is often not distinguishable from lametta and as pointed out in paragraph 3 is generally classified as such in the trade returns.

27. We consider then that a case has been made out for the protection of the gold thread industry and we recommend that the duty should be fixed at 50 per cent. *ad valorem* applying alike to real gold thread, lametta, manufactures from silver wire such as spirals, spangles, etc., and all colourable imitations. For protective purposes a specific duty is admittedly more suitable but in view of the great variety of classes of gold thread and its substitutes and the difference in the prices of the various classes, we consider a specific duty inapplicable in this case. As regards the period of protection we are advised by the Department of Industries, Bombay, that it will take at least 10 years before the Indian industry can reach the European standard of quality and we recommend that the protective duty should be imposed for that period. We would urge that special efforts should be made by the provincial Industries Departments to enable the Indian industry to capture the South Indian market. In this connection it may be pointed out that there appears to be a marked lack of co-operation between provincial Governments so far as this industry is concerned. We understand that the Madras Government has recently addressed the Government of India suggesting that the duty on gold thread should be abolished. On the other hand, it would

General conclusions
and recommendations.

appear that the Industries Department in Bombay is in favour of an increase in duty. But we were informed that no correspondence on the subject had passed between the Industries Departments of the two Presidencies and it seems that no attempt was made to ascertain to what extent it would be possible for manufacturers in Surat or Benares to meet the local requirements of Madras. As an illustration of the limited outlook of the provincial departments we think it necessary to add that though, in addition to publishing a communique for general information, copies of our questionnaires were forwarded to the Directors of Industries, United Provinces and Madras, no statements of their views have been received from these officers either direct or through their respective Governments though the enquiry is one in which their Departments must be interested. It is desirable that there should be far greater co-operation between the Industries Departments of the various provincial Governments. Their outlook should not be confined entirely to the immediate interests of their own province and the Industries Departments in Bombay and the United Provinces should seek the assistance of the Department in Madras to inform themselves exactly in what respects Indian gold thread falls short of local requirements.

28. Although in a cottage industry of this kind standardization of quality presents peculiar difficulties, we see no reason why one of the larger dealers should not be induced to pay special attention to the qualities required in Southern India and market a brand of gold thread of more uniform quality than that at present produced. With propaganda in its favour undertaken by the Industries and Co-operative Departments it is probable that within a comparatively short time the Indian industry will secure a substantial portion of that market. We consider also that Indian manufacturers and dealers should not be content to rely on the assistance of Government Departments but should themselves study far more closely the requirements of the South Indian markets, ascertain the exact lengths and qualities most usually required by the weavers and endeavour to produce an article of regular quality suited to local demand.

29. In conclusion we desire to record our opinion that the institution of a training centre or technical institute at the chief centres of manufacture would lead to satisfactory results. We realize that the matter is one which falls within the discretion of provincial Governments, but from the point of view of the industry the matter is so important that some reference to the subject is unavoidable. It appears to us that at a comparatively small cost a centre could be provided at which improved methods could be demonstrated and instruction given in the use of better machines and processes. At the same time the possibilities of standardization of quality could be explored, propaganda undertaken and the requirements of different markets ascertained. We have mentioned before the necessity of co-operation between the industrial depart-

ments. The institution of a centre of the kind described would serve to focus the attention of officials as well as of consumers in general on the possibilities of Indian manufacture.

A. E. MATHIAS,
President.

J. MATTHAI,
Member.

G. S. BOZMAN,
Secretary.

8th October, 1930.

