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REPORT
OF THE
Special Tariff Board
ON THE

**Enquiry regarding the level of duties necessary to
afford adequate protection to the Indian Cotton
Textile Industry against imports from the
United Kingdom of cotton piecegoods
and yarn, artificial silk fabrics and
mixture fabrics of cotton
and artificial silk**



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CHAPTER I.

Introduction.

This enquiry was referred to a Special Tariff Board by Resolution No. 341-T. (12)/35, dated the 10th September, 1935, of the Government of India, Department of Commerce, which was issued in the following terms:—

“ As a result of the visit of the British Textile Mission to India in the autumn of 1933, an Agreement was concluded between the Millowners' Association, Bombay, and the Mission which was expressed in the following terms:—

(2) ‘ The parties wish to record their conviction that great benefit has been derived by all concerned from the full and frank exchange of views, the personal contacts which have been established and the greater understanding which both sides have secured of each other's position.

The parties are agreed that it would be in the best interests of the industries they represent to maintain and develop in the future the contacts which have been established and it is hoped that it will become the practice for views to be exchanged whenever circumstances render it desirable.

The following headings of agreement have been adopted on the assumption that the cotton duty is not increased above the present level of half an anna per pound:—

(i) It was agreed that the Indian Cotton Textile Industry is entitled, for its progressive development, to a reasonable measure of protection against the imports of United Kingdom yarns and piecegoods. It was also agreed that under

present conditions, owing to lower costs and other factors operating in foreign countries, the Industry required a higher level of protection against them than against the United Kingdom.

(ii) As regards cotton piecegoods, it was agreed that if and when the revenue position of the Country made it possible for the Government of India to remove the general surcharge on all imports imposed in October, 1931, the Indian side would not make fresh proposals with regard to the duties applicable to the United Kingdom.

(iii) In the matter of cotton yarns, the present duties are $6\frac{1}{4}$ per cent. *ad valorem* or $1\frac{7}{8}$ annas per pound. The Indian side has agreed that so far as imports from the United Kingdom are concerned, the duty may be 5 per cent. *ad valorem* with a minimum specific duty of $1\frac{1}{4}$ annas per pound.

(iv) So far as artificial silk piecegoods are concerned, the Indian side agreed that in the case of the United Kingdom, the duties may be as follows:—

30 per cent. *ad valorem* or $2\frac{1}{2}$ annas per square yard for hundred per cent. artificial silk fabrics; and

30 per cent. or 2 annas per square yard for mixture fabrics of cotton and artificial silk.

The present duties on these classes of goods are:—

50 per cent. *ad valorem* or 4 annas per square yard on hundred per cent. artificial silk fabrics; and

35 per cent. or 2 annas 3 pies per square yard for mixture fabrics of cotton and artificial silk.

(v) In so far as the Empire and other overseas markets for piecegoods and yarns are concerned, it is agreed that any advantages which might be arranged for British goods should be extended to Indian goods, and that India, in markets in which she has no independent quota, should participate in any quota which might be allocated to the United Kingdom. In respect of overseas markets in which Indian mills lack established connections, it is agreed that the Manchester Chamber of Commerce should use its good offices to bring about contacts between Indian manufacturers and British houses which are already established in those markets.

(vi) In regard to raw cotton, the Indian side strongly emphasised the urgent necessity of further efforts being made in the United Kingdom to popularise and promote the use of the Indian raw material. They welcomed the undertaking that the British Textile Mission would be prepared to recommend effective action being taken and keep the Indian side regularly in touch with developments. It was further agreed that other avenues of co-operation

in this field should be explored in the interests of the Indian cotton grower.

This understanding is limited in its duration to the period ending on 31st December, 1935.

(3) At the time when this Agreement was reached, the Government of India had under their consideration the question of the import duties necessary to afford adequate protection to the Indian cotton textile industry, and in their view the scale of duties which had been accepted by an important and representative section of the Indian textile industry constituted a fair basis for the protective scheme in so far as it had application to imports from the United Kingdom. The duties set out in the Agreement were, therefore, with one slight modification in respect of cotton yarn of counts over 50s, given statutory force by the Indian Tariff (Textile Protection) Amendment Act which became law on the 1st May, 1934.

(4) In the course of the debate on the Bill the then Commerce Member, Sir Joseph Bhore, in moving that the Bill be referred to a Select Committee, stated on behalf of the Government that, though it was intended to afford the textile industry protection for a period of five years, the tariff rates on British goods would remain in force for two years in accordance with the terms of the Agreement between the Lancashire Delegation and the Millowners' Association, Bombay. On the expiry of the two years covered by the Agreement, the duties on British goods for the remaining period of protection would have to be decided on a review of the conditions then existing and in the light of such experience as may have been gained. The period of the Agreement will expire on the 31st December, 1935, and it will be necessary to introduce, in the course of the next Budget Session, legislation to give effect to any changes in the duties which may be found necessary. The Government of India have, therefore, decided that the enquiry foreshadowed in Sir Joseph Bhore's speech should take place at an early date and that it should be entrusted to a Special Tariff Board constituted as follows:—

President.

Sir Alexander Murray, Kt., C.B.E.

Members.

Mr. Fazal Ibrahim Rahimtoola.

Dewan Bahadur A. Ramaswamy Mudaliar.

(5) The following are the terms of reference to the Board:—

To recommend on a review of present conditions and in the light of the experience of the effectiveness of the

existing duties, the level of the duties necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom of (a) cotton piecegoods, (b) cotton yarn, (c) fabrics of artificial silk and (d) mixture fabrics of cotton and artificial silk. By adequate protection is meant duties which will equate the prices of imported goods to the fair selling prices for similar goods produced in India.

(6) In the course of this enquiry, the Board will give a full opportunity to the cotton textile industry, whether in India or the United Kingdom, to present its case and, if necessary, to answer the cases presented by other interested parties.

(7) The Board will not be required to make any recommendations in respect of revenue duties.

(8) Firms or persons, who desire that their views should be considered by the Special Tariff Board, should address their representation to the Secretary to the Board."

2. The Board assembled at Bombay on 11th October, 1935. After informal discussions with representatives of the Millowners' Associations of Bombay, Ahmedabad and

Method of enquiry. Southern India, the Board on 16th October published a press communiqué reproducing the terms of reference and announcing that it had prepared a questionnaire, copies of which could be obtained from the Secretary. Firms or persons interested were invited to send their representations so as to reach the office of the Board before 16th November. Appendix I contains a copy of the communiqué and a list of the Associations, firms and persons from whom representations were received. Copies of the questionnaire were also sent with a circular letter to all local Governments and Administrations with a view to obtaining information concerning the handloom industry.

3. After paying visits to three mills and to the Custom House in Bombay, the Board on 21st October proceeded to Calcutta, where

Visits. two other mills and the Custom House were visited. Informal discussions took place with representatives of local mills and with importers and dealers in cotton piecegoods. Arrangements were made for bringing up to date statistical and other necessary information through the good offices of the Director General of Commercial Intelligence and Statistics, to whose Deputy and staff we are greatly indebted. On 12th November the Board left for Madras. Besides holding informal discussions there with importers and dealers in cotton piecegoods and yarns, the Board investigated cost *data in camera* with the Agents of mills in Madras and of other mills, members of the Southern India Millowners' Association. The Buckingham and Carnatic Mills were visited, and after an informal examination of the Director of Industries, the Members of the Board were given an opportunity of seeing handloom weavers and warpers at work.

4. On 21st November the Board returned to Bombay, and in the following week received further visits from representatives of the mills as well as from members of the Delegation which had arrived from Lancashire to submit to the Board on behalf of United Kingdom interests a case for reduction in the duties on cotton yarns and piecegoods and artificial silks and mixtures of United Kingdom origin. On 5th December a press communiqué was issued to the effect that representations and replies to the questionnaire had been received, that full opportunity would be given to the Cotton Textile Industry to present its case and to answer the cases presented by other interested parties and that it was proposed to hold public hearings, commencing in Bombay on the 12th December. The most important cases were exchanged, and answers were received by the Board. This procedure proved of great assistance not only to the Board but also to the representatives of the Millowners' Associations, the Lancashire Delegation, Chambers of Commerce and others who were invited to attend the public enquiry, which was held at Bombay on 12th, 13th, 14th, 16th, 17th, 19th, 20th and 21st December. On the 22nd the Board visited three mills at Ahmedabad, where next day a public enquiry was held at which representatives of the Ahmedabad Millowners' Association gave evidence. On the 24th they were examined *in camera*, after which the Board returned to Bombay to hear further evidence *in camera* on the 26th from the Millowners' Association, Bombay, whose representatives had previously been examined *in camera* on the 20th December.

The tour programme of the Board together with the details of visits, public hearings and interviews will be found in Appendix II.

5. We wish to acknowledge the assistance received from the representatives of the textile industry, Collectors of Customs and other parties who have furnished us with information. We also desire to express our

Acknowledgments. appreciation of the help received from our Secretary Mr. C. M. Ker, I.C.S., from Rai Sahib H. C. Sen, whose long experience of Tariff Board enquiries has proved valuable, and from the other members of an able and hard working staff. Our Technical Adviser, Rai Bahadur Hrishikesh Mookerjee, A.M.C.T. (Manchester), has placed at our disposal a wide and intimate knowledge of textile matters and has spared no effort to assist the Board in its examination of samples and costings, in which work he has been ably assisted by Mr. S. C. Das Gupta, a Custom House Appraiser, with practical experience of the cotton industry. We are indebted also to Mr. Amritlal Sahgal, B.A., LL.B., A.C.A., R.A., whose expert knowledge as a Chartered Accountant has been of considerable value to the Board.

CHAPTER II.

Tariff History.

6. The present Tariff Board is the third Board appointed to enquire into conditions affecting the Cotton Textile Industry in India. The first Board was appointed in 1926 to examine the causes of the depression then existing, to consider whether it was due to competition from other countries in the home and export trade and to report whether the industry was in need of protection. Subsequent to the publication of that Board's Report in 1927 the duty on imported cotton yarn was changed from a duty of 5 per cent. *ad valorem* to one of 5 per cent. *ad valorem* or $1\frac{1}{2}$ annas a pound whichever was higher; the duty on artificial silk yarn was reduced from 15 to $7\frac{1}{2}$ per cent., but no change was made in the duties on piecegoods, which remained at 11 per cent. on cotton cloth and 15 per cent. on artificial silk and on artificial silk and cotton mixtures until 1930.

7. Meantime Mr. G. S. Hardy had been appointed to examine the possibility of substituting a system of specific duties for the system of *ad valorem* assessment of cotton piecegoods and to ascertain what changes had taken place since the Tariff Board reported in the volume of imports, classes of goods imported and the extent and severity of external competition with the products of the Indian mills. While Mr. Hardy considered that on administrative grounds at least a change from the existing *ad valorem* method of assessing duty was undesirable, his Report published at the end of 1929 indicated that so far as external competition was concerned, Japan's progress had been rapid and uninterrupted, largely at the expense of the United Kingdom.

8. In 1930 the revenue duty on all cotton piecegoods was raised from 11 to 15 per cent. Under the Cotton Textile Industry (Protection) Act of that year, an additional protective duty of 5 per cent. was imposed on all goods not manufactured in the United Kingdom and a minimum specific duty of $3\frac{1}{2}$ annas per pound on plain grey goods whether manufactured in the United Kingdom or elsewhere. Owing to the continued severity of the world wide economic depression it was found necessary in the ordinary Budget to increase from 1st March, 1931, the duties on cotton piecegoods manufactured (a) in the United Kingdom to 20 per cent. and (b) elsewhere to 25 per cent. leaving the minimum specific duty of $3\frac{1}{2}$ annas per pound unchanged. By another Finance Act, an all round surcharge of 25 per cent. was imposed from 30th September, 1931, raising the duty on goods manufactured in the United King-

dom to 25 per cent. *ad valorem* at which rate it has since continued unchanged. The minimum specific duty on plain grey goods, whether manufactured in the United Kingdom or elsewhere, was raised to $4\frac{3}{8}$ annas per pound and the duty on other goods if not manufactured in the United Kingdom to $31\frac{1}{4}$ per cent. At the same time the duty on cotton yarn was increased to $6\frac{1}{4}$ per cent. *ad valorem* or $1\frac{7}{8}$ annas per pound whichever was higher. By these two Finance Acts of 1931, the duty on artificial silk yarn was raised first to 10 per cent. and then to $18\frac{3}{4}$ per cent. while the duties on artificial silk piecegoods and artificial silk mixtures were raised to 50 per cent. and $34\frac{3}{8}$ per cent. respectively in September 1931 after being subject for the previous seven months to a flat rate of 20 per cent.

9. When the Cotton Textile Industry (Protection) Act, 1930, was passed, an assurance was given to the Legislature that the effect of the duties thereby imposed on the production of cotton piecegoods in India and on the Indian industry would be examined in a Tariff Board enquiry. The Tariff Board

Emergency enquiry, 1932 and imposition of additional duties.

of 1932 was therefore appointed to consider whether the claim of the industry to protection had been established, and if so, in what form and to what extent protection should be given. Before the Board could complete its investigations, there was a serious fall in Japanese exchange and in the prices of cotton piecegoods imported from Japan, which appeared likely to render ineffective the protection intended to be afforded to the Indian textile industry by the 1930 duties. The Board was directed to make a special enquiry in this connection, as a result of which the import duty on cotton piecegoods not of British manufacture was raised in August, 1932, from $31\frac{1}{4}$ to 50 per cent. *ad valorem* and the minimum specific duty on plain grey goods not of British manufacture from $4\frac{3}{8}$ to $5\frac{1}{4}$ annas per pound.

10. In its report on the main terms of reference, the Tariff Board found that the Indian cotton textile industry had established a claim to substantive protection. The Government of India accepted this conclusion but found it necessary to review the measure of protection recommended by the Board in the light of events subsequent to the submission of its Report which was signed on 10th November, 1932. In 1933, the duties on artificial silks were altered to 50 per cent. *ad valorem* or 4 annas per square yard whichever was higher. On artificial silk mixtures the duties were changed to a minimum of $2\frac{1}{4}$ annas per square yard or 35 per cent., the *ad valorem* rate being increased to 50 per cent. at the end of the year. The duty on cotton piecegoods not of British manufacture was raised to 75 per cent. *ad valorem* with a minimum specific duty on plain grey goods of $6\frac{3}{4}$ annas per pound, but on 8th January, 1934, was reduced again to the present level of 50 per cent. and $5\frac{1}{4}$ annas respectively, as a result of the Indo-Japanese Agreement which introduced a quantitative limitation on

Tariff Board's enquiry, 1932, and alterations in duties since 1933.

imports from Japan. Meantime as a result of the visit of the British Textile Mission to India in the autumn of 1933, an understanding was arrived at between the Millowners' Association, Bombay, and the British Delegation, details of which are incorporated in the Resolution of the Government of India, No. 341-T. (12)/35, printed in Chapter I of this Report. The Indian Tariff (Textile Protection) Amendment Act which came into force on 1st May, 1934, gave statutory effect to both Agreements subject to one slight modification in respect of cotton yarn of counts over 50s. A new definition of grey piecegoods was introduced and provision was made for a new class of piecegoods under the head of cotton sateens. Changes were also made in the classifications and rates of artificial silk piecegoods and mixtures which are shown in Table I and referred to in Chapter X.

11. In this Table we have attempted to give a picture of the application of the tariff rates to the Indian cotton textile industry since 1894, when imports of cotton yarn and piecegoods were free of duty:—

Summary of tariff rates relating to cotton textile industry since 1894.	
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TABLE I.—Tariff rates since 1894.

Year.	1894.		1896.	1916.	1917.	1921.	1922.	1925.	1927.	1930.		1930.	1931.		1932.	1933.			1934.		1934.		
Date.	March, 10th.	Dec., 27th.	Feb., 3rd.	March, 8th.	March, 7th.	March, 1st.	March, 1st.	Dec., 1st.	Sept., 22nd.	March, 1st.		April, 4th.	March, 1st.	Sept., 30th.	Aug., 30th.	March, 1st.	June, 7th.	Dec., 23rd.	Jan., 8th.		May, 1st.		
Act, etc.	Tariff Act VIII of 1894.	Tariff (Amendment) Act XVI of 1894.	Tariff (Amendment) Act III of 1896.	Tariff (Amendment) Act IV of 1916.	Tariff (Amendment) Act VI of 1917.	Finance Act VI of 1921.	Finance Act XII of 1922.		Tariff (Cotton Yarn Amendment) Act XXIII of 1927.	Finance Act XV of 1930.		Tariff (Cotton Textile Industry Protection) Act XVII of 1930.	Finance Act of 1931.	Finance (Supplementary and Extending) Act of 1931.	Notification No. 341-T. (164) n/s 3 (5) Act VIII of 1894.	Finance Act of 1933.	Notification No. 341-T. (S) 33 n/s 3 (5) Act VIII of 1894.	Tariff (Amendment) Act I of 1934.	Notification No. 341-T. (23) 34 n/s 3 (5) Act VIII of 1894.		Tariff (Textile Protection) Amendment Act XII of 1934.		
Cotton Yarn . . .	%	%	%	%	%	%	%		% As. per lb.	%		% As. per lb.	% As. per lb.	% As. per lb.	% As. per lb.	% As. per sq. yd.	% As. per lb.	% As. per sq. yd.	% As. per lb.		% As. per lb.		
	..	5	Free				5		5 or 1½					6½ or 1½							5 or 1½ 6½ or 1½	Cotton Yarn	
Cotton Piecegoods . . .	..	5	3½		7½	11				15	Plain Grey— British . . . Foreign . . . Others— British . . . Foreign . . .	15 or 3½ 20 or 3½ 15 20	20 or 3½ 25 or 3½ 20 25	25 or 4½ 31½ or 4½ 25 31½	50 or 5½		75 or 6½		50 or 5½	50 or 5½	25 or 4½ 50 or 5½ 25 35 25 50	25 or 4½ 50 or 5½ 25 35 25 50	Piecegoods containing more than 90% Cotton.
Other Fabrics . . .	5			7½		11	15					20	100% Artificial Silk All Mixtures	50 34½		50 or 4 35 or 2½		50 or 2½		0 to 49% Cotton— British . . . Foreign . . . 50 to 90% Cotton— British . . . Foreign . . . 51 to 90% Cotton— British . . . Foreign . . .	30 or 2½ 50 or 4 30 or 2 50 or 3½ 25 50	30 or 2½ 50 or 4 30 or 2 50 or 3½ 25 50	Containing at least 10% Artificial Silk. Containing not more than 10% Artificial Silk or 10% Wool.
Artificial Silk Yarn . . .	..	5		7½		11	15		7½				10	18½							% As. per lb. 25 or 3	Artificial Silk Yarn and Staple Fibre.	
Fents . . .											Up to 9 yds.— Cotton . . .	15	20	25		British . . . Foreign . . .	26 75		50	Up to 4 yds.— British . . . Foreign . . .	25 35	Fents.	
Excise.	—	Cotton Duties Act XVII.	Cotton Duties Act II.	—	—	—	—	Ordinance No. 1.			Artificial Silk Mixtures . . .					50 35		50					
Yarn (above 20s) . . .	..	% 5	% Repealed. 3½																				
Cloth . . .	..	..	..	..	..	..	..	Sus-pended.*															

Revenue.

Revenue.

* Repealed 25th March, 1926 by Finance Act XIX.

13. The task entrusted to this Tariff Board is that of recommending, on a review of present conditions and in the light of the

Scope of enquiry. experience of the effectiveness of the existing duties, the level of the duties necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom of (a) cotton piecegoods, (b) cotton yarn, (c) fabrics of artificial silk and (d) mixture fabrics of cotton and artificial silk. In the supplementary statement of its case to the Board, the Millowners' Association, Bombay, states that the present position in regard to duties on United Kingdom goods has in fact existed only since May, 1934, in the case of yarns, artificial silk piecegoods and artificial silk mixtures, and since January, 1934, in the case of cotton piecegoods, which, in the opinion of the Association, renders it difficult to arrive at definite conclusions regarding the effectiveness or otherwise of the present duties. The institution of the quota against Japanese piecegoods early in January, 1934, effected a change in the general position of imports into India. As regards duties the Indian cotton textile industry was given protection under the Protection Act of 1930 at the rate of 15 per cent. *ad valorem* on piecegoods imported from the United Kingdom with, in the case of plain greys, a minimum specific duty of $3\frac{1}{2}$ annas per lb. By the two Finance Acts of 1931 these rates were increased for revenue purposes on 1st March to 20 per cent. and $3\frac{1}{2}$ annas and on 30th September to 25 per cent. and $4\frac{3}{8}$ annas respectively. These rates, partly protective and partly revenue, continued in force until 1st May, 1934, when by the Textile Protection Amendment Act they came definitely under the category of protective duties. The classification has been changed to some extent and there has been an understanding that if the second surcharge imposed in 1931 came off as a general measure, the duties would be reduced to 20 per cent. with, in the case of plain greys, the minimum specific duty of $3\frac{1}{2}$ annas per pound. When the Government of India undertook in 1934 to give adequate protection to the industry for a period of five years, it was agreed as indicated in the Resolution quoted above that on the expiry of two years, the duties on British goods for the remaining period of protection would have to be decided on a review of the conditions then existing and in the light of such experience as might have been gained. Taking all the circumstances into account, the Board considers it necessary to make a survey of the period that has elapsed since the existing rates of duty on cotton piecegoods came into effect.

14. We propose, therefore, in the first place to indicate the progress made by the Indian textile industry since the 25 per cent.

Survey of the industry since 1931. import duties on cotton piecegoods came into force in 1931. Before then the world wide depression had set in and the course of Inter-

national trade had already been materially affected by the growth of nationalism and the desire of most countries to become more self-sufficient through the development of their own internal resources.

In the case of India, the expansion of the cotton manufacturing industry in particular was stimulated by the strong swadeshi movement and the boycott of foreign goods, as well as by the increasing efficiency of Indian mills and Indian labour and the Board fully realises the difficulty there must be in assessing the value to be attached to the various factors that have influenced the development of the industry since 1931.

CHAPTER III.

Progress of Indian Mills.

15. The Millowners' Association, Bombay, publishes annually a statement showing the progress of the cotton mill industry in India. Figures corresponding to those included in Appendix III of the last Tariff Board Report have been supplied again by the Association and are given in Appendix III attached hereto. They show the number of mills working in India since 1931 as follows:—

1931.	1932.	1933.	1934.	1935.
312	314	311	320	336

The following Table shows the distribution of the mills now working:—

TABLE II.—*Cotton Mills in India.*

Where Situated.	MILLS WORKING.				MILLS IDLE.				Existing Mills, Total.	Mills in course of erection or recently registered.	Grand Total—All Mills.
	Spinning only.	Weaving only.	Spinning and Weaving.	TOTAL.	Spinning only.	Weaving only.	Spinning and Weaving.	TOTAL.			
1. Bombay City and Island.	4	3	59	66	..	1	7	8	74	..	74
2. Ahmedabad . . .	2	2	75	79	..	1	3	4	83	..	83
3. Rest of Bombay Presidency—											
British Indian Territory.	2	4	21	27	..	1	3	4	31	2	33
Baroda . . .	2	1	13	16	..	..	1	1	17	..	17
Kathiawar . . .	1	..	8	9	..	..	..	..	9	..	9
Sangli . . .	..	1	..	1	..	..	..	..	1	..	1
Kolhapur* . . .	1	1	1	3	..	..	..	..	3	..	3
Cambay† . . .	..	..	2	2	..	..	..	..	2	..	2
TOTAL—REST OF BOMBAY PRESIDENCY.	6	7	45	58	..	1	4	5	63	2	65
TOTAL—BOMBAY PRESIDENCY.	12	12	179	203	..	3	14	17	220	2	222

* Includes Belgaum and Inchalkaranji.

† Includes Kaira.

TABLE II.—*Cotton Mills in India—contd.*

Where Situated.	MILLS WORKING.				MILLS IDLE.				Existing Mills, Total.	Mills in course of erection or recently registered.	Grand Total—All Mills.
	Spinning only.	Weaving only.	Spinning and Weaving.	TOTAL.	Spinning only.	Weaving only.	Spinning and Weaving.	TOTAL.			
4. Rajputana—											
Ajmer-Merwara . .	..	1	3	4	..	..	..	..	4	..	4
Kishangarh . .	..	..	1	1	..	..	..	..	1	..	1
TOTAL RAJPUTANA . .	..	1	4	5	..	..	..	..	5	..	5
5. Betar	..	..	4	4	..	..	..	..	4	..	4
6. Central Provinces—											
Central Provinces . .	..	..	6	6	..	..	*1	1	7	..	7
Rajnandgaon . .	..	..	1	1	..	..	..	..	1	..	1
TOTAL—CENTRAL PROVINCES.	..	..	7	7	..	..	1	1	8	..	8
7. Hyderabad (Nizam's Dominions).	..	..	6	6	..	..	..	..	6	..	6
8. Central India—											
Indore † . .	..	..	7	7	..	..	..	..	7	..	7
Gwallior . .	..	..	7	7	..	..	..	..	7	1	8
Rutham . .	..	..	1	1	..	..	..	..	1	..	1
TOTAL—CENTRAL INDIA	..	..	15	15	..	..	..	..	15	1	16
9. Bengal Presidency . .	2	6	11	19	1	..	2	3	22	24	46
10. Punjab	1	..	3	4	..	..	2	2	6	..	6
11. Delhi Province . .	..	..	6	6	..	1	..	1	7	1	8
12. United Provinces . .	8	1	12	21	3	..	1	4	25	1	26
13. Madras Presidency—											
Madras Presidency	10	5	10	34	†1	..	..	1	35	12	47
Cochin . .	..	..	1	1	..	..	..	..	1	..	1
TOTAL—MADRAS PRESIDENCY.	10	5	11	35	1	..	..	1	36	12	48
14. Travancore . . .	..	..	1	1	..	..	..	..	1	..	1
15. Mysore	1	2	3	6	..	..	..	..	6	..	6
16. Pondicherry . . .	..	..	3	3	..	..	..	..	3	..	3
17. Burma	1	..	..	1	..	..	..	..	1	..	1
18. Bihar and Orissa . .	..	..	..	..	..	..	..	..	..	1	1
GRAND TOTAL	44	27	265	336	5	4	20	20	365	42	407

* Pulgaon now closed.

† includes Ujjain and Mandasaur.

‡ Sri Satyanarayana now closed.

16. In the reports of previous Tariff Boards, reference was made to the marked increase in combined spinning and weaving establishments as compared with mills equipped for spinning only.

Local tendencies. During the period under review, the former again show an increase in number, from 231 to 265, while purely spinning concerns have fallen from 58 to 44. This falling off has been general except in Madras Presidency, where not only has there been an actual increase in spinning mills but a dozen new mills are in course of construction or have been recently registered. Close proximity to the cotton growing areas and comparatively cheap supplies of electrical power are amongst the reasons given for the expansion of the mill industry in that Presidency. In other parts of the country the tendency is for mills to concentrate more on the manufacture of cloth to meet the demands of local markets. Especially is this the case in Bengal where the number of mills working has increased from 13 to 19, and out of the total number of new mills under construction or recently registered, 24 are shown against this large consuming centre. Of 29 mills returned as idle on 31st August last, 17 are situated in Bombay Presidency. In 1931 the same number was shown idle out of an All-India total of 27. While the total number of mills actually at work in that Presidency has increased, including a further expansion from 73 to 79 mills at Ahmedabad, the City and Island of Bombay has had to face a reduction from 73 to 66. That centre, however, is still the home of large combined spinning and weaving establishments, its average working mill containing 1,036 looms and 43,810 spindles, as compared with 638 looms and 25,465 spindles at Ahmedabad, and 553 looms and 26,239 spindles for the average combined spinning and weaving mills for the rest of India.

17. While Bombay and Ahmedabad are still the largest and most important centres, there has been a considerable expansion of the industry in other places. The following Table has been prepared by the Board from figures in the Annual Statements of the

Comparative statistics of expansion.

Millowners' Association, Bombay, to show the numbers of mills and of spindles and looms installed with the average workers employed and approximate quantity of cotton consumed in Bombay, Ahmedabad and the rest of India for the years ending 31st August, 1931 and 1935, respectively:—

TABLE III.—Comparative statistics of Cotton Mill expansion.

	Bombay City and Island.			Ahmedabad.			Rest of India.			All-India.		
	1931.	1935.	Percent- age of variation.	1931.	1935.	Percent- age of increase.	1931.	1935.	Percent- age of increase.	1931.	1935.	Percent- age of increase.
Mills working and idle . . .	81	74	-8.6	76	83	9.2	152	208	14.3	339	365	7.7
Spindles installed . . .	3,427,000	2,960,088	-12.8	1,743,523	2,023,190	16.0	4,141,430	4,672,497	12.8	9,311,953	9,685,775	4.0
Looms installed . . .	76,975	63,385	-11.2	40,022	50,400	25.9	65,432	79,482	21.5	132,429	193,267	8.7
Mills working . . .	74	66	-10.8	73	79	8.2	170	191	12.3	317	336	5.9
Spindles installed . . .	3,201,812	2,709,358	-15.4	1,707,223	1,947,314	14.0	4,041,712	4,448,591	10.1	8,950,747	9,105,263	1.7
Looms installed . . .	71,365	61,778	-13.4	39,182	48,429	23.6	62,881	75,932	20.8	179,498	186,139	7.3
Average number of workers . . .	129,057	111,147	-13.9	69,562	79,049	14.5	106,856	224,088	13.8	395,475	414,834*	4.9
Approximate consumption of cotton in bales of 392 lbs.	839,388	885,252	+5.4	413,808	501,832	21.3	1,379,980	1,736,330	25.8	2,638,176	3,123,414	18.6
<i>Percentage to All-India of—</i>												
Mills working . . .	23.3	19.6	..	23.0	23.5	..	53.6	56.9	..	..	..	..
Spindles installed . . .	35.8	29.7	..	19.1	21.4	..	45.1	48.9	..	..	..	..
Looms installed . . .	41.1	33.2	..	22.6	26.0	..	36.3	40.8	..	..	..	..
Average number of workers . . .	32.6	26.8	..	17.5	19.2	..	49.6	54.0	..	..	..	..
Approximate consumption of cotton.	31.9	28.3	..	15.7	16.1	..	52.4	55.6	..	..	..	..

* Excluding those employed in night shift.

This statement indicates an all round increase in the industry's productive capacity except at Bombay, but even there the increased consumption of raw material in spite of strikes and of the reduction in machinery and labour employed points to more efficient working now than four years ago. Notwithstanding a reduction of 18,000 workers in Bombay, the average total number employed in India's mills in 1935 was 414,884, an increase of 19,000 since 1931.

18. In the foregoing analysis of the progress of the cotton mills since 1931, we have made use of figures compiled through the voluntary efforts of the Millowners' Association, Bombay. We now turn to the statistics of the Department of Commercial Intelligence and Statistics for the quantities of yarn spun and goods woven in Indian mills. For the sake of comparison, Table IV has been compiled in form similar to Table III, and gives the production of yarn and woven goods for Bombay, Ahmedabad and the rest of India for the years ended 31st March, 1931 and 1935:—

TABLE IV.—*Indian mill production of yarn and woven goods.*

(Millions of lbs.)

	Bombay City and Island.			Ahmedabad.			Rest of India.			All-India.		
	1930-31.	1934-35.	Percent- age of variation.	1930-31.	1934-35.	Percent- age of variation.	1930-31.	1934-35.	Percent- age of increase.	1930-31.	1934-35.	Percent- age of increase.
1. Yarn	271	265	—2	137	179	+31	459	557	21	867	1,001	15
2. Piecegoods—												
(a) Grey and bleached .	165	176	+7	108	131	+21	187	264	41	460	571	24
(b) Coloured	45	40	—12	28	53	+89	45	54	20	118	147	25
(c) Other sorts	3	8	+167	2	1	—50	7	10	43	12	19	58
TOTAL WOVEN .	213	224	+5	138	185	+34	239	328	37	590	737	25
Percentage to All-India—												
Yarn	31	26	..	16	18	..	53	56	..	100	100	..
Woven cloth	36	30	..	24	25	..	40	45	..	100	100	..

It is noticeable that while the production of woven goods since 1931 has increased by 25 per cent., the production of yarns has gone up by 15 per cent. only. This difference is explained partly by the change-over to spinning finer counts but mainly by the greater expansion of the weaving side of the industry. The Table shows everywhere an expanding industry except in Bombay where stoppages of machinery reduced the output of yarn and coloured piece-goods and limited the increase in the total quantity of woven goods to 5 per cent. At Ahmedabad, on the other hand, the production of yarns and of coloured piecegoods has increased by 31 and 89 per cent. respectively, and the total amount of woven goods by 34 per cent. The outstanding advances under all heads are spread over the rest of India, which now produces 56 per cent. of India's total output of mill-made yarn, as compared with 26 per cent. at Bombay and 18 per cent. at Ahmedabad. These two centres together manufacture 55 per cent. of India's total output of mill-made cloth, although the rest of the country's share has advanced from 40 to 45 per cent. during the past four years.

19. In Table V we give an analysis of counts of yarn spun in Indian mills for the years ended 31st March, 1931 and 1935:—

TABLE V.—*Indian mills' production of yarn.*

(Millions of lbs.)

Counts.	1930-31.	1934-35.	Percentage of variation.
1—10	113.50	109.71	—3.34
11—20	400.15	463.44	+15.82
21—30	259.69	282.34	+8.72
31—40	60.75	95.53	+57.25
Above 40	27.31	43.88	+60.67
Wastes	5.79	5.85	..
TOTAL .	867.19	1,000.75	+15.4

The feature of this Table is the increase in the production of yarn of counts above 30s where an advance of 58 per cent. has taken place as compared with one of barely 11 per cent. in counts of 30s and below. This movement towards higher counts has been in progress for some time. In view of the importance attached by Madras to the needs of handloom weavers, we have shown separately the figures for that Presidency in the following analysis:—

TABLE VI.—*Territorial production of mill spun yarn.*

(Millions of lbs.)

Counts.	Bombay City and Island.		Ahmedabad.		Madras.		Other centres.		Total India.	
	1930-31.	1934-35.	1930-31.	1934-35.	1930-31.	1934-35.	1930-31.	1934-35.	1930-31.	1934-35.
1—10 .	54	40	3	2	4	3	53	65	114	110
11—20 .	101	96	48	76	81	44	220	247	400	463
21—25 .	61	58	22	5	24	22	60	66	167	151
26—30 .	22	26	86	49	10	12	25	44	93	131
31—40 .	23	30	17	26	7	19	13	21	60	96
Above 40	10	14	11	21	1	1	5	8	27	44
Wastes .	5	1	..	..	1	2	4.5	3	6	6
TOTAL	271	265	137	179	78	108	381	454	867	1,001

While the percentage of counts above 30s has increased from 10 to 14 for the whole country, the mills in Ahmedabad have increased their output of these higher counts from 20 to 26 per cent. since 1931. During this period these mills have increased their production of counts above 40s from 11 to 21 millions of lbs.

20. We have had extracted specially the details of counts above 40s spun in the Bombay Presidency where 82 per cent. of India's total output of these fine yarns is produced, and the following Table shows the progress made since 1931:—

Spinning of finer counts of yarns.

TABLE VII.—*Mill production of yarns above 40s counts.*

(Thousands of lbs.)

Counts.	Bombay City and Island.		Ahmedabad.		Bombay Presidency.	
	1930-31.	1934-35.	1930-31.	1934-35.	1930-31.	1934-35.
41—50	7,726	10,417	5,256	10,822	13,895	21,085
51—60	2,084	2,371	4,955	8,930	7,704	10,398
61—80	669	738	734	270	1,695	3,076
81—100	64	110	302	524	412	715
101 up	..	29	..	21	..	51
TOTAL .	10,493	13,665	10,647	20,567	23,706	36,175

From these figures it is evident that mills in Ahmedabad have been able to make substantial progress in spinning yarns up to counts of 50s and 60s required to meet the demand for the finer

qualities of cloth which hitherto has been largely met by imports from abroad. In Bombay also some mills are producing larger quantities of high grade yarn and cloth, but elsewhere in India there is little progress to report in this direction.

21. From the existing returns it is not possible to divide the total amount of cloth produced into classes according to the quality of the yarn used in its manufacture. The progress made by Indian mills, however, in the manufacture of woven goods is shown in Table VIII which gives the quantities of piecegoods produced by them during the years ended 31st March, 1931 and 1935:—

TABLE VIII.—*Indian mill production of woven goods.*

	1930-31.	1934-35.	Percentage of variation.
I. Piecegoods—	(Millions of yards.)		
1. Gray and bleached—			
Chadars	54.0	58.9	+9
Dhotis	831.4	1,109.9	+33
Drills and jeans	80.7	118.6	+47
Cambrics and lawns	28.9	121.7	+321
Printers	19.1	20.9	+9
Shirtings and long-cloth	642.2	863.2	+34
T-cloth, domestics and sheetings	121.9	161.9	+33
Tent cloth	8.7	6.1	—30
Khadi, dungri or khaddar	175.2	106.2	—40
Other sorts	41.4	73.7	+79
TOTAL	2,003.5	2,641.1	+32
2. Coloured	557.6	755.8	+35
TOTAL PIECEGOODS	2,561.1	3,396.9	+33
II. Other Goods—	(Millions of lbs.)		
Consisting of—			
(a) Grey and coloured other than piecegoods.	3.2	3.7	
(b) Hosiery	1.7	4.7	
(c) Miscellaneous	4.2	6.2	
(d) Cotton goods mixed with silk or wool	3.4	3.8	

These figures have been extracted from the official statistics of cotton spinning and weaving in Indian mills, which also give details of the quantities of woven goods produced in the different provinces. Having already dealt with the development of the industry when reviewing the expansion of mills and the production of yarn in different parts of India, we do not consider it necessary to analyse further the distribution of India's cloth producing capacity. We have, however, endeavoured to ascertain the extent to which the change-over to higher counts of yarn is evidenced by the returns of the mills' production of woven goods. Table IX shows the average number of yards per pound of cotton piecegoods manufactured during the past five years:—

TABLE IX.—Average yardage per pound of piecegoods.

—	BOMBAY CITY AND ISLAND.		AHMEDABAD.		BRITISH INDIA.		INDIAN STATES.	
	Grey and bleached.	Coloured.	Grey and bleached.	Coloured.	Grey and bleached.	Coloured.	Grey and bleached.	Coloured.
1930-31	4.51	4.95	4.97	5.53	4.38	4.81	3.78	4.18
1931-32	4.60	5.00	5.14	5.64	4.53	4.96	3.83	4.26
1932-33	4.68	4.98	5.40	5.84	4.56	5.04	3.96	4.34
1933-34	4.57	4.72	5.41	5.89	4.63	5.04	4.16	4.32
1934-35	4.70	4.80	5.54	6.17	4.70	5.24	4.20	4.49

This analysis clearly indicates that Indian mills are steadily raising their standards of manufacture and emphasises the lead taken by Ahmedabad in the production of finer qualities of cloth.

CHAPTER IV.

Import and Export Trade.

22. The Indian mill production of cotton piecegoods during the four years ended 31st March, 1935, rose from 2,561 to 3,397 million yards, an increase of 33 per cent. The imports of piecegoods. imports of cotton piecegoods from all countries during the same period rose from 882 to 943 million yards, an increase of 7 per cent. only. During the three preceding years ended 31st March, 1930, the imports of piecegoods including fents had averaged 1,943 million yards. In 1930-31 there was a sudden fall to 890 million yards or less than half the imports of the immediately preceding years. "To this several causes contributed: it was partly due to the slump which visited industry and trade throughout the world; political conditions in India were partly responsible; and the protective duties first imposed in 1930 also operated to check imports." This was the view expressed by the last Tariff Board which reported on 10th November, 1932. The Lancashire Delegation and Chambers of Commerce urge that the year 1930-31 was an exceptional year from an importer's point of view owing to the variety of influences then at work and they maintain that the figures for that year do not provide a fair basis for comparison with succeeding years. The limit placed by the present Board, however, on its review of the position created by the existing duties prevents us from making comparisons farther back than the year ended 31st March, 1931, which we have therefore decided to use as the basic year for present purposes. In Table X we give the total imports of cotton piecegoods according to the main customs classifications from the year 1930-31 to date with details of quantities and percentages of imports from the United Kingdom.

TABLE X.—Imports of Cotton Piecegoods excluding fents.

	1930-31.			1931-32.			1932-33.			1933-34.			1934-35.			1935-36 (9 months).		
	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.
Plain Grey	194	25	13	166	29	17	217	32	15	140	27	19	178	25	14	159	16	10
Bordered Grey	171	118	69	83	31	37	138	79	57	90	61	68	119	78	65	86	46	53
TOTAL GREY	365	143	39	249	60	24	355	111	31	230	88	38	297	103	35	245	62	25
Bleached	272	230	84	280	207	74	413	231	68	262	184	70	285	237	83	197	148	75
TOTAL GREY AND BLEACHED	637	373	58	529	267	50	768	392	51	492	272	55	582	340	58	442	210	48
Printed	106	71	67	105	51	48	237	88	37	140	66	40	200	97	48	161	50	31
Piece Dyed	93	59	63	93	55	59	148	95	64	102	76	74	127	102	80	76	57	75
Yarn Dyed	46	18	39	25	4	16	40	11	27	26	10	39	34	14	41	24	6	25
TOTAL COLOURED	245	148	60	223	110	49	425	194	46	268	142	53	361	213	59	261	113	43
TOTAL IMPORTS OF PIECEGOODS	882	521	59	752	377	50	1,193	586	49	760	414	54	943	553	53	703	323	45
Total Mill production	2,561	..	..	2,990	..	..	3,170	..	..	2,945	..	..	3,897	..	..	..	..	..
Percentage of imports to mill production.	34	20	..	25	13	..	38	18	..	26	14	..	28	16	..	..	..	..
Total Mill and handloom production.	3,896	..	..	4,450	..	..	4,826	..	..	4,353	..	..	4,829	..	..	..	..	..
Percentage of imports to total production.	23	13	..	17	8	..	25	12	..	17	9	..	19	11	..	..	..	..

(Millions of yards.)

The feature of this Table is the effectiveness of the specific duty in preventing any recovery of lost ground in plain greys. The bleached and coloured sections of the trade, on the other hand, have been able to prevent any further decline. In the opinion of the Bengal Chamber of Commerce comparatively high imports in 1932-33 were due to the optimism following the lifting of the boycott, and the Chamber refers to the lower imports of the following year as a natural reaction. This Table shows the difficulty experienced by the United Kingdom in maintaining its share of the import trade notwithstanding the relatively higher duties imposed on piecegoods of non-British manufacture.

23. Owing to differences in classification in the two sets of statistics it is difficult to make a detailed comparison of the quantities of piecegoods produced in Indian mills with the quantities of different kinds imported. The seaborne trade statistics, for instance, show imports of grey and bleached piecegoods separately; they are lumped together under one head in the mill production statistics which likewise show printed, dyed and colour woven as 'coloured'. The sub-divisions also are different. In Table XI we have attempted a comparison of the two sets of returns which may not be altogether correct but is sufficiently near to give a picture of the position. The Indian mill production figures are compared with imports and the two are added together to give an indication of the total supplies of mill-made and imported piecegoods during the five years ended 31st March 1935.

TABLE XI.—Indian mill production and imports of piecegoods excluding jents.

	1930-31.			1931-32.			1932-33.			1933-34.			1934-35.			1935-36. (6 months).		
	Mill production.	Imports.	Total.	Mill production.	Imports.	Total.	Mill production.	Imports.	Total.	Mill production.	Imports.	Total.	Mill production.	Imports.	Total.	Mill production.	Imports.	Total.
<i>Grey and Bleached.</i>																		
Chadars	54	..	54	56	..	56	59	..	59	56	..	56	59	..	59	28	..	28
Photis	831	186	1,017	964	85	1,049	1,097	141	1,238	979	96	1,075	1,110	122	1,232	627	61	688
Drills and jeans	81	14	95	103	11	114	113	15	128	104	14	118	118	10	128	61	8	69
Cambrics and lawns	29	185	214	43	207	250	67	300	367	78	181	259	122	212	334	68	98	166
Printers	19	..	19	22	..	22	13	..	13	18	..	18	21	..	21	9	..	9
Shirtings and longcloth.	642	238	880	791	214	1,005	748	293	1,041	726	189	915	863	220	1,083	400	122	522
T-cloth, domestics, sheetings.	122	4	126	154	4	158	144	5	149	137	2	139	162	2	164	75	..	75
Tent cloth	9	..	9	5	..	5	7	..	7	5	..	5	6	..	6	4	..	4
Khadi, Dugri or Khaddar	175	..	175	120	..	120	115	..	115	91	..	91	106	..	106	52	..	52
Other sorts	41	10	51	53	8	61	60	14	74	71	10	81	74	16	90	38	7	45
TOTAL	2,003	637	2,640	2,311	529	2,840	2,438	768	3,101	2,265	492	2,757	2,641	582	3,223	1,362	296	1,658
Coloured, printed or dyed	558	245	803	679	233	902	747	425	1,172	680	260	949	756	361	1,117	386	180	566
TOTAL	2,561	882	3,443	2,990	752	3,742	3,170	1,193	4,363	2,945	761	3,706	3,397	943	4,340	1,748	476	2,224
Percentage variation on 1930-31	..	..	..	+17	-15	+9	+24	+35	+27	+15	-13	+8	+33	+7	+26	..	..	..

(Millions of yards.)

The feature here is the increase in the supplies of mill-woven and imported grey and bleached piecegoods. From 2,640 million yards in 1930-31 the total yardage increased in 1934-35 to 3,223 million yards, a quantity equalling the pre-slump record total of 3,214 in 1929-30. This increase of 22 per cent. in grey and bleached goods is more than accounted for by an increase of 31 per cent. in the mill production, as imports show a decrease of 9 per cent. In coloured goods, as a whole, where the total supply increased from 803 to 1,117 million yards or a rise of 39 per cent., imported articles increased by 47 per cent. as compared with 35 per cent. in the mill production. Taking grey, bleached and coloured goods together the total supplies increased from 3,443 million yards in 1930-31 to 4,340 millions in 1934-35 which may be compared with the pre-slump record total of 4,300 in 1929-30. The above figures make no allowance for re-exports of imports or for exports of Indian goods, nor do they take into account hand-loom production which is dealt with later.

24. In the series of Tables following we have sub-divided imported piecegoods under the main Customs headings, and have shown separately the share of the United Kingdom and its percentage to the total.

TABLE XII.—*Imports of Plain Grey Piecegoods.*

Articles.	(Millions of yards.)					
	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Dhotis, saris and scarves (total)	..	..	..	..	1	..
United Kingdom . .	..	..	..	..	1	..
Jaconets, including madapolams, mulls and cambrics (total).	10	24	27	22	21	12
United Kingdom . .	10	24	27	22	21	12
Longcloth and shirtings (total)	166	134	183	113	152	142
United Kingdom . .	5	3	4	4	2	1
Drills and jeans (total) . .	2	3	1	2	1	1
United Kingdom . .	..	..	..	..	..	..
Others (total)	7	5	6	3	3	4
United Kingdom . .	1	2	1	1	1	3
TOTAL—ALL COUNTRIES .	194	166	217	140	178	159
 UNITED KINGDOM	25	29	32	27	25	16
Percentage of United Kingdom to total imports.	13	17	15	19	14	10

Apart from the business in jaconets which the United Kingdom has retained, the above Table shows clearly the negligible share that country has in the plain grey import trade.

TABLE XIII.—*Imports of Bordered Grey piecegoods.*

(Millions of yards.)

Articles.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Dhotis, saris and scarves (total)	171	83	138	90	112	86
United Kingdom . . .	117	31	79	61	74	46
Jaconets, including madapolams, mulls and cambrics (total).	..	..	..	..	3	..
United Kingdom . . .	..	..	..	..	3	..
Longcloth and shirtings (total)	..	..	..	..	3	..
United Kingdom . . .	..	..	..	..	..	..
Others (total) . . .	..	..	..	..	1	..
United Kingdom . . .	..	..	..	..	1	..
TOTAL—ALL COUNTRIES . . .	171	83	138	90	119	86
UNITED KINGDOM . . .	117	31	79	61	78	46
Percentage of United Kingdom to total imports.	69	37	57	68	65	53

The United Kingdom has managed to retain the larger portion of the import trade in bordered grey, but the total imports are much less than in 1930-31 as might be expected from the increased mill production of dhotis as shown in Table XI.

TABLE XIV.—*Imports of Bleached piecegoods.*

(Millions of yards.)

Articles.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Dhotis, saris and scarves (total)	15	2	3	6	9	4
United Kingdom . . .	15	2	3	6	9	4
Jaconets, including madapolams, cambrics and muslins (total).	10	11	18	16	25	13
United Kingdom . . .	8	3	9	14	21	11
Mulls (total) . . .	125	144	211	121	144	97
United Kingdom . . .	124	140	187	104	136	84
Lawns (total) . . .	5	7	13	5	6	5
United Kingdom . . .	5	7	13	5	6	5
Nainsooks (total) . . .	26	21	31	17	13	7
United Kingdom . . .	19	7	7	6	10	3
Longcloth and shirtings (total)	72	80	110	76	65	54
United Kingdom . . .	60	38	40	31	39	27
Checks, spots and stripes (total)	4	4	8	4	5	3
United Kingdom . . .	3	3	8	4	5	3
Drills and jeans (total) . . .	4	4	4	5	3	3
United Kingdom . . .	2	2	3	4	3	3
Twills (total) . . .	8	4	11	7	6	7
United Kingdom . . .	7	3	9	6	6	7
Others (total) . . .	3	3	4	5	9	4
United Kingdom . . .	2	2	2	4	2	1
TOTAL—ALL COUNTRIES . . .	272	280	413	262	285	197
UNITED KINGDOM . . .	230	207	281	181	237	148
Percentage of United Kingdom to total imports.	85	74	68	70	83	75

The United Kingdom does the bulk of the import business in bleached goods where that country has been able to hold its own especially in mulls and jaconets.

TABLE XV.—Imports of Coloured piecegoods.*

(Millions of yards.)

Articles.	1930-31.			1931-32.			1932-33.			1933-34.			1934-35.			1935-36 (9 months).		
	Printed.	Dyed.	Woven coloured.	Printed.	Dyed.	Woven coloured.	Printed.	Dyed.	Woven coloured.	Printed.	Dyed.	Woven coloured.	Printed.	Dyed.	Woven coloured.	Printed.	Dyed.	Woven coloured.
Chadders (total)	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Dotted, striped, and scarves (total)	14	3	..	7	1	..	16	1	..	15	2	..	23	1	..	12	1	..
United Kingdom	14	3	..	7	1	..	14	1	..	15	2	..	22	1	..	11	1	..
Luntings and sarongs (total)	6	..	..	8	1	..	13	1	..	8	1	..	9	..	..	7	..	..
United Kingdom	4	..	..	4	..	..	7	..	..	2	..	..	8	..	..	2	..	..
Cambries, including madapolams, muslins, mulis and jacconets (total).	5	15	..	3	16	..	7	33	..	6	27	..	15	35	..	9	18	..
United Kingdom	5	11	..	3	12	..	6	29	..	6	27	..	15	35	..	9	18	..
Longcloth and shirtings (total)	20	25	..	36	21	..	78	30	..	37	18	..	61	7	..	54	12	..
United Kingdom	10	13	..	16	8	..	18	13	..	8	10	..	17	10	..	23	7	..
Checks, spots and stripes (total)	..	4	..	..	4	..	2	6	..	6	6	..	7	6	..	8	9	..
United Kingdom	..	4	..	..	4	..	2	6	..	6	6	..	7	6	..	8	9	..
Prints and chieftz (total)	32	6	5	20	2	1	46	4	..	31	6	..	25	2	..	13	2	..
United Kingdom	28	5	..	13	2	..	27	4	..	14	6	..	19	2	..	10	1	..
Drills and jeans (total)	19	12	..	20	8	..	33	10	..	43	9	..	47	9	..	46	1	..
United Kingdom	6	6	..	5	6	..	8	9	..	14	6	..	14	2	..	14	2	..
Twills (total)	3	10	..	2	13	..	1	16	..	3	12	..	2	13	..	2	8	..
United Kingdom	1	7	..	1	9	..	1	10	..	1	9	..	2	13	..	2	8	..
Coatings and trouserings (total)	..	3	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	..	3	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Sateens, Italian cloth, embroidered overalls, velvets and velveteens (total).	1	10	1	1	12	1	3	22	3	1	11	2	1	26	8	1	7	4
United Kingdom	1	9	..	1	11	..	2	20	..	1	10	..	1	20	1	1	6	..
Others (total)	6	17	..	7	14	..	13	25	..	5	14	..	5	13	..	10	17	..
United Kingdom	2	8	..	1	8	..	4	11	..	3	8	..	5	13	..	1	9	..
Total—All Countries	106	93	46	105	93	25	237	148	40	140	102	26	200	127	34	161	76	24
United Kingdom	71	59	18	51	55	4	88	95	11	56	75	10	97	102	14	50	57	6
Percentage of United Kingdom to total.	67	63	39	49	59	16	37	64	27	40	75	38	48	80	41	31	75	25

As already mentioned in our remarks on Table XI, imports of coloured piecegoods, as a whole, have maintained their position. Printed goods especially have about doubled in quantity during the period under review. The United Kingdom has been sending in more saris and scarves, cambrics and shirtings but the increase is chiefly due to larger imports from other countries of shirtings, and drills and jeans. In dyed goods the United Kingdom has been able to hold the bulk of the import trade with increased quantities of cambrics, twills and Italian cloth and sateens. In woven coloured goods, on the other hand, imports have fallen off.

25. The following Table shows that the Indian mill production of cotton goods mixed with silk and wool has fluctuated considerably since the duties were increased in 1931:—

TABLE XVI.—*Indian mill production of cotton goods mixed with silk or wool.*

(Thousands of lbs.)

1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (6 months).
3,443	3,045	2,007	1,859	[3,830	2,196

The reduced output in 1933-34 was due to abnormally heavy imports from Japan, against which duties were further raised in December, 1933. The following Table shows the progress of the import trade in artificial silk piecegoods including mixtures of artificial silk and cotton during the period under review:—

TABLE XVII.—*Imports of artificial silk piecegoods and mixtures.*

(Millions of yards.)

—	1930-31.	1931-32.	1932-33	1933-34.	1934-35.	1935-36 (9 months).
Total	51.5	84.6	125.3	58.3	80.6	57.8
United Kingdom . . .	2.4	1.6	3.6	2.8	3.7	1.8
Percentage	5	2	3	5	5	3

These figures show the small share the United Kingdom has in this trade which is now entirely dominated by Japan.

Although artificial silk yarns do not come within our terms of reference, it is of interest to note the trend of imports since the

revenue duty was increased in 1931 to $18\frac{3}{4}$ per cent. and in 1934 to 25 per cent. or a minimum specific duty of 3 annas per pound:—

TABLE XVIII.—*Imports of artificial silk yarns.*

(Thousands of lbs.)

—	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Total	7,120	7,963	11,002	9,809	16,615	11,441
United Kingdom . . .	1,006	909	1,656	1,589	862	333
Percentage	14	12	15	16	5	3

26. In the following Table we give the total imports of cotton twist and yarn and corresponding mill production figures classified according to counts for the period under review:—

Imports of yarn
compared with mill
production.

TABLE XIX.—*Mill production and imports of cotton yarn.*

		(Millions of lbs.)											
		1930-31.		1931-32.		1932-33.		1933-34.		1934-35.		1935-36 (6 months).	
	Counts.	Produc- tion.	Imports.	Produc- tion.	Imports.	Produc- tion.	Imports.	Produc- tion.	Imports.	Produc- tion.	Imports.	Produc- tion.	Imports.
		Noa.—											
	1 to 20	513.8	0.4	562.1	0.3	599.4	0.9	547.5	0.3	573.2	0.4	285.3	0.7
	21 to 30	259.7	0.5	294.0	0.8	297.5	1.1	254.8	0.8	282.3	1.2	141.9	
	31 to 40	60.7	14.7	71.1	14.3	77.2	20.9	75.8	14.2	95.5	8.0	58.8	6.8
	Above 40s	27.3	4.3	34.0	5.3	36.6	6.4	37.4	5.7	43.9	8.4	30.6	3.6
	Twofolds (doubles) . .	..	9.2	..	10.9	..	15.8	..	11.0	..	16.0	..	8.9
	Unspecified descriptions and waste.	5.8	..	5.2	..	5.7	..	5.6	..	5.8	..	2.9	..
TOTAL .		867.3	29.1	966.4	31.6	1,016.4	45.1	921.1	32.0.	1,000.7	34.0	519.5	20.0
Per cent. of Imports to mill production.		..	3.36	..	3.27	..	4.44	..	3.47	..	3.39	..	3.85

In view of the gradual change-over to finer counts, these figures show that there has been a steady expansion of Indian mill spinning except during 1933-34 when accumulations of heavy stocks of piecegoods and the closing down of mills in Bombay resulted in a temporary curtailment of production. In face of this expansion it is significant that the total imports of cotton yarns should have been maintained and in some years increased.

27. The following Table gives the imports of yarns under the chief customs classifications with details of counts above 50s which since 1st May, 1934, have not been liable to specific duty. The percentages of imports from the United Kingdom are also shown.

TABLE XX.—Imports of Cotton Twist and Yarn.

	1930-31.			1931-32.			1932-33.			1933-34.			1934-35.			1935-36 (9 months).		
	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.	Total.	United Kingdom.	Per cent.
<i>Grey.</i>																		
50s and below . . .	14,018	1,710	12	13,627	1,891	14	21,285	2,512	12	14,753	2,162	15	8,614	1,730	20	9,619	1,493	15
Above 50s . . .	2,707	2,624	97	4,123	4,117	100	4,886	4,850	99	3,997	3,862	97	6,906	3,679	53	4,531	2,798	62
Double yarn . . .	3,173	809	25	3,708	1,124	30	5,405	836	15	4,342	387	9	5,942	379	6	6,046	371	6
TOTAL GREY . . .	19,898	5,143	26	21,458	7,132	33	31,576	8,198	26	23,092	6,411	28	21,462	5,788	27	20,196	4,662	23
<i>Bleached.</i>																		
50s and below . . .	987	940	95	1,069	1,050	98	1,000	970	97	441	412	93	637	602	95	687	643	94
Above 50s . . .	836	824	99	598	596	100	759	742	98	875	831	95	855	833	98	677	671	99
Double yarn . . .	2,151	1,762	81	1,972	1,548	78	2,295	1,673	73	1,629	1,172	72	2,078	1,207	58	1,921	393	32
TOTAL BLEACHED . . .	3,974	3,516	89	3,639	3,194	88	4,054	3,385	83	2,945	2,415	82	3,570	2,642	74	2,585	1,707	66

(Thousands of lbs.)

Grey yarns continue to form the great bulk of the imports. In single yarns of this quality above 50s, the United Kingdom held a monopoly of the imports until the specific duty on all these yarns was removed in 1934, since when her share has materially decreased. In single grey yarns of lower counts the United Kingdom supplied less than a fifth of the imports while in twofolds her share is negligible. In bleached and coloured yarns, on the other hand, she has retained the whole of the small remaining import trade except in bleached twofolds, of which her share has been reduced from three quarters to less than a half since the removal of the specific duty in 1934. In mercerised yarns 99 per cent. of the trade is in twofolds where the United Kingdom is unable to capture more than one per cent. of the business owing to abnormally low rates quoted by spinners in the Far East.

28. We have brought up to date the figures in Table XXX of the last Tariff Board report in order to show the quantities of cotton yarn made in the Indian mills and imported, less exports and re-exports.

Deducting from the net totals the yarns consumed by Indian mills in the production of woven goods, the balance may be taken as the quantity of cotton yarn available for sale to the handloom and subsidiary industries as shown in the following Table:—

TABLE XXI.—*Quantity of Indian and foreign yarn available for consumption in India.*

(Millions of lbs.)

Year.	Imports of yarn.	Indian mill production of yarn.	Total of columns (1) & (2).	Exports of Indian and foreign yarn by land and by sea.	Balance of yarn in India before weaving in mills.	Yarn consumed by mills in weaving.*	Balance of yarn available for sale.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1930-31 . .	29-14	867-28	896-42	35-69	860-73	527-00	333-73
1931-32 . .	31-58	966-41	997-99	33-01	964-98	600-00	364-98
1932-33 . .	45-10	1,016-42	1,061-52	26-99	1,034-53	620-45	414-08
1933-34 . .	32-05	921-06	953-11	25-25	927-86	576-66	351-20
1934-35 . .	34-01	1,000-75	1,034-76	20-53	1,014-23	657-65	356-58
1935-36 (six months)	19-98	519-51	539-49	7-87	531-62	328-70	202-92

* 100 lbs. of yarn = 112 lbs. of cloth.

It must be noted that imports of artificial silk yarn (*vide* Table XVIII) have not been taken into account in these calculations nor the growing imports of cotton yarns now entering India through the maritime States in Kathiawar, details of which are given in Appendix IV.

29. In Table XXII we give details of India's dwindling export trade in cotton yarns for which Iran is one of the principal outlets.

Exports.

Of the exports by sea over 85 per cent. are counts of 20s and below. Similar parti-

culars are not available regarding the qualities exported across land frontiers:—

TABLE XXII.—*Exports of yarn.*

(Millions of lbs.)						
—	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
By sea	23-88	22-58	16-52	16-95	13-14	7-06
By land	11-81	10-43	10-47	8-30	7-39	5-54
TOTAL .	35-69	33-01	26-99	25-25	20-53	12-60
Percentage of exports to mill production.	4-1	3-4	2-5	2-7	2-0	..

30. We have also brought up to date the figures in Table XXXII of the last Tariff Board report in order to show the production of Indian mills and handlooms, as near as may be estimated, and the imports less exports and re-exports. The net totals added together indicate the quantity of Indian and foreign piecegoods available for Indian consumption as shown in the following Table:—

TABLE XXIII.—*Quantity of Indian and foreign piecegoods available for consumption in India.*

(Millions of yards.)						
Year.	Imports of foreign piece- goods.	PRODUCTION IN INDIA.			Exports of Indian and foreign piece- goods by land and by sea.	Piece- goods retained in India.
		Mills.	Hand- looms.	Total.		
1930-31	890	2,561	1,335	3,896	279	4,507
1931-32	776	2,990	1,460	4,450	313	4,913
1932-33	1,225	3,170	1,656	4,826	277	5,774
1933-34	796	2,945	1,405	4,350	268	4,878
1934-35	996	3,397	1,426	4,823	245	5,574
1935-36 (6 months) . .	476	1,748	812	2,560	127	2,909

As pointed out in the last Tariff Board report, the estimates of handloom production are based on a series of assumptions. We have continued the Table on the same basis, but, as in the case of yarns, it is necessary to point out that imports of artificial silk and mixtures (*vide* Table XVII) have not been taken into account nor the increasing imports of piecegoods now coming in through

the Kathiawar States. Last year 35 million yards of piecegoods and 4 million yards of artificial silk and mixtures entered India through these Maritime States. If these 39 million yards together with the 81 million yards of artificial silk and mixtures imported into British India were included they would make a material addition to the quantity of piecegoods available, but for purposes of comparison the 51 million yards of artificial silk or mixtures imported in 1930-31 would likewise have to be taken into account.

31. Table XXIV gives details of India's export trade in cotton piecegoods, the great bulk of which is in coloured fabrics. Ceylon

Export trade in takes substantial lines, but in Africa, Iran piecegoods. and other markets the keen competition makes it difficult for India to maintain, far less to increase her overseas trade. One important line is referred to in the Chapter on the handloom industry, *viz.*, "handkerchiefs and shawls", almost entirely of Madras handloom manufacture for West African territories, the export value of which last year was Rs. 12½ lakhs only as compared with Rs. 18½ lakhs in 1933-34 and Rs. 36 lakhs the year before. Exports over land frontiers, however, continue to be well maintained.

TABLE XXIV.—*Exports of Indian piecegoods.*

(Millions of yards.)

—	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
By sea—						
Grey	9.8	8.5	4.7	4.2	6.4	7.3
White	0.4	0.3	0.3	0.3	0.5	1.0
Coloured	87.5	95.8	61.4	52.0	50.8	43.7
TOTAL	97.7	104.6	66.4	56.5	57.7	52.0
By land	90.0	103.0	104.0	101.0	88.0	76.7
TOTAL	187.7	207.6	170.4	157.5	145.7	128.7
Percentage of exports to mill production—						
By sea	3.8	3.5	2.1	1.9	1.7	..
By land	3.5	3.4	3.3	3.4	2.6	..
By sea and land	7.3	6.9	5.4	5.3	4.3	..
Percentage of exports to total production of mills and handlooms.	4.8	4.7	3.6	3.6	3.0	..

CHAPTER V.

Consumption of raw cotton.

32. Further evidence of the expansion of the Indian cotton manufacturing industry is to be found in the increased consumption of the raw material. The Millowners' Association, Bombay, makes the consumption of all kinds of cotton in Indian mills for the season ended 31st August, 1935, to be 3,123,414 bales or 18·6 per cent. more than in the season 1930-31 (*vide* Table III). According to the annual returns made under the Indian Cotton Cess Act, the consumption of Indian cotton in Indian mills for last season reached the record figure of 2,612,132 bales or 15 per cent. more than in 1930-31, the year on which our comparisons are based. Thanks to the efforts of the Indian Central Cotton Committee figures are now available showing not only the quantities and qualities of Indian cotton consumed by the mills, but also the quantities and qualities of both Indian and foreign cotton received at the mills. We have converted the all-India consumption figures supplied by the Millowners' Association, Bombay, from 392 to 400 lb. bales and in the following Table give details of (1) consumption of all kinds of cotton and of Indian cotton and (2) receipts of Indian cotton and of foreign cotton at Indian mills during the five crop years ended 31st August, 1935:—

TABLE XXV.—*Cotton consumption and receipts at mills in India.*

(Thousands of bales of 400 lbs. each.)

	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Consumption—					
All kinds	2,580	2,853	2,780	2,650	3,061
Indian cotton	2,269	2,346	2,361	2,336	2,612
Receipts—					
Indian cotton	1,973	1,951	2,005	2,166	2,254
Foreign cotton—					
Americans	..	..	84	30	64
Egyptians	..	..	36	57	123
East Africans	..	..	184	191	212
Others	..	..	26	10	83
TOTAL FOREIGN .	273	461	330	207	432
TOTAL RECEIPTS .	2,246	2,412	2,395	2,463	2,686

These figures indicate the extent to which foreign cotton, especially East Africans, is now being used in Indian mills. During the past four years 85 per cent. of these foreign imports have been taken by mills in the Bombay Presidency, the Ahmedabad mills' share being equal to 31 per cent. of their total receipts of raw cotton in that period and Bombay's share equal to 24 per cent. The Egyptian cotton is shared equally by these two groups of mills, but Bombay takes the great bulk of the Americans while Ahmedabad is the largest consumer of East Africans. The following Table gives the percentages of foreign cotton received by mills in Bombay, Ahmedabad, Bombay Presidency and the rest of India from 1st September, 1932, to 31st August, 1935:—

TABLE XXVI.—*Foreign cotton receipts at Indian mills.*

(Thousands of bales of 400 lbs. each.)

Varieties.	BOMBAY CITY AND ISLAND.		AHMED-ABAD.		BOMBAY PRESIDENCY.		REST OF INDIA.		TOTAL.	
	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent. of variety to total.
American	150	84	14	8	166	83	12	7	178	17
Egyptian	90	42	89	42	185	86	31	14	216	20
East African	164	28	280	48	480	82	107	18	587	56
Others	44	56	14	18	65	83	13	17	78	7
TOTAL	448	42	397	37	896	84	163	16	1,059	100

Of the 1,059,000 bales of foreign cotton received during the past three seasons, 56 per cent. was East Africans, of which Ahmedabad mills took 48 per cent. compared with Bombay's 28 per cent. Egyptians represented 20 per cent. of which these two groups each took 42 per cent. Americans were third in importance with 17 per cent. of which Bombay mills took 84 per cent. and Ahmedabad 8 per cent. only.

33. The Indian Central Cotton Committee have been good enough to furnish us with an analysis of staple lengths of foreign varieties imported during the past three

Imports.

seasons as well as with important information regarding the present position and future prospects of the production of long, medium and short staple cotton in India. We deal with this evidence later (*vide* paragraph 37) but meantime the two following Tables give particulars of imports and exports of raw cotton during the five fiscal years ended 31st March, 1935. Table XXVII shows imports of foreign cotton converted into bales of 400 lbs. with the declared values per lb. worked out to give an indication of difference in values excluding of course the import duty of 6 pies per lb. or Rs. 12-8 per bale:—

TABLE XXVII.—Imports of raw cotton.

(In thousands of bales and in lakhs of rupees.)

Country of origin.	1930-31.			1931-32.			1932-33.			1933-34.			1934-35.			1935-36 (9 months).		
	Bales of 400 lbs.	Declared value in Rs.	Value per lb.	Bales of 400 lbs.	Declared value in Rs.	Value per lb.	Bales of 400 lbs.	Declared value in Rs.	Value per lb.	Bales of 400 lbs.	Declared value in Rs.	Value per lb.	Bales of 400 lbs.	Declared value in Rs.	Value per lb.	Bales of 400 lbs.	Declared value in Rs.	Value per lb.
America .	54.6	83.15	6 1	180.8	224.37	5 7	256.4	384.58	6 0	45.8	64.35	5 7	16.6	28.57	6 11	52.1	88.01	6 5
Africa excluding Egypt and Sudan.	132.3	208.57	9 0	183.4	321.43	7 0	121.4	186.09	6 2	150.6	226.43	6 0	197.2	299.46	6 1	191.1	292.55	6 1
Egypt and Sudan	119.7	217.06	7 3	92.6	147.89	6 6	87.3	144.18	6 7	38.9	60.50	6 3	113.5	184.15	6 6	97.5	161.21	6 7
Other countries	20.8	40.15	7 8	7.4	9.70	5 3	9.6	10.87	4 6	5.0	4.42	3 7	11.9	16.20	5 5	18.6	33.62	7 3
TOTAL .	327.4	638.93	7 10	444.2	703.39	6 4	474.7	725.72	6 1	240.3	355.70	6 0	339.2	528.38	6 3	359.3	570.39	6 4

While the efforts of mills in the Bombay Presidency to spin finer yarns have been responsible for the higher imports of foreign cotton, the large purchases in seasons 1931-32 and 1932-33 were no doubt also partly due to the temptation offered by lower prices. The following years saw a big decline in imports from America where the position had changed as a result of Government intervention. With the exception of season 1933-34 Egyptian purchases have been well maintained but the outstanding feature is the continued large purchases of East African cotton.

34. The following Table shows the exports of Indian raw cotton for the five years ending 31st March, 1935. Here again quantities

Exports. have been converted into bales of 400 lbs. and the declared values per lb. have been worked out to give an indication of the average overhead values of India's annual exports:—

TABLE XXVIII.—*Exports of raw cotton.*

(Thousands of bales of 400 lbs. each and lakhs of rupees.)

—	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Total bales	3,926	2,369	2,063	2,740	3,446	2,039
Declared values	46.33	23.45	20.37	26.59	34.50	20.33
Average price per lb. . . .	A. P. 4 9	A. P. 3 11	A. P. 3 11	A. P. 3 10	A. P. 4 0	A. P. 4 0

The big decline in exports during the seasons 1931-32 and 1932-33 was due mainly to reduced buying for the Far East where the comparatively high parity of Indian cotton for a time made Americans better value especially to Japan which normally takes about half of India's exports. In 1933-34 the position improved in spite of interruptions caused by the Japanese boycott which ended in January, 1934, since when the new trade agreements entered into with both Japan and the United Kingdom have resulted in freer buying of Indian cotton by both these countries.

The following figures extracted from a recent Report of the United States Tariff Commission show the imports of raw cotton into Japan during the following calendar years:—

TABLE XXIX.—*Imports of raw cotton into Japan from principal sources.*

(Millions of kins.)

—	1930.	1931.	1932.	1933.	1934.	1935 (9 months).
Total imports	957	1,116	1,274	1,249	1,355	938
Per cent. from—						
British India	49.4	43.1	21.5	31.9	42.7	48.2
U. S. A.	40.6	47.7	71.4	59.5	47.9	43.6
All other countries	10.0	9.2	7.1	8.6	9.4	8.2

1 Kin=1.323 lbs. (Avdr.)

The following figures extracted from the Annual Statement of the overseas trade of the United Kingdom show the imports of raw cotton (except linters) into that country during the following calendar years:—

TABLE XXIX (a).—*Imports of raw cotton into the United Kingdom from principal sources.*

(Thousands of centals of 100 lbs.)						
	1930.	1931.	1932.	1933.	1934.	1935.
Total Imports	12,130	10,906	12,576	14,049	12,626	12,687
Per cent. from—						
U. S. A.	49	41	58	54	36	45
Egypt	17	23	19	23	22	21
British India	10	10	4	8	12	13
All other countries . .	24	26	19	15	30	21

35. In order to give a picture of the relative importance of India's internal consumption as compared with her exports of raw cotton, we have drawn on the valuable statistics of the East India Cotton Association. The following Table shows the distribution of the Indian cotton crop for the last five seasons which ended on 31st August:—

TABLE XXX.—*Distribution of Indian cotton crops.*

(Thousands of bales of 400 lbs. each.)					
	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Exports to—					
United Kingdom	274	125	257	367	374
Continent	1,002	423	960	940	991
Far East	2,379	1,000	1,613	1,866	1,622
Other Countries	74	34	38	90	123
TOTAL	3,729	1,582	2,868	3,260	3,115
Home consumption—					
Mills	2,271	2,340	2,361	2,336	2,012
Extra factory or local—say . . .	750	750	750	750	750
TOTAL HOME CONSUMPTION . . .	3,021	3,090	3,111	3,086	3,362
Total commercial crop approximate . .	6,750	4,673	5,979	6,355	6,477
Percentage of Mill's consumption to total crop.	33.6	50.1	39.5	36.7	40.3

In this Table no reference is made to Government forecasts of the crops or to carry-overs as between one season and another. Except for the extra-factory consumption, for which reliable estimates are not yet available, the above figures give the actual statistical position of India's cotton crops during the period under review, and show the increasing importance of the mill industry which last year took 15 per cent. more Indian raw cotton than in 1930-31. In the corresponding years the mills increased their receipts of foreign cotton by 58 per cent.

36. The last Tariff Board dealt at some length with the Indian industry's raw material requirements for the production of finer counts of yarn. In view of the action taken

Varieties of Indian cotton crop.

by the Government on the findings of the Board, we do not propose to discuss the position here further than is necessary to comply with our terms of reference. We are indebted to the Indian Central Cotton Committee for up-to-date information about the supply and distribution of the various types of Indian cotton. The following Table gives the estimated production of the past five seasons' Indian crops classified according to length of staple:—

TABLE XXXI.—*Indian cotton crops classified according to length of staple.*

(Thousands of bales of 400 lbs. each.)

—	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Total	5,226	4,007	4,516	4,970	4,807
Long staple over 1"	12	8	11	24	51
Medium staple $\frac{3}{4}$ " to 1"	1,213	1,298	1,318	1,395	1,142
Short staple below $\frac{3}{4}$ "	4,001	2,701	3,187	3,551	3,614
Up to and including $\frac{3}{4}$ "	..	..	..	2,292	2,942

The falling off in 1931-32 was due to the failure of the Oomras crop. The figures quoted are the yields estimated in forecasts and may not agree with the figures of commercial crops which are made up of exports, receipts at mills, etc.

37. The Indian Central Cotton Committee estimate the annual requirements of the Indian mills in short staple cotton below $\frac{3}{4}$ th

Mill consumption of Indian cotton.

inch at about 1,100,000 bales. This leaves a very large quantity of short staple available for expansion of the Indian spinning industry in counts of yarn up to 16s warp or 20s weft, pending which Indian cotton growers must find outlets overseas for the great bulk of their short staple crop. Much of the medium and long staple cotton grown in India cannot be used for spinning yarns of finer counts. Of last season's crop of 1,142,000 bales medium staple, the Indian Central Cotton Committee estimate that about

550,000 bales were capable of spinning 24s to 30s warp, 427,000 bales 20s to 24s warp and 165,000 bales 16s to 20s warp only. About half the quantity, therefore, of medium staple ($\frac{7}{8}$ th inch to 1 inch) grown in India is suitable for spinning 24s warp and above, and a small part of this is exported. Of the remaining half suitable for spinning 16s to 24s warp, the bulk is Punjab American 4F, the takings of which by Indian mills are limited partly on account of high transport charges. Of the long staple cotton (over 1 inch) only two superior strains of Punjab American and Sind American are available in commercial quantities. They are suitable for spinning 30s warp or 40s weft and if grown on experimental farms up to 45s warp counts. Last year's forecast of these varieties was 51,000 and there are prospects of the area under this cotton in Sind rising to about 100,000 bales in the near future. Of last season's commercial crop of 63,000 bales, 55,000 were taken by Indian mills and the rest exported. The Indian Central Cotton Committee indicate that the growing of high quality cottons having a staple of $1\frac{1}{2}$ inch or even $1\frac{1}{4}$ inch and capable of spinning up to 60s warp is a practical proposition on certain areas in Sind. It finds it difficult, however, to say what quantity would be available.

Meantime Indian spinners of the higher counts of yarn must draw much of their raw material from other countries. Practically all the imports from Egypt, Sudan and East Africa average staple lengths of over 1 inch, but we are informed that only 28 per cent. of the cotton imported from America during the past three seasons fell within that classification of long staple.

CHAPTER VI.

Course of Prices.

38. The statistics available have enabled us to show clearly the expansion of the Indian industry and the contraction of imports of grey and bleached cotton goods since 1931. We have received some evidence regarding the course of prices but find it difficult to estimate the relative effects of the duties and of other factors that have influenced market values during the period under review. Under normal conditions the price of the manufactured article is largely influenced by the cost of the raw material and in the past prices of American cotton have generally determined ruling rates for other growths. Since the world depression set in, however, disturbing elements have been introduced in the United States of America and elsewhere and there have been periods of marked differences in cotton parities. Manufacturing countries have had even greater difficulties to contend with in fluctuating exchanges, import quotas and other restrictions on trade and above all in the reduced buying power of consumers in all primary producing countries. In India the swadeshi movement and boycott activities for a time affected realisation prices as well as the volume of imports from the United Kingdom while large arrivals from Japan of cheap textile goods had a depressing effect in all markets. The Indian textile position has been further complicated by keen internal competition in some lines where overproduction by local mills has resulted in periodical accumulations of stocks and consequent temporary closing down of spindles and looms. The effect of this competition is reflected in the persistently low level of values ruling in India for the lower grades of both yarn and cloth which in turn react on better qualities to the advantage of the consumer and the disadvantage of the manufacturer.

39. Before referring to the values of cotton manufactures we give in the following Table the average declared values of imports and exports of raw cotton extracted from the Seaborne Trade Returns. Full particulars of prices of different classes of cotton are readily available and we do not consider it necessary to quote more than the undernoted annual average rates for Broach cotton per candy of 784 lbs. taken from the records of the East India Cotton Association. We have converted these to average rates per lb. to compare with the average declared values for the fiscal years 1930-31 to date as follows:—

TABLE XXXII.—Average rates of Broach cotton and average declared values of raw cotton imports and exports.

Average rate.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (April-Aug.).
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Broach—						
Per candy	214	188	194	203	220	225
Per lb.	A. P. 4 4	A. P. 3 10	A. P. 4 0	A. P. 4 2	A. P. 4 6	A. P. 4 7
2. Imports—						
From America . . .	6 1	5 7	6 0	5 7	6 11	6 6
„ Africa	9 0	7 0	6 2	6 0	6 1	6 3
„ Egypt and Sudan .	7 3	6 6	6 7	6 3	6 6	6 8
„ All Countries . .	7 10	6 4	6 1	6 0	6 3	6 5
3. Exports of Indian cotton .	4 9	3 11	3 11	3 10	4 0	4 0

40. The Millowners' Association, Bombay, publishes fortnightly lists of average wholesale prices of yarns and piecegoods produced by Bombay mills. These are *ex-mill* quotations and do not necessarily represent actual sales but they give an indication of market conditions. The last Tariff Board report contained a Table of average annual prices calculated from the mill lists for a few specimen grades of yarn and varieties of piecegoods. Where these particular qualities are still on the market we have had the prices brought down to end of August 1935 and have added a quotation for yarn of 32s. count now included in the lists. The averages per lb. for calendar years are given in the following Table:—

TABLE XXXIII.—Average wholesale prices of yarns and piecegoods produced by Bombay mills.

	1931.	1932.	1933.	1934.	1935 (8 months).
	Per lb. A. P.	Per lb. A. P.	Per lb. A. P.	Per lb. A. P.	Per lb. A. P.
Yarns.					
Counts—					
10½s	5 8	6 1	5 4	5 3	5 9
16s	7 0	7 4	6 5	6 6	7 6
20s	7 5	7 10	7 0	7 1	8 1
24s	8 0	8 7	8 4	7 9	8 9
32s	..	10 2	9 6	9 4	10 5
Cloths.					
Longcloth, standard quality—37" × 37½ yds. × 9 lbs.	11 3	11 0	10 4	10 3	10 0
Shirtings—35" × 38 yds. × 9 lbs.	10 6	10 6	9 9	9 9	9 9
Dhotis up to ½" makhi border—32" × 9 yds. × 1½ lbs.	11 6	11 1	10 6	10 5	10 1
Drills—20½" × 40 yds. × 13½ lbs.	9 3	8 10	8 5	8 6	8 5

The recovery in prices of yarn in 1935 is noticeable as compared with the persistently low prices of piecegoods.

41. We have been informed that the yarns in which there is competition between Indian mills and the United Kingdom are

grey singles ranging from 40s to 100s and we have received from the Millowners' Association, Bombay, a statement showing the wholesale prices of imported yarns since 1931. The prices given are monthly quotations when available but as months often pass without transactions being reported in various qualities the price lists contain many blanks. In the following Table we have averaged available quotations for particular brands of yarn and below the annual average figures have given in brackets the number of monthly prices included:—

TABLE XXXIV.—Average wholesale prices at Bombay, Madras or Calcutta of representative yarns from United Kingdom.

—	1931.	1932.	1933.	1934.	1935 (up to Aug.).
	Per lb.	Per lb.	Per lb.	Per lb.	Per lb.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
32s Grey Months	0 10 5 (11)	0 10 4 (12)	0 10 1 (12)	0 10 3 (4)	Nil.
40s Grey Months	0 12 0 (10)	0 11 5 (12)	0 10 9 (12)	0 11 4 (4)	Nil.
40s Grey Months	0 12 3 (10)	0 11 0 (12)	0 10 1 (12)	0 10 10 (12)	0 11 0 (8)
50s Grey Months	1 1 2 (12)	1 0 0 (12)	1 0 4 (11)	1 1 1 (12)	1 1 6 (6)
60s Grey Months	1 1 6 (11)	1 1 9 (12)	1 0 11 (9)	1 1 11 (8)	1 1 7 (5)
60s Grey Months	1 3 10 (11)	1 2 2 (12)	1 1 3 (12)	1 0 10 (12)	1 1 2 (8)
70s Grey Months	1 6 9 (1)	1 4 6½ (3)	1 3 5½ (6)	1 4 6½ (4)	Nil.
80s Grey Months	1 10 0 (1)	1 7 1½ (3)	1 5 3 (4)	1 6 8 (6)	1 5 11½ (4)
90s Grey Months	Nil.	1 9 7½ (4)	1 7 4½ (5)	1 8 8½ (3)	1 9 1½ (1)
100s Grey Months	Nil.	1 11 7½ (4)	1 9 8½ (8)	1 10 11 (6)	1 10 3 (2)
110s Grey Months	Nil.	Nil.	1 11 9½ (5)	1 12 7½ (3)	Nil.
120s Grey Months	2 6 3 (1)	Nil.	1 14 9 (1)	1 15 0 (1)	1 15 6 (1)

42 We have also received from the Millowners' Association, Bombay, a statement showing the wholesale market prices of certain standard lines of United Kingdom cotton piecegoods imported since 1931. The figures have been extracted from quotations collected by the Customs authorities at

Wholesale prices of
piecegoods from the
United Kingdom.

Bombay, Calcutta and Madras. Here again, as in the case of yarns, some months may elapse without a transaction being reported in particular lines. Indeed, in the absence of fresh imports, the wholesale price quoted on a quiet market may be less than the original invoice value or actual replacement value. In the following Table we have averaged available quotations for representative lines and although the numbers of monthly prices given in brackets below the annual average wholesale prices show that there are blanks in the lists we give the figures to indicate the course of prices during recent years:—

TABLE XXXV.—Average wholesale prices at Bombay, Madras, or Calcutta of representative piecegoods imported from the United Kingdom.

—	1931.	1932.	1933.	1934.	1935 (up to Aug.).
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
<i>Plain Grey.</i>					
Jaconet	5 5 3	5 0 4	5 5 1	5 6 7	5 3 0
Months	(12)	(11)	(12)	(12)	(5)
Mulls	6 1 10	6 6 8	6 1 7	6 2 9	6 1 9
Months	(11)	(12)	(12)	(11)	(8)
<i>Bordered Grey.</i>					
Dhotis (Jaconet)	2 5 6	2 3 1	2 1 7	2 2 9	2 2 9
Months	(12)	(12)	(12)	(12)	(8)
Dhoti	2 7 8	2 6 3	2 6 10	2 7 0	2 6 11
Months	(12)	(12)	(12)	(12)	(8)
<i>Bleached.</i>					
Shirting	14 9 10	13 12 7	12 7 4	12 5 8	12 3 0
Months	(10)	(10)	(12)	(12)	(8)
Mull	3 4 10	3 2 6	3 1 9	3 1 8	3 1 2
Months	(8)	(12)	(2)	(7)	(6)
Nainsook	..	1 11 5	1 9 10	1 11 4	1 11 0
Months	..	(5)	(12)	(12)	(8)
Mull	4 8 5	4 8 0	4 4 7	4 6 3	4 6 10
Months	(10)	(2)	(10)	(12)	(8)
<i>Printed.</i>					
Jean	0 5 6	0 5 2	0 4 9	0 4 4	0 3 10
Months	(9)	(12)	(12)	(12)	(7)
Sari	3 15 7	3 10 10	3 4 0	3 2 10	3 2 9
Months	(10)	(5)	(12)	(12)	(8)
<i>Dyed.</i>					
Black Italian	0 11 3	0 10 11	0 9 10	0 10 3	0 9 1
Months	(5)	(9)	(12)	(12)	(8)

43. The following particulars of declared values per lb. of imported twist and yarn have been extracted from the Seaborne Trade Returns. They do not show the values of individual counts but the figures are of interest as indicating the trend of prices of imported yarns from the United Kingdom and Japan during the past five fiscal years:—

TABLE XXXVI.—*Declared values of yarns imported from the United Kingdom, Japan and all countries.*

—	1931-32.	1932-33.	1933-34.	1934-35.	1935-36. (9 months.)
	Per lb. Rs. A. P.	Per lb. Rs. A. P.	Per lb. Rs. A. P.	Per lb. Rs. A. P.	Per lb. Rs. A. P.
<i>Grey yarns</i>					
United Kingdom	0 15 11	0 15 2	0 14 10	0 15 9	0 15 9
Japan	0 12 11	0 10 5	0 10 10	0 12 1	0 11 5
All countries	0 12 10	0 11 7	0 11 8	0 12 9	0 12 6
<i>White yarns.</i>					
United Kingdom	0 15 5	0 15 9	0 15 10	1 0 11	1 0 8
Japan	0 15 9	0 12 10	0 12 1	0 13 8	0 11 11
All countries	0 15 5	0 15 3	0 15 2	1 0 3	0 15 3
<i>Coloured yarns.</i>					
United Kingdom	1 2 0	1 1 6	1 0 11	1 1 5	1 2 6
All countries	1 1 11	1 1 5	1 0 10	1 1 5	1 2 4
<i>Mercerised.</i>					
Japan	1 7 7	1 3 2	1 0 1	1 2 11	1 1 1
All countries	1 7 9	1 3 4	1 0 2	1 2 4	1 1 2

44. The annual Review of the Trade of India gives particulars of the average declared values per yard of grey, white and coloured piecegoods imported from the United Kingdom and Japan during the past five fiscal years. They also are of interest as showing the trend of values.

TABLE XXXVII.—*Declared values of piecegoods imported from the United Kingdom, Japan and all countries.*

—	1931-32.	1932-33.	1933-34.	1934-35.	1935-36. (5 months.)
	Per yard. Rs. A. P.	Per yard. Rs. A. P.	Per yard. Rs. A. P.	Per yard. Rs. A. P.	Per yard. Rs. A. P.
<i>Grey.</i>					
United Kingdom	0 2 7	0 2 6	0 2 5	0 2 6	0 2 5
Japan	0 2 6	0 2 2	0 1 11	0 2 0	0 1 11
All countries	0 2 6	0 2 3	0 2 2	0 2 2	0 2 1
<i>White.</i>					
United Kingdom	0 3 1	0 3 0	0 3 2	0 3 1	0 3 1
Japan	0 2 6	0 2 2	0 2 0	0 2 7	0 2 3
All countries	0 3 1	0 2 10	0 2 11	0 3 1	0 3 0
<i>Coloured.</i>					
United Kingdom	0 4 2	0 4 0	0 4 0	0 3 9	0 3 10
Japan	0 2 9	0 2 2	0 2 2	0 2 5	0 2 1
All countries	0 3 8	0 3 2	0 3 2	0 3 3	0 2 11

45. From the annual Review of the Trade of India we have also extracted the declared values per yard of India's dwindling exports of grey, white and coloured piece-goods which may be compared with the declared values of imports given in Table XXXVII. India's export values are higher than the average import values under each head, which possibly explains the declining percentage of quantities exported to the total mill production as shown in the following Table:—

TABLE XXXVIII.—*Declared values of Indian piecegoods exported by sea.*

	1931-32.	1932-33.	1933-34.	1934-35.	1935-36. (5 months.)
	Per yard.	Per yard.	Per yard.	Per yard.	Per yard.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Grey	0 4 4	0 4 4	0 4 2	0 3 7	0 3 6
White	0 5 9	0 5 0	0 4 11	0 3 10	0 3 2
Coloured	0 5 0	0 5 1	0 4 9	0 5 1	0 4 11
Percentage of quantities exported by sea to total mill production.	3.5	2.1	1.9	1.7	1.9

Exports of Indian piecegoods include the products of hand-loom which are discussed in Chapter XI. The proportion between India's exports by sea and her mill production is again shown in this Table to facilitate a comparison between the decline in exports and the growth of production. It is idle to speculate as to the extent to which India's large exports of raw materials have helped overseas competitors to displace her manufactures in foreign markets but the marked difference between the values of imports and exports is one of the problems requiring the attention of Indian exporters.

46. A feature of internal prices is the uniformly low level during 1933 and 1934 and until the end of August 1935 of the average wholesale prices of listed piecegoods produced by Indian mills (*vide* Table XXXIII). This, too, notwithstanding a recovery in 1935 in the average prices of the mill-spun yarns listed in that Table and in the prices of raw cotton. On the other hand, wholesale prices of imported yarns and goods have fluctuated and together with the average declared values are evidence on the whole of the recovery that has set in since 1934. One inference to be drawn from our examination of the course of prices is that consumers of cotton yarns and goods in India have not been penalised to the full extent of the duties. The Indian market is essentially a price market and keen competition at home and abroad has prevented the manufacturer from passing on to the consumer the full effect of the higher duties. While prices of Indian manufactures

have been adversely affected by the prices and in some cases by the volume of foreign imports, the continued low levels of wholesale prices for certain lines of piecegoods produced by Indian mills tend to support the statement made to us that internal competition has been responsible to some extent for the trading results of the industry in recent times.

47. The number of mills working night shifts in India is evidence of the intensity of internal competition. The following

Night shift work. Table shows the number of mills that have been working night shifts in Bombay and Ahmedabad during the last four years together with the average number of men employed on night shifts:—

TABLE XXXIX.

Monthly average.	1931.	1932.	1933.	1934.	1935.
1. Number of mills working night shifts in—					
Bombay City	24	26	13	25	33
Ahmedabad	18	20	15	24	29
2. Number of workers employed on night shifts in—					
Bombay City	10,202	15,297	6,532	16,154	27,317
Ahmedabad	6,269	7,089	4,908	9,529	11,613
Total mills	42	46	28	49	62
Total workers	16,471	22,386	11,440	25,683	38,930

When the new Indian Factories Act came into force in British India on 1st January, 1935, the working hours of textile operatives were reduced to 54 per week. Since then most of the mills in Bombay Presidency have been working 54 hours although some by special arrangements are able to keep machinery running 60 hours a week. Many mills, however, are working double shifts and running machinery for periods ranging from 105 to 120 hours a week whilst a few are working 126 hours a week in three shifts of seven hours each. In the Presidencies of Bengal and Madras, where as many as 36 mills are now either under construction or recently registered (out of a total of 42 for the whole of India), 60 per cent. and 70 per cent. respectively of the mills are working double shifts, some of them running machinery up to 24 hours a day for six days in the week. Representatives of mills working these long hours informed us that they were doing so in order to reduce working costs so as to enable them to compete not only against foreign imports but also against the products of longer established Indian concerns whose large accumulations of depreciation and reserve funds place them in a more favourable position.

CHAPTER VII.

Indian Mills' Trading Results.

48. In their evidence to the Board several of the parties interested have referred to the trading and published accounts of Indian cotton mills. While admitting that

Financial position of the industry has made losses as well as profits, the Lancashire Delegation think

that in general it will be found that losses have occurred more in mills concerned in the production of goods involved in internal competition and Japanese competition whilst those making the finer styles such as are imported from the United Kingdom have frequently shown profits. The Millowners' Associations admit that internal as well as foreign competition has adversely affected the results of mills which may be producing some lines at a loss while making profits on others. As evidence of the financial position of the Bombay cotton mill industry at 31st December, 1934, the Millowners' Association, Bombay, submit a combined Balance Sheet and Profit and Loss Account of 61 mills working in that area along with corresponding figures for preceding years. In order to give an indication of the amounts of paid-up capital, reserves and depreciation funds employed and of the gross and net values of Block Accounts of these Bombay mills, we have extracted the figures given in Table XL which also shows the net results for trading periods ending during the four years to 31st December, 1934, after providing for income-tax and super-tax not paid out of reserves. In view of the practice that appears to be general in the industry of managing agents giving up portion of their claims for commission and interest when results do not justify payment in full, the amounts actually debited in the accounts have been added back to show gross profits and the full amounts of commission and interest chargeable are thereafter given to show what the net result would have been if these charges had been paid in full. Depreciation allowances have been dealt with on similar lines and are specially referred to below:—

TABLE XL.—*Financial position of the Bombay Cotton Mill Industry.*

	1931.	1932.	1933.	1934.
Number of Mills	68	71	57	61
Number of spindles	2,880,564	2,958,648	2,425,168	2,529,866
Number of looms	63,895	66,397	54,274	55,408

TABLE XL.—*Financial position of the Bombay Cotton Mill Industry—contd.*

(Rupees in lakhs.)

	1931.	1932.	1933.	1934.
	Rs.	Rs.	Rs.	Rs.
Capital paid up	13,18	13,64	11,06	11,32
Reserves including carry forward	5,29	4,06	4,73	4,18
Original cost of land, buildings and machinery	30,25	37,04	30,71	31,18
Depreciation fund	13,20	13,76	11,86	11,83
Net Block	23,05	23,28	18,85	19,35
Annual depreciation due	1,47	1,51	1,24	1,26
Annual depreciation written off	51	39	34	47
Net result as per Profit and Loss Account .	—16	—20	—18	+43
After actually debiting—				
(1) Agents' allowance	4	5	4	4
(2) Agents' commission	11	9	6	11
(3) Interest on debentures and loans .	87	86	46	41
(4) Depreciation	25	10	12	14
	1,27	1,10	68	70
Deduct chargeable— Gross profit	1,11	90	50	1,13
(1) Agents' allowance	4	5	4	5
(2) Agents' commission	16	16	12	15
(3) Interest on debentures and loans .	88	89	59	55
(4) Depreciation	1,47	1,51	1,24	1,26
	2,55	2,61	1,99	2,01
Net loss after provision for charges as above .	1,44	1,71	1,49	88

It will be observed that the ordinary and preference paid-up capital of the Bombay mills represents little more than one third of their original fixed capital expenditure on Block which has been written down to the extent of fully another third of its original value by depreciation allowances. After taking reserves into account, there is a balance of about Rs. 3,80 lakhs which managing agents in Bombay find to meet the balance of Block expenditure. In addition they provide working capital. The combined Balance Sheet at 31st December, 1934, shows that Rs. 6,26 lakhs were required to carry stores, stocks and outstandings. Apart therefore from other requirements, managing agents in 1934 had to find about Rs. 10 crores for balance of fixed capital expenditure and

for working capital. Hence the large amounts that appear under the head of interest on debentures and loans.

49. Depreciation is another item that requires explanation. The amounts shown as written off include special appropriations

as well as the actual debits through Profit and Loss Account appearing in the lower half of the above Table. The amount of depreciation due has been arrived at by calculating $2\frac{1}{2}$ per cent. on original cost of buildings and 5 per cent. on machinery, electrical installation, etc., which works out to an average of 4 per cent. on the total fixed capital expenditure including land, workmen's chawls, etc. In actual practice where mills have been working for over twenty years as is the case in Bombay, the original cost of a good deal of their machinery has been fully covered by depreciation allowances already granted by the Income-tax authorities. We have been supplied by the Millowners' Association, Bombay, with the amounts of depreciation actually allowed to seven of the Bombay mills which have favoured us with details of working expenditure and costs. On basis of the actual allowances granted by the authorities the average debit for depreciation works out to $2\frac{3}{4}$ per cent. on the fixed capital expenditure of these mills instead of the average of 4 per cent. which has been used to show the financial position of the Bombay cotton mill industry. If the depreciation allowance for all the Bombay mills were calculated on basis of the allowances actually being made to them by the Income-tax authorities, the provision for depreciation in the above Table would be substantially reduced. Even then, however, the figures would show that the Bombay mills overhead are not making sufficient profits to cover the depreciation allowances to which they are entitled and the large amounts required for interest on borrowed money.

50. In Ahmedabad we find a group of modern and well equipped mills, many of which are manufacturing fine quality goods nearer to the types imported from the United

Kingdom than are to be found at any other centre in India. The Ahmedabad Mill-owners' Association admit that "in the case of goods, in which the Indian industry has become more conversant, and is now producing the major part of the requirements, a period of internal competition has set in. In the case of other goods, the comparatively lower prices of the United Kingdom goods also force down the prices of Indian goods. Under the influence of this double pressure, the Industry has had to sell goods cheaply and in some cases even cheaper than the bare cost of production. This could easily be verified from a reference to the index of prices and in the Balance sheets of some concerns. It will be found that contrary to expectations, the profits margins have been going down and there are many concerns which have made losses". As evidence of the financial position of the Ahmedabad mill industry at 31st December, 1934, the Millowners' Association submit financial

statements of 62 mills working in that area, along with corresponding figures for preceding years. In order to give an indication of the amounts of paid-up capital, reserves and depreciation funds and of the gross and net values of Block accounts of these Ahmedabad mills, we have extracted the figures given in Table XLI which also shows the net results for the four years ending 31st December, 1934, after providing for income-tax and super-tax. Here again it appears to be the practice for Managing Agents to give up portions of their claims for commission when results do not justify payment in full. We therefore have added back the actual debits for commission and depreciation and give the full amounts shown in the financial statements as chargeable for commission and depreciation in order to show what the net result would have been if these charges had been debited in full.

TABLE XLI.—*Financial position of the Ahmedabad Cotton Mill Industry.*

(Rupees in lakhs.)

—	1931.	1932.	1933.	1934.
Number of mills	60	62	62	62
Number of spindles	1,005,491	1,665,580	1,738,802	1,774,456
Number of looms	36,826	38,813	40,862	43,161
	Rs.	Rs.	Rs.	Rs.
Capital paid up	4.15	4.22	4.02	4.14
Reserves including carry forward	3.61	3.74	3.85	3.65
Block account—Original value	15.92	16.82	17.32	17.82
Depreciation fund	5.60	6.06	6.26	6.41
Net Block	10.32	10.76	11.06	11.41
Annual depreciation due	69	76	79	82
Annual depreciation charged	51	55	36	50
Net results as per Profit and Loss Account .	70	65	27	32
After actually charging—				
(1) Agents' commission	37	40	24	29
(2) Depreciation	51	55	36	50
	88	95	60	79
Gross profit	1.58	1.60	87	1.11

TABLE XLI.—*Financial position of the Ahmedabad Cotton Mill Industry—contd.*

(Rupees in lakhs.)

	1931.	1932.	1933.	1934.
Deduct chargeable—				
(1) Agents' commission	45	40	43	48
(2) Depreciation	69	76	79	82
	1,14	1,22	1,22	1,30
Net profit	44	38	..	..
Net loss	..	..	35	19
Repairs debited to Reserves	7	5	7	6

The paid-up capital of the Ahmedabad mills represents barely one fourth of their original block value which has been written down to the extent of 36 per cent. by depreciation allowances. After taking reserves into account, there is a balance of about Rs. 3,60 lakhs which Managing Agents in Ahmedabad find to meet the balance of Block expenditure. In addition they provide the working capital required to carry stores, stocks and outstandings. The amounts involved here have not been included in the financial statement submitted and we are unable to estimate the amounts annually expended on interest which is usually lumped with other charges in the published accounts. The depreciation shown as due in respect of the Ahmedabad mills has been calculated on the customary scale except in the case of some of the mills working night shifts which appear to have doubled the usual income-tax rate on machinery. The annual depreciation due works out to an overhead average of $4\frac{1}{2}$ per cent. on the original Block value. This may be compared with the overhead average of 4 per cent. in the Bombay financial statement. We have been supplied by the Ahmedabad Millowners' Association with details of the amounts of depreciation actually allowed by the Income-tax authorities and of the allowances calculated at the customary rates in respect of twelve Ahmedabad mills which have favoured us with details of working expenditure. On basis of these allowances the average debit for depreciation works out to 3.86 per cent. on the original Block value of these mills instead of the overhead average of 4.50 per cent. which has been used to show the financial position of the Ahmedabad mill industry. The application of the difference of .64 per cent. to the total Block figures of the industry would make a material difference in the total working results shown in Table XLI.

As it is, a comparison of the figures in the last two Tables shows that the Ahmedabad group returns much better results than the Bombay mills. Indeed, the figures submitted to the Board for the twelve Ahmedabad mills referred to, after adjusting depreciation debits, show net profits for the years 1931, 1932, 1933 and 1934 of Rs. 21 $\frac{3}{4}$ lakhs, Rs. 17 $\frac{1}{2}$ lakhs, Rs. 2 lakhs and Rs. 4 lakhs respectively. That is to say, during these four years these twelve

mills show an average profit of Rs. $11\frac{1}{4}$ lakhs per annum, after providing for all charges including interest on borrowed money and full agency commissions and depreciation allowances. On the actual paid-up capital this means an average return of 14 per cent. per annum although on the original Block value the annual return is $3\frac{1}{4}$ per cent. only. Taking repairs debited to reserves into account, the average returns are reduced to 13 per cent. and 3 per cent. respectively.

51. The foregoing results indicate the difficulties in the way of the Board reaching a fair estimation of the profit earning capacity not merely of mills in large centres

Difficulties in estimating profit making capacity.

like Bombay and Ahmedabad but of mills in other parts of India. While the published results of cotton mill companies whose figures appear in the columns of the financial press support the contention that many concerns are paying little or no dividends on ordinary capital, the proportion that paid-up capital bears to the amount invested in the industry in the shape of fixed capital expenditure and working capital in many cases is relatively so small that the Board does not feel justified in accepting the rates or indeed the actual payment or non-payment of dividends on ordinary capital as a guide to the efficiency or otherwise of the existing duties on imported goods. One important fact, however, does emerge from the Board's examination of the financial position of mills generally. All over India, from Cawnpore in the north to Madura in the south, from Ahmedabad and Bombay on the west to Calcutta and Madras on the east and in Central India, are to be found large cotton mills, well equipped and well managed, the gross Block accounts of which, in many cases, are covered by reserve, depreciation and other funds, as a result of which these large producing plants are able to manufacture and place their products on the market more cheaply than newer and less fortunately placed concerns, and the Board has been informed that the operations and marketing policy of some of these large companies influence the course of prices and react on market conditions generally.

52. In the representation of the cotton spinning industry, it is stated that no less than 10 per cent. of the purely spinning mills

Financial position of South India spinners.

had within a year gone over to weaving. In view of the relatively higher protection afforded to the weaving side of the industry this is not altogether surprising. All the same the spinning industry in Southern India continues to develop. The latest accounts of four purely spinning mills in Coimbatore District with which we have been favoured show that profits are being made on that side of the cotton textile industry. Spinning average counts from 26s to 31s these mills show returns of 8 per cent. and 5 per cent. respectively on their total capital of Rs. 29 lakhs and fixed capital expenditure of Rs. 46 lakhs, after providing for all charges including depreciation and taxation.

53. The following Table shows the values of the different classes of cotton machinery imported during the period under review:—

TABLE XLII.—*Imports of Cotton Textile Machinery.*

(Lakhs of rupees.)

Machinery.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Cotton bleaching and dyeing .	1.76	3.28	3.11	4.08	3.85	4.69
Cotton printing . . .	.71	.21	1.72	0.74	1.10	0.73
Cotton spinning . . .	112.60	110.06	118.09	110.10	137.30	81.54
Cotton weaving machinery .	52.61	68.90	70.42	70.45	65.93	43.29
TOTAL .	167.68	182.45	193.34	185.37	208.18	139.25
Cotton other sorts including carding and ginning machinery.	10.39	10.24	15.10	17.80	33.00	17.67
GRAND TOTAL .	178.07	192.69	208.44	203.17	241.18	147.92

The substantial sums expended on the purchase of bleaching, dyeing and printing machinery indicate that the industry is making steady progress with the diversification of its manufactures to meet the demand for white, coloured and printed goods and thereby relieve the congestion in greys.

CHAPTER VIII.

The Effect of the Duties.

54. Lists of the parties from whom representations were received by the Board and of the witnesses who appeared before the Board for examination in public or *in camera* will be found in the Appendices. Full opportunity was given to the cotton textile industry to present its case and to answer the cases presented by other interested parties. The principal evidence in support of the existing or higher duties was given by the Millowners' Association, Bombay, representing the views of the Millowners' Associations of Bombay and Bengal and the Millowner members of the Upper India Chamber of Commerce and by the Ahmedabad Millowners' Association, the Southern Indian Millowners' Association and the Buckingham and Carnatic Company, Limited. The principal cases for lower levels of duties were put forward by the Lancashire Delegation representing United Kingdom textile interests, the Bombay Chamber of Commerce, the Bengal Chamber of Commerce, the Madras Chamber of Commerce and the Karachi Chamber of Commerce representing importers of and dealers in United Kingdom goods. Representations received on behalf of the handloom industry are dealt with separately. Statements of the cases submitted together with the answers and supplementary statements received from the Millowners' Associations, the Lancashire Delegation and the Chambers of Commerce after exchange of cases are available and copies are incorporated in annexures to this Report except where the evidence is of a confidential nature given on the understanding that it would not be published.

55. We do not propose to deal at length with all the arguments advanced in support of and against the existing duties or higher or lower levels but we think it necessary to refer as shortly as possible to the main heads of the cases submitted to the Board for consideration. Taking first the evidence in favour of lower levels of duties, we find the Lancashire Delegation and other parties concerned with importations of United Kingdom cloth and yarn pressing for reductions in the existing duties on various grounds. The Lancashire Delegation agree that the Indian textile industry is entitled to a reasonable measure of protection for its progressive development. They recognise the inevitability of progress in Indian production and that mills should be in a position to make profits, but they consider the existing duties are far higher than is necessary to equate the prices of goods imported from the United Kingdom to the fair selling prices for similar goods produced in India. They take strong exception to specific duties and present a case for a uniform reduction in the existing uniform 25 per cent.

ad valorem duty on imports from the United Kingdom of cotton piecegoods and for reductions in the duties on similar imports of cotton yarns and of fabrics of artificial silk and mixtures thereof with cotton. Certain of the Chambers of Commerce agree that adequate protection should be given to the Indian textile industry but maintain that the existing duties on United Kingdom cloth and yarns are far higher than is necessary to give adequate protection to the Indian mills. The Bengal Chamber of Commerce recommends the adoption by Government of such a level of duties as will revive the trade in British piecegoods and bring much needed and long overdue relief to consumers. The Bombay Chamber of Commerce recommends that the duties on textiles from the United Kingdom should be on an *ad valorem* basis of 5 per cent. for cotton yarns, 15 per cent. for cotton piecegoods generally and 20 per cent. for artificial silk goods and artificial silk mixtures. The Madras Chamber of Commerce presses for a considerable reduction in duties and asks that the *ad valorem* duties on cotton piecegoods should be reduced at least to 15 per cent. and the specific duty to 3 annas per lb., while as regards yarns the Chamber contends that on counts of 40s the duty is excessive and that on counts of 50s and above the duty should be abolished as there is no need for a protective duty on fine yarns.

56. The principal evidence submitted in support of the foregoing recommendations may be summarised as follows:—

- (a) The high protective duties are to blame for the falling off in imports from the United Kingdom.
- (b) Political troubles admittedly contributed to the falling off especially about the time the boycott was in force but these adverse factors no longer influence buyers to any material extent.
- (c) The world-wide depression cannot be blamed for the decline in imports from the United Kingdom in face of the marked increase in the production of Indian made goods and in the total quantity of piecegoods available for consumption in India.
- (d) Specific duties in particular are to blame for the great falling off in imports of plain grey piecegoods. It could never have been intended to make these duties prohibitive in actual practice. In any event elimination of particular qualities is inconsistent with the present understanding between India and the United Kingdom and with the principle of equating prices.
- (e) Nor can sectional nor indeed any protective duties be justified at the other end of the scale where protection is given to finer cotton cloths and yarns manufactured in India from imported raw materials, contrary to the recommendations of the Indian Fiscal Commission on

which India's settled policy of discriminating protection is based.

- (f) Notwithstanding this disqualification, several Indian mills are already competing successfully in the manufacture of cloths from fine yarns largely made out of imported cotton.
- (g) Very little of these higher counts of Indian made yarn is available for sale to the handloom or other indigenous industries which are dependent, therefore, for most of their requirements on imported yarns, where the real competition is with Japanese and Chinese suppliers who are usually sellers of substantial quantities of both yarn and cloth at prices far lower than anything available from the United Kingdom.
- (h) This keen competition has resulted in the displacement of finer styles by cheaper cloth of altogether different and coarser specifications and former United Kingdom lines have been driven off the market by low prices of substituted goods. In an attempt to meet this competition United Kingdom suppliers in turn have been compelled to offer cloths of technical construction appreciably different from those which formerly figured in their order books.
- (i) Where the lower levels of values are not due to Far Eastern competition, the keen internal competition amongst Indian mills themselves has a depressing effect on prices of certain lines which in turn react on market values generally.
- (j) The falling off in United Kingdom trade and the expansion of the Indian industry taken together are proof that the high tariff has in fact put the selling price of United Kingdom goods out of relation with those of Indian mills.
- (k) The endless variety of styles and the absence of outstanding types which are standard as between all sources of supply together with the process of substitution referred to add to the difficulties in the way of equating prices of imported goods to the fair selling prices of similar goods produced in India. To meet the wishes of the Board, however, efforts have been made and a wide range of samples of both imported and Indian goods have been submitted to the Board along with details of prices.
- (l) Prices at which suppliers are willing to sell over a substantial period of time should be considered fair selling prices within the meaning of the terms of reference, and the prices United Kingdom competitors have to meet in competition should in equity be equated with actual United Kingdom selling prices.

(m) The Lancashire Delegation and others concerned in the import trade from the United Kingdom largely rest their case for lower duties on selling prices of both United Kingdom and Indian goods. They cannot see why actual selling prices over past months should have less relevance to this enquiry than theoretical costings, especially in cases where the corresponding goods produced in India have not been manufactured on a scale big enough to really test mills' costings. There is nothing more difficult than to check production costings in relation to selling prices.

(n) The Lancashire Delegation, in the preparation of their case before leaving England, considered that the most convenient and efficient method of establishing a fair comparison of British and Indian prices would be to base their evidence on a series of representative Indian products. An analysis of these in Manchester enabled them to say at which price comparable United Kingdom products could have been placed on the Indian market in competition with the Indian products. The Delegation tender as evidence a statistical compilation which contains a comparison of the Indian prices of the Indian products and of the United Kingdom calculated prices for the sale of comparable products in the Indian market. The actual difference between the prices is expressed as a percentage of the United Kingdom price and the result is used as an argument to support the Delegation's contention that lower duties are justified, indeed that little or no duties are required.

57. Turning now to the evidence in favour of the existing duties, we find the Millowners' Associations insisting on the maintenance of the existing levels and in some cases advocating higher levels and in some
 Evidence against lowering duties. grounds. The Millowners' Association, Bombay, which also represents the views of the Bengal Millowners' Association and the millowner members of the Upper India Chamber of Commerce as well as of a large section of the industry in other parts of India, demands duties sufficiently high on all classes of goods to establish a fair competitive position, bearing in mind that the governing factor must be the necessity of ensuring the progressive development of the industry along lines indicated by previous Tariff Boards. The Association asks "to be allowed to consolidate the gain already made at substantial sacrifices, being of the opinion that our industry will eventually be able, under the shelter of protective duties, to make satisfactory progress in the remaining lines in which there is scope for expansion by increased efficiency and a consequential lowering of costs of manufacture". The Association, therefore, submits that the existing rates of duty should be maintained on cotton cloths manufactured from coarse and medium counts and on artificial silk cloths and artificial silk

mixtures. And the Association is of the opinion that the facts submitted by it prove the inadequacy of the existing duties in the case of yarns over 40s and of printed goods and cloths made from fine count yarns.

The Ahmedabad Millowners' Association considers that an examination of the prices is certain to show that the existing duties are absolutely essential in the large majority of cases of Indian manufactures and that, in the remaining cases, they are insufficient to be helpful to the industry. This Association gives expression to the view that the Indian industry is entitled to protection to achieve the goal in view, *viz.*, the replacement of foreign competition by internal competition, maintaining it as essential and legitimate for the Association to work for progressive development of the industry and to be self-dependent in the matter of manufacture and supply of its clothing. According to the Association, the present position is that, out of the Indian consumption of cloth, the major part is being supplied by the Indian industry; and the Indian industry is capable of producing the whole if given sufficient protection. With reference to the period of protection hitherto accorded to the industry the Ahmedabad Millowners' Association states, "We feel that it has hindered the growth of a general confidence in the future of the industry—a feeling absolutely essential, if the industry as a whole is to commit itself to a programme of greater diversification of quality, texture and finish. It is our considered opinion that if this feeling of suspense were once removed, there is no class of goods which Indian manufacturers cannot produce".

58. The principal evidence submitted in support of the existing duties and of higher levels in some cases may be briefly summarised as follows:—

Summary of arguments against lower duties.

- (a) (1) Subject to the consideration that the period during which substantive protection which the Indian Industry enjoys has been too short to enable definite conclusions being drawn, the existing duties on cotton piecegoods which were embodied in the Textile Protection Act of 1934 have assisted the industry.
- (2) In the case of grey goods made from yarns below 30s counts, the specific duty has enabled the industry to consolidate its position and even to expand its production in bulk lines to meet the requirements of India's growing population. In these particular lines, however, internal competition has been instrumental in keeping prices at levels which often have been below the bare cost of production.
- (3) In other classes of piecegoods, the duties at present in force have, to some extent, assisted the industry to diversify its production but, speaking generally, have not been sufficient to enable Indian mills to realise fair selling

prices in lines where there is direct competition from the United Kingdom.

- (4) The progress made, as the result of protection, in the expansion of the Indian mill production of medium count goods and in the attempts to manufacture fine count cloth has been particularly noticeable in Bombay and Ahmedabad.
- (5) For many years the United Kingdom has not supplied coarse count grey cloth in anything but small quantities to the Indian market, and her position in respect of coarse grey plain goods has not been adversely affected either by the *ad valorem* or specific duties now in force.
- (6) As regards grey jaconets and mulls which are made from fine yarns, the position of the United Kingdom has not deteriorated since September, 1931, when the existing specific duty of $4\frac{3}{8}$ annas per pound was imposed.
- (7) Imports of bordered grey dhotis from the United Kingdom have suffered as the result of internal competition from Indian mills manufacturing cloths of different texture and construction—made from coarser yarns with less reed and pick—which the mills are selling at bare production costs, and often under cost.
- (8) In bleached goods Indian mills have experienced great difficulty in meeting competition from the United Kingdom, particularly in white mulls, but with the progressive production of finer counts and the development in bleaching and finishing, the industry may perhaps be able to hold its own even with existing duties.
- (9) In printed goods Indian mills up till now have been unable to meet English competition successfully but the position as a whole is obscured by Japanese competition.
- (10) In piece dyed goods, the United Kingdom imports have remained unaffected by the existing scale of duties.
- (11) In woven coloured goods, especially coarse and medium count cloths, Indian mills have been more successful in meeting competition from the United Kingdom.
- (12) In artificial silk goods and mixtures, both India and the United Kingdom have found it impossible to meet Japanese competition. Imports from whatever country they come should be stopped as they compete directly with the handloom industry and indirectly with the textile industry. Incidentally it is understood that about 85 per cent. of the artificial silk yarns imported into India is being consumed by the handloom industry.
- (13) In cotton yarns, the increased imports from China and Japan have affected the United Kingdom more than the duties.

- (b) There has been a considerable falling off in England's cloth exports to India in a large number of lines compared with the years previous to 1930; but this has been due to the effects of the general world depression, effective Japanese competition and political troubles rather than to the duties in force in India.
- (c) Specific duties even though not meant to be prohibitive have the advantage of being more effective when combined with *ad valorem* duties. It is not agreed that specific duties have operated with undue severity in the case of United Kingdom grey goods.
- (d) Except in a few isolated instances, the texture and finish of the Indian article are never quite the same as those of the competing United Kingdom article. In many cases it will be found that the qualities of cloths manufactured by Indian mills are of coarser counts and of a lower reed and pick than the competing English cloth. One reason for this is that Indian cotton, which is the principal raw material used by the indigenous industry, cannot be utilised in the production of the finer classes of cloth and yarn.
- (e) The limiting warp count of even the best Indian cotton is under 40s and the supplies of cotton suitable for warp yarns in the 30s/40s range is extremely limited. When it is necessary to produce fine yarns, imported raw material must be used for which mills have to pay a higher price than their competitors in the United Kingdom owing to the half anna per pound import duty on raw cotton, also in some cases higher freight and other charges. The real protection afforded by the existing import duties has been seriously affected by the cumulative effects of the import duty on raw cotton and the duties on imports of other manufacturing materials.
- (f) To keep pace with the changing conditions, the production of finer counts and superior goods in India must increase and is increasing at a satisfactory rate. A much larger proportion of cloth is now bleached and finished, more colour is used in borders and shirtings. Goods are combed and mercerised. The details in all types of advances such as texture, design, finish and colour cannot be represented statistically.
- (g) One reason for existing differences between English and Indian goods is that in a number of lines direct competition has had to be substituted by indirect competition owing to the Indian mills' inability to produce goods to English specifications at competitive prices.
- (h) Another reason for differences between United Kingdom and Indian goods is the existence of an intermediate class of competitive goods produced by other countries.

- (i) A clear estimation of the effectiveness of the duties on United Kingdom goods is rendered infinitely more difficult owing to the factor of Japanese and Chinese competition, which comes into play when dealing with each and every class of cloth and yarn produced in India or imported from the United Kingdom.
- (j) The drop in the importation of yarn from the United Kingdom has been chiefly due to severe Japanese competition. Indian mills have been unable to compete effectively in price against both the United Kingdom and Japan in all fine counts.
- (k) Between 1930 and 1935, internal competition in the coarse and medium count plain grey trade has not only been sufficient to prevent any exploitation of the consumer but has been instrumental in bringing down prices almost to pre-war levels, despite the fact that labour and certain other charges are much higher than in pre-war years as evidenced by a statement furnished by the Millowners' Association, Bombay, showing estimated average consumption of yards of cloth per head of population and an estimated average price per yard of mill-made cloth given in Appendix X.
- (l) In the case of the goods in which the Indian industry has become more conversant and is now producing the major part of the requirements, a period of internal competition has set in. In the case of other goods, the comparatively lower prices of the United Kingdom goods also force down the prices of Indian goods. Under the influence of this double pressure, the industry has had to sell goods cheaply and in some cases even cheaper than the bare cost of production.
- (m) There are no classes of goods imported from the United Kingdom which do not directly or indirectly compete with the goods produced in India. There may be differences in finish, texture and quality between imported and Indian goods but such differences do not separate these goods into non-competitive sections. Such are quite common among the imported goods themselves and also among the goods produced in India.
- (n) The prices at which mills have been selling their production do not necessarily constitute fair selling prices. What constitutes a fair selling price for an Indian commodity has been laid down by previous Tariff Boards. In brief a fair selling price is one which will give a reasonably efficient unit a margin over and above its bare cost of production, sufficient to enable the concern to meet the interest charges on its working capital, provide adequate depreciation, cover sales expenditure and commission including managing agents' commission

and in addition provide a return of 8 per cent. on the capital sunk in the concern.

- (o) The suggestion that the market price records of Indian mills should be basic evidence and that mill cost calculations should be treated as supplementary evidence is not accepted. One of the difficulties of endeavouring to estimate whether fair selling prices have been realised by a mill by examining its Profit and Loss account is that in India it is a general rule for mills to manufacture a very wide variety of goods, some of which may be produced at a loss in order to keep looms and spindles engaged while the mill may make a profit on other lines. The profit and loss figures of the industry as a whole do, however, constitute a rough guide as to whether bare costs have on the whole been covered, but could hardly be used to prove that particular cloths competing against United Kingdom cloths are or are not adequately protected.
- (p) Exception is taken to the statistical compilation on which Lancashire Delegation's original case was based on the ground that the Indian prices quoted are not fair selling prices of the Indian lines but in many cases bare cost quotations, against which Lancashire has inserted theoretical fair selling prices for goods which might be produced in the United Kingdom to compete directly against the established Indian lines.
- (q) The Indian Millowners' Associations submit that a more satisfactory test of the effectiveness of the existing duties would be to compare the wholesale market prices of United Kingdom goods in India with the mills' calculated fair selling prices of the same goods if manufactured in Indian mills. The costings of a number of cotton cloths covering the full range of imports from the United Kingdom have been obtained from mills and the Associations tender as evidence a summary of the results of the comparison of the wholesale market prices of standard lines of English goods and the mills' calculated fair selling prices of these cloths if and when manufactured in India. The results are used as an argument to support the Associations' case that lower duties are not justified, indeed that very much higher duties are required.

59. The managing agents of the Buckingham and Carnatic Company, Limited, Madras, state that the trade for which they are adapted does not bring them directly into competition with very many similar imported goods. Indirect competition probably has more bearing on their business. The duties now in existence and those imposed in recent years have provided what they consider to be the necessary amount of protection in the case

Views of other textile interests.

of the general class of qualities they make. Although they only occasionally have small quantities of surplus yarn to dispose of, they consider yarn and cloth are so closely related to one another that it is not in the interests of the textile industry as a whole to have in existence a scale of duties which afford any less protection in the case of yarn than in the case of cloth.

The representation of the cotton spinning industry was made on behalf of the Madura Mills Company, Limited, the Southern India Millowners' Association and other spinning interests owning about one million spindles engaged in producing yarns for the handloom, hosiery, powerloom and other industries. The Indian cotton spinning industry states that it is and for some years has been in a state of depression. External competition has contributed to this and imports from Japan and China have been somewhat more detrimental than those from the United Kingdom, although increased duties are said to be required in all cases. Internal competition in cotton yarn has also greatly increased in recent years with the usual result of lower price levels. The spinning industry considers it most necessary that adequate duties be placed on all counts of yarn and indicates that the duties required on United Kingdom yarns of all counts are 5 per cent. or at least $1\frac{1}{2}$ annas per lb., whichever is higher, to either of which should be added 6 anna to equate the import duty on raw cotton. The existence of intense internal competition as has been shown to be rampant would safeguard the handloom weaver against any undue rise in price up to and including 32s counts. Counts 40s and upwards, the Industry adds, would probably rise in price, the increase being more marked in 60s and upwards than in 40s as there is already keen competition in the latter count among Indian mills themselves.

The Bengal Hosiery Manufacturers' Association submits a case in which it is stated that an adequate supply of good quality Indian hosiery yarn is not forthcoming. Although willing that the present rate should remain unchanged the Association is definitely opposed to any increase in the existing rate of duties. It makes no mention of counts or prices of yarn but figures supplied by the Director of Industries, Punjab, indicate that most of the hosiery yarn used in that province is of counts of 20s or less. The Madura Mills Company, Limited, after joining in the representation of the cotton spinning industry that it could not compete against United Kingdom special hosiery yarns of medium counts, modified their case and stated that the present duty is sufficient up to counts of 26s.

CHAPTER IX.

Price Comparisons.

60. The task assigned to the present Special Tariff Board is to recommend the level of duties necessary to afford to the Indian cotton textile industry against imports from the United Kingdom adequate protection, by which is meant duties which will equate the prices of imported goods to the fair selling prices for similar goods produced in India. It will be observed the comparison involved is not one of identical goods only nor of actual selling prices with actual selling prices nor of fair selling prices with fair selling prices. Our task is to compare imported goods with similar goods produced in India and the prices of imports with the fair selling prices of Indian products.

61. The difficulties in the way of making comparisons between Indian and imported cloths and relative prices have been emphasised in previous textile enquiries. The Report of the Tariff Board of 1927 referred to the great difficulties met at every stage in obtaining a satisfactory basis for comparison, the wide range of the piecegoods entering India, the different varieties and the variations in prices due often to the reputation of the manufacturer or of the dealer. In 1929 Mr. Hardy found it well-nigh impossible to select two cloths, one imported and one manufactured in India, which are so nearly identical that any useful deductions can be made from the prices at which they are sold since, as a rule, there are bound to be differences of finish and quality which will obscure the issue. Moreover, even if such a selection could be made, he considered the severity of competition could not be gauged without some knowledge of the profits that were being made on each cloth. The Report of the Tariff Board of 1932 referred to the fact that no exact comparison of Indian mill-made goods with imported goods is possible, the varieties of both kinds being so numerous that no two classes of cloth are really alike. Instead, therefore, of adopting the usual Indian Tariff Board method of estimating a fair selling price for the Indian industry and comparing it with the duty-free price of a corresponding imported article, and then taking the difference, subject to necessary adjustments, as the measure of protection required, the last Tariff Board decided to compare the fair selling price estimated for Indian cloth, not with the duty-free price of imported cloth, but with the ex-mill price actually realised by the Indian mill less duty. The Board adopted this method on the ground that a given class of cloth made by an Indian mill competes with a variety of imported cloths of similar and of different qualities, designs and dimensions, and the price actually realised by the Indian mill may

be presumed to reflect the competition which arises from every class of cloth likely to be considered by the purchaser more or less equally suitable for his purpose. Deducting from the realised price the rate of duty applicable to this class of cloth, the Board decided to take the resulting figure as giving the price at which the Indian cloth is required to compete in the market. In coming to this conclusion, the Board did not overlook the fact that the realised price might reflect not merely external but also internal competition.

62. The present Tariff Board soon realised that the difficulties experienced in previous enquiries could be overcome only by the co-operation and goodwill of those actively engaged in the cotton textile industry.

Procedure followed in present enquiry.

During the stay of the Board in Bombay and during its visits to Calcutta, Madras and Ahmedabad, interested parties were specially requested to assist the Board by submitting as many samples as possible of goods imported from the United Kingdom and of similar goods produced in India together with detailed prices so that accurate comparisons might be obtained by the use of typical and comparable samples. Representations from interested parties and replies to the Board's questionnaire were invited, and every opportunity has been given to the Cotton Textile Industry, whether in India or the United Kingdom, to present its case and to answer the cases presented by other interested parties.

63. The main case on behalf of the United Kingdom Textile Industry was prepared before the departure from England of its representatives who are generally referred to in this report as the Lancashire Delegation.

Method advocated by Lancashire Delegation.

In view of the methods advocated by them for the purpose of comparing prices, we deal first with this case which contrasts other industries, where there are products occupying a dominant position that are for all practical purposes standard as between all sources of supply, with the cotton textile industry where there is an almost endless variety. Reference is also made to the widespread substitution of different types for those previously on offer in the Indian market as a result both of tariff increases and of the competition of low-priced Japanese goods, thereby adding very materially to the difficulty of tabling price comparisons between strictly comparable products over a period long enough to be thoroughly representative. In view of these and other considerations and on the understanding that this Board's terms of reference establish the equation of fair selling prices as the basis of the enquiry, the Lancashire Delegation decided that the most convenient and efficient method of establishing a fair comparison between United Kingdom and Indian prices would be to base their evidence on a series of representative Indian products, a range of which they obtained in India along with the Indian mill selling prices. After a technical analysis which enabled them to say at what price comparable United Kingdom products could have been

placed on the Indian market on corresponding dates, the Lancashire Delegation handed to the Board samples of these Indian goods along with a statistical compilation in which comparisons are made between the Indian prices, *i.e.*, the prices at which Indian mills had been prepared to sell the Indian goods and the United Kingdom prices, *i.e.*, minimum prices at which United Kingdom sellers would have been willing to sell comparable products in the Indian market. On the basis of these representative samples and price comparisons and on the averages of the recorded margins between the two sets of prices, the Lancashire Delegation asked for a substantial and uniform reduction in the existing level of duties. The Millowners' Associations objected to this method of equating prices on the ground that the comparative prices were **entirely irrelevant to the present enquiry** and must have been submitted under a misunderstanding as to the terms of reference, which did not specify "the equation of fair selling prices as the basis of the enquiry" but the equation of prices of goods *actually* being imported to the fair selling prices of similar goods produced in India. If so required by the Board, however, the Millowners' Association, Bombay, was prepared to examine the Indian cloths and price data submitted. This was ultimately done and the Board has been favoured with the Association's remarks on the samples furnished by the Lancashire Delegation and with a statement embodying the latest realised prices received for the manufactures of member mills, with their bare costs of manufacturing. By bare cost is meant the bare cost of manufacture without any provision for interest on working capital, depreciation on block, Managing Agents' commission and return on capital.

64. We have had the available data tabulated and in Appendix V give a detailed comparison of the prices of individual cloths under

Detailed comparison between United Kingdom prices for Indian samples, if manufactured in United Kingdom, and prices for the actual Indian products.

the usual broad classifications of plain greys, bordered greys (dhotis), bleached, piece dyed, printed and yarn dyed. Before proceeding to analyse the results we quote the following extract from the main case submitted by the Lancashire Delegation:—

"An examination of the price comparison handed in clearly discloses the fact that whatever may be the margin between the fair selling prices of cotton piecegoods imported from the United Kingdom and those produced in Indian mills, it is certain that the margin will not be identical as between one class of goods and another, or for that matter as between the products of one mill and those of competitors in the same country. We feel that in any approach to the question of fixing a fair and equitable rate of duty, it has to be admitted that margins will never be absolutely uniform throughout the industry as a whole, or sections of it. There is not only the fact that it is always possible for manufacturers to introduce slight variations in the product which affect the price at which they sell it: there is also an inevitable variation in the effi-

ciency of different units of production, and from time to time in the profit margins. These being the circumstances of the case, we base our representations on averages and an adequately large collection of representative cases. Our experience of a trade which is even more diversified than that which is conducted by the Indian Millowners leads us to conclude that if and when a fair average was struck, cases which departed from the average in one direction would be levelled out in practice by cases of an opposite character at the other end of the scale. The practical implication of this is that it is safe to rely on the certainty that any given rate of duty which is fair on the average, if slightly more than would be justified in isolated cases here and there, will likewise be slightly less in other cases."

That there is considerable force in these observations is evidenced by the marked differences in comparative prices of cloths under the same classifications. Under plain greys, for instance, we find the selling price of one sample of Indian mill-made shirting 16·8 per cent. lower than the United Kingdom costing of the comparable United Kingdom product and in another case 13 per cent. higher, while the latest mill realisation prices of the same cloths are 11·5 per cent. lower and 2·3 per cent. higher respectively and the mills' bare costs of manufacturing these particular cloths are given as 13·2 per cent. lower and 5·1 per cent. higher respectively than the United Kingdom costings.

Under the head of bordered greys, we find the selling price of one sample of Indian mill-made dhوتي 13·2 per cent. lower than the United Kingdom costing of the comparable United Kingdom product and in another case 11·6 per cent. higher, while the latest mill realisation prices of the same cloths are 14·2 per cent. lower and 8·9 per cent. higher respectively and the mills' bare costs of manufacturing these particular cloths are given as 19 per cent. lower and 4·5 per cent. higher respectively than the United Kingdom costings.

Under the head of bleached, we find the selling price of one Indian mill-made dhوتي 16·3 per cent. higher and of another 15·1 per cent. lower; of one nainsook 15·2 per cent. higher and of another 12·3 per cent. lower; and of one shirting 11·6 per cent. higher and of another 13·4 per cent. lower respectively than the United Kingdom costings of comparable United Kingdom products. In the case of this last mentioned sample of Indian bleached shirting we find the mills' selling price 13·4 per cent. lower and the latest realisation price 13·9 per cent. lower while the mills' bare costs of manufacturing this particular cloth are given as 0·5 per cent. higher than the United Kingdom costing.

In the case of mulls, where United Kingdom prices as a rule are relatively lower, we find the selling price of an Indian plain grey sample 16·2 per cent., the latest realisation price 23·3 per cent. and the mills' bare cost of manufacture 24·9 per cent. higher than

the United Kingdom costing of the comparable United Kingdom product, while the selling price of one Indian bleached mull is given as exactly the same as the United Kingdom costing of the United Kingdom product and the latest realisation price as 19.5 per cent. and the mills' bare cost of manufacturing as 32.5 per cent. higher respectively.

65. In view of these wide variations in price comparisons of individual items, we have had the prices averaged and give the results in Table XLIII. Unfortunately we have not been able to obtain the latest realisation prices or mills' bare costs of all the samples nor has it been possible for us to have all these particular mill costs verified, but we give the averages of such figures as are available for the different classes of goods so that comparisons may be made of the averages of (a) United Kingdom minimum prices, (b) prices supplied by the United Kingdom as Indian mills' selling prices of the Indian goods, (c) prices supplied by members of the Millowners' Association, Bombay, as latest realisation prices and (d) member mills' bare costs of manufacturing Indian cloths listed by the Lancashire Delegation in their statement of comparative prices as follows:—

TABLE XLIII.—Samples of Indian mill made piecegoods with average minimum c.i.f. prices given by United Kingdom for goods if made in United Kingdom to same specifications as the Indian samples compared with average Indian mill selling, latest realisation and bare cost prices.

(Vide Appendix V.)

Classification of samples.	United Kingdom minimum c.i.f. prices.	Prices supplied by United Kingdom as Indian mills' selling prices of Indian goods.	Indian mills' latest realisation prices.	Indian mills' bare manufacturing costs.	Percentage variation between column 1 and		
	Column 1.	Column 2.	Column 3.	Column 4.	Column 5.	Column 6.	Column 7.
	1	2	3	4	5	6	7
	As. per piece.	As. per piece.	As. per piece.	As. per piece.			
I.—Plain Greys.							
14 in column 3 of Appendix V	87.11	83.96			-3.62		
10 in columns 5 and 6 of Appendix V.	92.88	..	88.80	87.93	..	-4.40	-5.88
II.—Bordered Greys.							
10 in column 3 of Appendix V	21.93	21.86	..	..	-0.32	..	..
9 in column 5 of Appendix V	23.05	..	23.03	..	..	-0.10	..
7 in column 6 of Appendix V	22.43	..	..	21.69	..	..	-3.34
III.—Bleached.							
29 in column 3 of Appendix V	49.66	50.20	..	..	+1.09	..	..
17 in column 5 of Appendix V	49.71	..	52.69	..	..	+6.00	..
20 in column 6 of Appendix V	55.98	..	..	59.48	..	..	+6.26
IV.—Piece Dyed.							
7 in column 3 of Appendix V	73.89	66.17	..	..	-10.45	..	..
6 in columns 5 and 6 of Appendix V	71.80	..	68.15	71.30	..	-5.09	-0.80

TABLE XLIII—*contd.*

Classification of samples.	United Kingdom minimum c.i.f. prices.	Prices supplied by United Kingdom as Indian mills' selling prices of Indian goods.	Indian mills' latest realisation prices.	Indian mills' bare manufacturing costs.	Percentage variation between column 1 and		
					Column 2.	Column 3.	Column 4.
	1	2	3	4	5	6	7
	As. per piece.	As. per piece.	As. per piece.	As. per piece.			
V.—Prints							
4 in column 3 of Appendix V	96.80	90.37			-6.70		
1 in columns 5 and 6 of Appendix V	89.40	..	97.50	94.10	..	+9.06	+5.26
VI.—Yarn Dyed.							
6 in column 3 of Appendix V	70.45	65.15			-7.49		
1 in column 5 of Appendix V	8.00	..	8.30	..	..	+3.75	..
2 in column 6 of Appendix V	53.45	..	..	45.25	..	..	-15.34
Overhead Averages.							
70 in column 3 of Appendix V	60.08	58.08			-3.33		
44 in column 5 of Appendix V	57.04	..	56.93	..	..	-0.10	..
46 in column 6 of Appendix V	61.53	..	..	62.02	..	..	+0.71

The Lancashire Delegation submit that their calculations, on which the averages in columns 1, 2 and 5 of the above Table are based, show that if an average is made of the ruling price margins in representative lines no protective duty is necessary. And in this connection it must be borne in mind that the above United Kingdom minimum prices include no allowance in respect of the finance required to carry through actual transactions between United Kingdom and India or in regard to commissions in Manchester or India, or handling charges in India. Provision for these allowances may mean an addition of anything up to $6\frac{1}{2}$ per cent. on what the Lancashire Delegation describe as their "rock bottom" prices. At any rate, the United Kingdom prices recorded for the purpose of comparison, it is said, represent the minimum prices which Manchester would have accepted for actual business under the strongest competitive pressure. The Indian prices, on the other hand, are given as those at which the Indian mills would have been prepared to sell, and the suggestion is that the prices at which suppliers have been willing to sell over a period are fair selling prices. As already indicated, the Millowners' Associations do not agree that the price equation should be based on the actual realised prices for Indian goods and the Millowners' Association, Bombay, points out that a careful study of the figures on which columns 3 and 4 are based brings out clearly the lag between realisation and fair selling prices and, in the Association's opinion, the utter fallacy of taking realisation as a basis of price equation when, in many instances, even bare costs of manufacture have not been realised.

66. While objecting to the Lancashire Delegation's method of taking representative Indian mill-made cloths for the purpose of calculating the prices at which comparable United Kingdom products could have been placed on the Indian market, the Millowners' Association submit that a more satisfactory test of the effectiveness of the existing duties would be to adopt the method of comparing the wholesale market prices of United Kingdom goods in India with the fair selling prices of the same goods if manufactured in Indian mills. The Millowners' Association, therefore, arranged for the submission to the Board of average costings of a number of cotton cloths covering the full range of imports from the United Kingdom. We have received from the Millowners' Association, Bombay, a statement containing the instructions issued in September, 1935 by that Association to its members in regard to the preparation of their costings, copies of which we understand were issued to, and were generally followed by, other mills which submitted similar costings. The cost of raw material was based on the price of cotton at the end of June, 1935 which would represent approximately the time when goods saleable in India at the end of August would have been manufactured. Calculated on the basis of a balanced spinning and weaving mill of 1,000 looms and 39,552 spindles weaving grey cloth of 40s counts in looms of an average reed space of 46·8 inches, costing new Rs. 72 per spindle and Rs. 1,800 per loom, the addition to bare costs were as follows:—

Depreciation at $4\frac{1}{2}$ per cent. on total block cost;

Interest at 5 per cent. on working capital (one-third of block cost);

Profit at 8 per cent. on block cost and income-tax and super-tax;

but no addition was made in the case of Bombay mills for managing agents' commission. The prices thus arrived at are submitted as mills' fair selling prices of cloths made to the exact specifications of imported cloths selected as typical examples of United Kingdom cloths for which information as to wholesale market prices is available for a fairly long period, and the average fair selling prices put forward for comparison by the Millowners' Association, Bombay, are said to be the averages of a number of mills with a good standard of efficiency regularly making cloths from yarns similar to those found in the United Kingdom cloths costed.

67. In Appendix VI we give a detailed comparison of the wholesale prices of the imported cloths and of the average fair selling prices of the Indian mill products according to the costs furnished by the mills. In order to arrive at the amount of duty required for equation of prices, we have deducted from the wholesale market value for duty paid the usual 2 per cent. cash

Detailed comparison between prices of United Kingdom imports and prices for the same articles if manufactured in India.

discount allowed by the Customs authorities and one-fifth of the reduced value except in the case of three samples of plain greys liable to specific duty at the rate of $4\frac{3}{8}$ annas per lb. The resulting figure in each case is the net wholesale market price against which has been placed the mills' average fair selling price; the difference between the two representing the amount of duty required to equate the price of the imported goods to the fair selling price for the same goods if produced in India. The differences have been expressed in percentages of the net wholesale market price and here again, as in the case of the Lancashire Delegation prices already dealt with, there are marked differences in comparative prices of cloths under the same classifications. Under plain greys, for instance, we find the percentage required for equation in one item 37.97 per cent., and in another 87.91 per cent. of the net wholesale market price. Under the head of bordered greys, we find the percentage required in the case of one dhoti is 50.69 and of another 90.34, while under the head of bleached goods the required percentage varies from 35.36 to 55.91 of the net wholesale market price.

68. In view of these wide variations in individual percentages, we have had the prices averaged and give the results in Table XLIV

which shows the averages of (a) wholesale market prices of United Kingdom imports, (b) mills' fair selling prices of the same goods

if manufactured in Indian mills, and (c) percentages required for equation of prices. Additional columns have been added to show the percentages to bare costs added by the mills in respect of depreciation, interest on working capital, profits and taxes.

TABLE XLIV.—*Samples and average prices of United Kingdom imports compared with Indian Mills' average fair selling prices for the same goods if manufactured in Indian Mills to same specifications, according to Millowners' Association, Bombay.*

(Vide Appendix VI.)

Classification of samples.	Wholesale market price of United Kingdom imports.	Net wholesale market price less 2 per cent. discount and appropriate duty.	Mills' fair selling price.	Difference required for equation.	Percentage of difference to net wholesale market price.	Mills' bare manufacturing costs.	Percentage of overheads to bare cost.
	1	2	3	4	5	6	7
I. Plain Greys: 6 samples	As. per piece. 84.00	As. per piece. 65.54	As. per piece. 105.20	As. per piece. 39.75	60.04	As. per piece. 77.16	36.46
II. Bordered Greys:—							
7 samples	31.68	24.84	40.42	15.58	62.72	29.54	36.80
1 sample			37.84			27.59	37.15
III. Bleached: 15 samples	81.80	63.74	92.32	28.58	44.83	69.32	33.17
IV. Piece Dyed: 8 samples	148.33	116.29	179.25	62.96	54.14	135.82	31.98
V. Printed: 2 samples	122.50	96.04	157.54	61.50	64.04	131.43	19.87
VI. Yarn Dyed: No samples	..	..	..	..	..	..	..
Average of 34 samples . . .	79.85	62.55	95.52	32.97	52.71	72.12	32.44

69. The Ahmedabad Millowners' Association holding the opinion that the only way of gauging the sufficiency of the duties for the purpose of equating prices is to collect Indian costs of manufacture of imported varieties and compare them with the wholesale prices of these goods, have also submitted member mills' cost of manufacture of some of the representative sorts imported from the United Kingdom. Summaries of the results have been tabulated and in Appendix VII we give a detailed comparison of the wholesale market prices of the selected lines of English goods and the average fair selling prices of these cloths when manufactured in India according to costs furnished by mills. In the figures submitted by the Ahmedabad Millowners' Association the costings represent the average bare cost in Ahmedabad mills with additions similar to those of the Bombay mills for depreciation and other overheads. Unlike Bombay mills whose costings include no addition for managing agents' commission, the commissions of Ahmedabad mill agents have been included in their costs. In all other respects the comparison between net wholesale market prices and mills' average fair selling prices has been made on similar lines and the differences between the two expressed in percentages of the net wholesale market price. Here again, there are marked differences in comparative prices of cloth under the same classifications. We therefore have had the prices averaged and give the results in Table XLV which shows the averages of (a) wholesale market prices of United Kingdom imports, (b) mills' fair selling prices of the same goods if manufactured in Indian mills and (c) percentage required for equation of prices.

TABLE XLV.—*Samples and average prices of United Kingdom imports compared with Indian Mills' average fair selling prices for the same goods if manufactured in Indian Mills to same specifications, according to Ahmedabad Millowners' Association.*

(Vide Appendix VII.)

Classification of samples.	Wholesale market price of United Kingdom imports.	Net wholesale market price less 2 per cent. discount and appropriate duty.	Mills' fair selling price.	Difference required for equation.	Percentage of difference to net wholesale market price.
	1	2	3	4	5
I. Plain Greys : 4 samples .	As. per piece. 70-75	As. per piece. 62-05	As. per piece. 92-59	As. per piece. 30-54	49-22
II. Bordered Greys : 8 samples .	34-67	27-18	45-00	17-82	65-56
III. Bleached : 18 samples .	69-10	86-74	127-56	40-82	47-06
IV. Piece Dyed : 1 sample .	122-50	96-04	150-86	54-82	57-08
Average : 21 samples .	95-07	73-97	110-21	36-24	48-99

70. The foregoing review of the evidence and in particular of the cases put forward as to the effectiveness of the existing duties

may appear to indicate that the Lancashire Delegation and the Millowners' Associations have adopted entirely different methods of stating their cases so far at least as concerns the submission of comparative prices and relative data discussed in this chapter. As a matter of fact, the difference lies more in the application of the method than in the actual method itself. The method adopted in the first instance by both parties is one that can be and often is used in investigations where the costs of manufacturing particular cloths in country A are compared with the costs of manufacturing identical or like cloths in country B and conversely the costs of cloths manufactured in country B are compared with the costs of identical or like cloths manufactured in country A. In the preparation of their main case the Lancashire Delegation followed this method to some extent when fixing the minimum prices at which Manchester would be willing to do business in the United Kingdom products comparable to the Indian cloths, of which samples and selling prices had been received from India, but beyond the statistical compilation of comparative prices no evidence was forthcoming in support of the Lancashire estimates. In the case of the Millowners' Associations, on the other hand, the direct method was adopted to the extent of costing imported United Kingdom cloths in order to arrive at Indian mills' fair selling prices of comparable Indian products and supplementary evidence was produced which made it possible for the Board to test the reliability of some of the mills' costings in comparison with the prices of the imported cloths.

In consequence of the adoption of the foregoing method or methods by the parties concerned, the Board has been handed statements embodying widely different points of view as to the efficiency of the existing duties and the amounts required to equate the prices of imported goods to the fair selling prices for similar goods produced in India. On basis of the comparative prices submitted along with their main case and on the assumption that prices at which suppliers are willing to sell over a period are fair selling prices, the Lancashire Delegation submit average figures from which it would appear that no protective duty is necessary so far as the goods referred to in Table XI.III are concerned. On basis of comparative prices submitted by the Millowners' Associations, on the other hand, and on the assumption that they are entitled to the allowances claimed in respect of depreciation, interest on working capital, profit and taxes, the Millowners' Association, Bombay, and the Ahmedabad Millowners' Association submit average figures, from which it would appear that in place of the existing duties the *ad valorem* rates required in respect of the goods referred to in Table XI.IV and XLV are 52.71 per cent. and 48.99 per cent. respectively.

71. We have referred (paragraph 59) to the case of the Buckingham and Carnatic Company, Limited. While the Managing

Agents state that the trade for which they are adapted does not bring them directly into competition with

Method advocated by the Buckingham and Carnatic Company.

very many imported goods, they at the same time consider that, directly or indirectly, all the goods they manufacture enter into competition with imported goods and they give examples of three bleached and two dyed imported cloths as typical of this competition. In costing these on basis of their own costings, the Agents refer to the limitations of their costing system, owing mainly to the fact that they are spinning yarns varying in counts from 8s to 80s and often weaving in the looms at one time as many as 300 entirely different qualities, the finishing of which varies from an ordinary bleach to highly specialised dyeings and finishes. They point out that in their costs allowances have been made for interest and depreciation but not for profits, and it is on this basis that they have costed the imported cloths. These mill costings are based on the average price paid for cotton in each particular year but the cost of raw material content in the imported article appears to bear little or no relation to the import price of at least one of the imported cloths, the price of which has varied only from Rs. 14-10-0 to Rs. 14-12-6 over the past three years, during which American cotton has been as low as 4.72 pence and as high as 7.42 pence per pound. In Table XLVI we give the average prices of the imported cloths as supplied by the Mill Agents who state that the c.i.f. prices *plus* landing charges include manufacturer's and in some cases middleman's profits which also are included in the wholesale prices. In order to get an idea of the amount of duty required for equation of prices, we have deducted from the wholesale market value the usual 2 per cent. cash discount allowed by the Customs authorities and one-fifth of the reduced value for duty paid. Against the average net wholesale market price thus arrived at has been placed the mills' average cost (including interest and depreciation but excluding profit) of the comparable Indian products as follows:—

TABLE XLVI.—Samples and average prices of United Kingdom imports compared with Indian mills' average costs of comparable products if made in Indian mills.

Classification of samples.	Wholesale market price of United Kingdom imports.	Net wholesale market price less 2 per cent. discount and less one-fifth for duty.	C.i.f. price <i>plus</i> landing charges as given by mills.	Mills cost (excluding profit).	Difference between columns 2 and 4.	Column 5 as percentage of column 2.
	1	2	3	4	5	6
	As. per piece.	As. per piece.	As. per piece.	As. per piece.	As. per piece.	
Bleached : 3 samples	200.33	157.06	151.49	206.93	49.87	31.74
Dyed : 2 samples	215.90	169.03	164.00	210.57	41.54	24.57
Average : 5 samples	206.44	161.85	156.50	208.39	46.54	28.75

On basis of these figures it would appear that the existing duty of 25 per cent. is not sufficient to provide a margin of profit over and above mill costs (including allowances for interest and depreciation) in respect of the goods referred to in the foregoing Table.

72. In support of its case that, on the basis of costs, Indian mills are very inadequately protected against the United Kingdom in counts of yarns over 40s, where she has lost ground, not on account of effective Indian competition but owing to Chinese and Japanese competition, the Millowners' Association,

Comparison between prices of United Kingdom yarns and fair selling prices. Bombay, has also adopted the direct method of comparing the wholesale market prices of United Kingdom yarns in India with fair selling prices of the same counts as manufactured in Indian mills. With the exception that the instructions for the preparation of this side of the mills' case were not issued by the Association until November, the basis of costings adopted is the same as in the case of cloth, *viz.*, bare cost *plus* allowance for depreciation, interest on working capital and profit on a uniform scale but without any addition for managing agents' commission. In Table XLVII we give a comparison of the wholesale selling prices at the end of August, 1935, of three brands of United Kingdom yarns and of the average fair selling prices of Indian mill products according to the costs furnished by the mills. In order to arrive at the amount of duty required for the equation of prices, we have deducted from the wholesale market value the usual 2 per cent. cash discount with $\frac{1}{2}\frac{1}{2}$ of the reduced value for duty paid on counts of 60s and 70s and $1\frac{1}{4}$ annas per pound for the specific duty on 50s.

TABLE XLVII.—*Samples and prices of United Kingdom cotton yarns compared with Indian mills' average fair selling prices of comparable products if made in Indian mills.*

Counts of Grey Yarn Imported from United Kingdom.	Wholesale market price of United Kingdom yarns.	Not wholesale price less 2 per cent. and less duty.*	Mills fair selling price.	Difference required for equation.	Column 4 as percentage of Column 2.
	1	2	3	4	5
	As. per lb.	As. per lb.	As. per lb.	As. per lb.	
70s " Bhut "	10.25	17.97	26.23	8.26	45.97
60s " Woodcutter "	17.02	15.89	20.38	4.49	28.26
50s " Bucket "	14.80	13.25	16.36	3.11	23.47
Average	..	..	..	..	32.57

* Less $1\frac{1}{2}\frac{1}{2}$ for duty on 70s and 60s and $1\frac{1}{4}$ as. per lb. on 50s.

On the assumption that the mills are entitled to the various allowances claimed, the figures in the foregoing Table indicate that, on basis of costs, in place of the present *ad valorem* rate of 5 per cent. the duties required to equate prices should range from 23.47 per cent. on counts of 50s to 45.97 per cent. on counts of 70s grey yarn.

73. Apart from the above mentioned costings of United Kingdom yarns by the Millowners' Association, Bombay, the only other costings of imported yarns submitted to the Madura Mills' cost-Board were received from the Madura Mills Company, Limited. By far the largest spinners of yarn for sale in India, these mills cater specially for handloom weavers mainly in counts up to 40s although latterly their outturn of counts above 40s has been increasing. We were supplied with full particulars of spinning costs for most of the qualities of yarn produced by this important group and in addition were favoured with details of Madura New Mill costings of qualities higher than their usual counts spun specially from imported cotton to match a range of yarns imported from the United Kingdom. As the Board was asked to treat the costings as confidential, we cannot give details of costs which include full provision for interest and depreciation and 6 per cent. return, but not managing agent's commission. After making the usual deduction of 2 per cent. and $\frac{1}{11}$ of the net market value for duty paid, the differences between the average net wholesale prices and the mill's average costs indicate that in respect of the ten samples submitted the average duty required to equate prices should be 17.76 per cent. On individual counts, however, the figures vary from 9.23 per cent. on 52s warp grey Egyptian to an average of 20.86 per cent. on four samples of 80s, one of the brands of which works out as low as 10.14 per cent. and another as high as 37.52 per cent.

74. Our examination of comparative prices has been restricted so far to cases where parties have adopted the more or less direct method of comparing (a) prices of Indian goods with estimated minimum prices of comparable products if made in the United Kingdom to similar specifications or (b) prices of imported United Kingdom cloths and yarns with estimated cost prices of comparable products if made in Indian mills to similar specifications. Alternative (a) was adopted by the Lancashire Delegation and alternative (b) by the Indian mills entirely on their own initiative and were incorporated in the cases submitted to the Board as evidence of the protection afforded by the existing duties and of the degree of protection required against imports from the United Kingdom. Having regard to the terms of reference and to the fact that the Lancashire Delegation's minimum prices are not prices of imported goods but estimated costings of Indian goods if manufactured in the United Kingdom for export to India, in support of which no corroborative evidence has been produced, the Board is not prepared to accept these costings as a basis for an equation of prices. Nor does the Board feel justified in accepting for that purpose the theoretical costings of United Kingdom goods if made in India submitted on behalf of the Indian mills. We therefore now proceed to discuss other methods of estimating the degree of protection required by the Indian cotton textile industry against imports from the United Kingdom.

CHAPTER X.

Equation of Prices.

75. In the Board's questionnaire parties were asked to state the principal classes of goods imported from the United Kingdom which enter into competition directly or indirectly with similar goods produced in India. In answer to this request, the Millowners' Association, Bombay, supplied particulars of 40 representative lines of English imports in various classes, 32 of which are woven of yarns of counts 40s and above. In only two of the eight exceptions are both warp and weft yarns below 40s. Parties interested were also asked to state the principal classes of goods produced in India which enter into competition directly or indirectly with goods imported from the United Kingdom, and to prepare a statement showing for each of the past five working years and if possible for 1935 or portion thereof, costs data per unit of typical kinds of cloth. In answer to this request the Millowners' Association, Bombay, pointed out that many mills found it difficult to supply costings in the form required by the Board owing to the many changes which have taken place in the classes of goods produced during recent years. The Association, however, was good enough to arrange for individual mills furnishing particulars and detailed costings of 34 types of cloth manufactured by them. In addition the Association prepared and submitted a statement in which the making particulars and costs of these lines are compared with the making particulars and wholesale prices of 32 competing English cloths. In submitting this statement the Association points out that in no instance are the making particulars of Indian and United Kingdom cloths exactly the same but that in many cases there is a fair degree of resemblance. In certain instances and particularly in respect of medium count grey dhotis, it is stated that the making particulars of the United Kingdom cloths in no way correspond with those of Indian cloths against which they have been compared but that the offtake and price obtainable for the Indian qualities are affected by the price of United Kingdom qualities. It may be noted that fourteen of the Indian lines costed are woven of fine yarns of 40s and higher counts, in sixteen either warp or weft yarns are 40s and higher and only in four samples are the yarns below 40s. Of the competing English lines, on the other hand, twenty are woven of fine yarns of 40s and higher counts, in eight either warp or weft yarns are 40s and higher and in four samples the yarns are below 40s.

76. The Millowners' Association, Bombay, in addition to giving details of bare costs without profits, also furnished us with realisation prices. As the costings were submitted in confidence and on the understanding that they are not to be disclosed in the Report or in the proceedings of the Board, the figures have not been exposed

Samples submitted
by Bombay mills.

to the criticism of other parties. We, however, passed on for criticism the making particulars and realisation prices of the Bombay mill cloths to the Lancashire Delegation and to Chambers of Commerce along with the making particulars and wholesale prices of the competing English cloths as to which we also requested the Collectors of Customs at the ports of Bombay, Calcutta, Madras and Karachi to supply c.i.f. prices and latest importation dates. Many of the English cloths have not been imported for some considerable time and Collectors of Customs have not been able to trace importations and c.i.f. prices of more than seventeen of the English cloths submitted. After careful consideration of all the information and technical knowledge at our disposal we find the range of sample lines submitted for comparison limited to sixteen pairs. The Board accepts these as typical of imports from the United Kingdom and of similar goods produced in India and as sufficiently similar in character to justify them being used as a means of estimating the degree of protection required by the Indian industry.

77. We have arrived at the prices of the imported goods (excluding duty) by taking the c.i.f. prices and adding five per cent. to cover all commissions and interest. The resulting c.i.f.c.i. price of the imported cloth in each case has been compared with the fair selling price of the similar Indian cloth included in the statement of the Millowners' Association, Bombay. Before dealing with the method of estimating fair selling prices adopted by the Board we should mention that we have considered the suggestion that mills' realisation prices or the prices at which they have been selling over a substantial period of time should be considered fair selling prices within the meaning of our terms of reference. Apart from the general interpretation in this country of the term "fair selling price" which the Board has accepted, the existence in India of an intermediate class of competitive goods imported from countries other than the United Kingdom undoubtedly exercises a depressing influence on the selling prices not only of Indian goods but also of imports from the United Kingdom. This is one of the difficulties with which we have had to contend during the present enquiry and after taking all the circumstances into account the Board has decided that fair selling prices must be related to mills' costs of production which we now proceed to discuss.

Prices of imported samples and interpretation of fair selling prices of Indian goods.

78. We are informed by the Millowners' Association, Bombay, that the Bombay mills which favoured the Board with costings of typical Indian cloths are mills of a reasonably high standard of efficiency in which the plant has been kept up to date and maintained in good working condition. At our request, the Association arranged for individual mills supplying a statement showing for each of the past five working years and where possible for 1935 or portion thereof details of works expenditure, with (a) particulars of equipment, capacity and output and

Works expenditure and costings of Bombay mills.

(b) dates at which the principal items of plant and machinery were originally installed and dates of any substantial extensions and renewals with the cost thereof. Most of these mills have been in existence for very many years and there are marked variations in manufacturing costs under the heads of fuel and power, stores and repairs and maintenance. In almost all the mills, the gradual change over to the production of higher counts and finer cloths is reflected in costs which also were affected in 1934 by strikes that in many of the Bombay mills caused losses of from twenty-four to sixty-three working days. During the period under review reductions were made in rates of wages and in some cases, owing to the introduction of efficiency schemes, in the actual numbers of workers employed. On the other hand, portions of the wage cuts were restored when working hours were reduced on 1st January, 1935, from 60 to 54 hours per week. As a result of this reduction in hours, there has been an increase in the efficiency of the weavers at least but there still seems to be room for improved efficiency in some of the mills whose working details have been examined by us. Some are running single shifts, others are working double shifts in either spinning or weaving departments and one is working a three shift system. All the mills under discussion have spinning and weaving departments; some are sellers and others are buyers of yarns. Notwithstanding these differences in working conditions, the Board has decided to accept the manufacturing costs of individual mills as supplied for particular cloths subject to certain adjustments. We have deducted interest and depreciation with which we deal later when providing for overheads. Debits for selling expenses have been replaced by a uniform rate of $2\frac{1}{2}$ per cent. Dyeing, bleaching and packing charges have been replaced by charges based on rates furnished by the Millowners' Association, except in one case where the original debits have been allocated to various heads and the figures have therefore been accepted as they stand.

79. As regards costs of raw materials different types of cotton are used by different mills for spinning the same counts of yarn.

Cost of raw material.

We have replaced the mills' debits with costs of cotton which we consider suitable for the type of cloth costed. In doing so we have been guided by expert advice as to the varieties of cotton generally used by Indian mills in the spinning of yarns of the counts used in the manufacture of the various kinds of cloth. We have debited the cost on basis of the prices of raw cotton ruling at the beginning of June, 1935, which we have chosen as likely to correspond with the period when raw cotton would have been purchased in the United Kingdom for the manufacture of cloth imported into India two or three months later. We also have made due allowance for wastage and for waste realisation during the process of converting the raw material into cloth.

80. In addition to the cost of raw cotton and the manufacturing costs, which together form the bare works costs, provision has to be

made for other charges before arriving at fair selling prices.

Overhead charges and capitalisation. These include interest on working capital, allowances for depreciation and profits and, in the case of the Bombay mills under discussion, commission payable to the managing agents over and above the usual office allowances and expenses included in manufacturing costs. We have made enquiries as to the amounts of capital expenditure and of working capital on which these charges should be calculated and as to the rates that should be used in making these calculations. We recognise that in previous enquiries it has been the practice to estimate these charges on basis of a model or ideal establishment designed to produce an average quality of cloth and the capital expenditure on which has been estimated in relation to current prices of machinery, building materials, etc. In view, however, of the large producing capacity of the industry as it exists in India at the present time and of the increased capacity that is available if mills generally choose to utilise existing plant and machinery to a greater extent than at present, and having regard to the terms of reference, the Board has decided to base capitalisation charges as far as possible on the position of the industry as it exists to-day. We have fully discussed the position of Bombay and Ahmedabad mills as disclosed in the financial statements placed at our disposal by the Millowners' Associations. The position in Bombay has been complicated by the reconstructions that have taken place in that section of the industry and which prevent its figures from being accepted as applicable to the industry in general. In Ahmedabad, on the other hand, as already mentioned, we find a group of modern and well equipped mills, many of which are manufacturing fine quality goods nearer to the types imported from the United Kingdom than are to be found at any other centre in India. One-fourth of the mills and of the looms and one-fifth of the spindles working in India are to be found in that area. On basis of the figure submitted, the average capital cost of the Ahmedabad mill works out at Rs. 63 per spindle and Rs. 1,575 per loom, and the Board has decided to accept these figures as fair estimates of capitalisation for the purpose of calculating overhead charges.

81. In estimating the overhead charges to be added to bare works costs, the Board has decided to adopt uniform scales of

Scale of allowances. allowances calculated in relation to the production per spindle and per loom. The usual income-tax allowances for depreciation are at the rate of $2\frac{1}{2}$ per cent. on buildings, 5 per cent. on machinery and plant generally and $7\frac{1}{2}$ per cent. on electrical machinery and dyeing and bleaching plant. We observe that in the last cotton textile enquiry an overhead rate of $3\frac{3}{4}$ per cent. was taken. We have discussed this subject in Chapter VII and after taking all the factors into consideration the Board has decided to fix the average rate at 4 per cent. on total block value. We have examined the available figures showing amounts required to carry average stocks of

materials including cotton, raw and manufactured, and outstandings. On basis of these figures, the Board has decided that the amount of working capital required should be taken at a figure corresponding to one quarter of the block value. After considering the methods of finance usually employed in the industry and the money market conditions, the Board has fixed $4\frac{1}{2}$ per cent. as the rate on working capital. The commission payable to managing agents has been accepted at the usual Bombay rate of 10 per cent. on profits before deduction of depreciation. The rate of profit to be allowed has been considered from every angle. We observe that in previous enquiries 8 per cent. on the fixed capital expenditure has been regarded as the minimum return necessary under Indian conditions for stimulating investment in industrial enterprises. The position, however, has changed recently and money is now readily available in India for investments that to-day yield comparatively small returns. Indian investors are gradually becoming more industrially minded and we feel that a rate lower than that indicated in previous enquiries is sufficient to attract ample supplies of capital to the cotton textile industry at the present time. It must also be kept in mind that from one-fourth to one-third of the fixed capital expenditure is in the form of paid-up ordinary capital in the case of the Ahmedabad and Bombay mills which together represent 60 per cent. of the looms working in India. After taking into account all the circumstances, including the returns generally obtainable and likely to be obtainable from other fields of investment, the Board has decided that the profit on the total fixed capital or block expenditure should be fixed at 6 per cent.

82. It is customary to allocate overhead charges on basis of the production per spindle and per loom required for the cloth costed.

Basis of allocation. Our examination of the production figures furnished for the mills whose costings have been submitted discloses wide variations. Even where the same variety of cotton has been used in the manufacture of similar cloths there are marked differences in the production per loom and per spindle as between one mill and another. We have had to rely therefore on expert advice for reasonable average figures of production per spindle per day of 9 hours, on basis of which have been calculated the number of spindles which should be required for the manufacture of each particular style of cloth costed. The production per loom has been calculated from details furnished by the Millowners' Association, Bombay. On these bases the overhead charges added to bare works costs have been calculated in arriving at the fair selling price of each kind of cloth.

83. The Ahmedabad Millowners' Association also was good enough to arrange for twelve mills supplying statements of works expenditure which show the gradual change over to the production of higher counts and finer cloths and the increasing efficiency of these mills. Only three, however, furnished

Works expenditure
and costings of Ahme-
dabad mills.

making particulars and detailed costs of types of cloth manufactured in Ahmedabad. One of the mills supplied one sample and the two others four samples each with prices of competing English cloth. With the exception of one sample where the warp yarn is of 35s count, all the nine Indian lines are woven of fine yarns of 40s and higher counts. After careful examination of the data available, the Board has accepted four pairs samples supplied by one of the mills as typical and sufficiently similar in character to justify them being used as a means of estimating the degree of protection required by the Indian textile industry. We have accepted the manufacturing costs of this mill, but as in the case of the Bombay costings have replaced the mill's debits for raw material with costs of cotton which we are advised is suitable for the types of cloth costed. We have also provided for overhead charges including profits on scales similar to those given in the case of the Bombay mill costings.

84. In Appendix VIII we give particulars of the twenty pairs of samples accepted as typical of goods imported from the United Kingdom and of similar goods produced in India together with details of the c.i.f.c.i. prices and fair selling prices respectively. Comparisons of cloths and of fair selling prices and c.i.f.c.i. prices.

In each case we show the difference between the fair selling price of the Indian sample and the c.i.f.c.i. price of the competing English cloth of the same dimensions. To convert this difference into an equivalent rate of duty we have deducted from the c.i.f.c.i. price the 5 per cent. included therein for commission and interest and have calculated the percentage on the actual c.i.f. price. The resulting percentage is evidence of the rate of duty necessary to equate prices and of the degree of protection required against imports of cloth of the type under comparison. In the case of plain grey goods, the difference in prices has been converted into a specific duty calculated on the weight of the cloth. The various differences and percentages are contained in Appendix VIII, in which also are given mills' realisation prices, where supplied, for the purpose of comparison. We have abstracted the details of prices and duties required and give a summary in the following Table:—

TABLE XLVIII.—*Summary of prices and of rates of duties required for equation of prices of Indian and United Kingdom cloths submitted for comparison by Millowners' Associations.*

Description.	Mills' fair selling price of Indian cloth.	C.i.f.c.i. price of United Kingdom cloth.	Difference between Columns 1 and 2.	Percentage of c.i.f. price required for equation.
	1	2	3	4
	As. per piece.	As. per piece.	As. per piece.	
Bordered grey	12-08	10-69	2-29	22-47
Bordered grey	34-18	28-95	7-23	28-16
Bleached scarf	24-33	22-22	2-11	10-00

TABLE XLVIII—*contd.*

Description.	Mills' fair selling price of Indian cloth.	C.I.F. c.i. price of United Kingdom cloth.	Difference between Columns 1 and 2.	Percentage of c.i.f. price required for equation.
	1	2	3	4
	As. per piece.	As. per piece.	As. per piece.	
Bleached dhoti	31-66	30-87	0-79	2-70
Bleached dhoti	42-33	38-26	4-07	11-17
Bleached dhoti	41-27	35-23	6-04	18-00
Bleached jaconet	61-60	53-67	7-93	15-51
Bleached mull	44-57	38-13	6-44	17-73
Bleached mull	52-72	47-04	5-68	12-68
Bleached mull	81-76	70-16	11-60	17-35
Bleached longcloth	187-65	158-66	28-99	19-18
Bleached longcloth	168-10	131-54	36-55	29-10
Bleached longcloth	158-71	129-85	29-86	24-34
Bleached shirting	150-27	131-56	27-71	22-11
Bleached shirting	153-80	131-56	22-33	17-82
Dyed shirting	50-17	51-07	7-20	14-55
Dyed shirting	175-07	146-54	28-53	20-44
	Per yard.	Per yard.	Per yard.	
Dyed voile	4-14	3-59	0-55	16-08
	Per piece.	Per piece.	Per piece.	Annas per lb. required for equation.
Plain grey mull	59-26	38-10	21-16	4-40
Plain grey mull	76-16	72-34	3-82	1-00

The selection of samples has been limited to those submitted by the Millowners' Associations for which reliable costings and prices are available. Of the twenty pairs two represent plain greys, two bordered greys, thirteen bleached and three dyed goods. We have accepted these as typical of the cotton piecegoods produced in India and of the imports from the United Kingdom, of which generally speaking not more than one-fifth is grey and bordered grey and about one-third coloured. The bulk of the samples is bleached goods, and making particulars where supplied show that the pairs are similar in construction and suitable as a basis for comparison of prices.

85. Of the few samples of coloured goods submitted only two received from one mill are prints. In recent years the greater

Coloured goods including prints. No recommendation as to duty on printed goods. portion of the imports of printed goods has come from Japan and the indigenous printing trade in cotton piecegoods has suffered severely from the Japanese competition in cheap prints which also has adversely affected the development of

machine printing by the Indian mills. The position has been described by the Millowners' Association, Bombay, as follows:—

“India's production of printed goods is as yet in its infancy. In certain lines, however, such as printed voiles, some progress has been made, but in the bulk lines Indian mills have up to now been unable to meet English competition successfully. In prints, as a whole, it may be stated that the position of India *vis-à-vis* the United Kingdom is obscured owing to Japanese competition which has become very severe during the last five or six years. The field for expansion of India's production in printed goods is undoubtedly considerable, but, at the present time, India is handicapped in a variety of ways: for instance, the cost of printing is increased, because owing to the number of printing machines in the country being small, it is not an economic proposition to establish the subsidiary industry of engraving, and in these circumstances the copper rollers used by Indian mills have to be sent to England for re-engraving whenever a pattern is changed. Additional plant necessitating heavy capital expenditure is required to ensure India's success in competing against the United Kingdom as a supplier of printed goods to the Indian market, and this would not be forthcoming unless adequate protection for a reasonable period is assured.”

Details of the quantities of printed goods produced in this country are not available. The only figures before us are the official statistics which give the mills' total output of coloured goods including prints. These show that the Indian mill industry since 1931 has been holding its own in the manufacture of the goods classified under the head 'coloured'. From Table XI it will be seen that of the total mill production and imports of coloured goods available for consumption, two-thirds are the products of the Indian mills which therefore appear to be able to meet competition in dyed goods generally as distinct from prints.

The Board has carefully considered the position of printed goods and has taken into account the effect of Japanese competition on prices generally and the absence of reliable information as to the extent or nature of the Indian mills' production of prints. On such information and data as are available the Board is unable to make an accurate estimation either of the protection afforded by the existing duty or of the rate of duty required to afford adequate protection to the Indian cotton textile industry against imports of printed goods from the United Kingdom. The Board therefore makes no recommendation as to the duty on printed goods.

86. We have shown in Table XLVIII the percentage additions required to equate the prices of individual cloths imported from the United Kingdom to the fair selling prices for similar cloths produced in India. The percentage additions vary from 2·7 to 29·1 and it is obvious that no scale of duties can

Duty required on goods other than plain grey.

be framed to give the same degree of protection to all lines. The lines costed are the products of several mills whose manufacturing costs are based on the cloth in the grey state. Variations in costs are due to various causes including differences in efficiency. Where one mill has been producing a particular style for some time and another mill has just begun to experiment in the manufacture of the same kind of cloth differences in costs are to be expected. This is borne out by our comparison of mill costings and our examination of estimates received from the millowners for the same kind of cloth from different mills. In our opinion neither the low percentage in the one case nor the high percentage in the other can be accepted as an exact indication of the degree of protection required. We have come to the conclusion, therefore, that the equitable method of arriving at the percentage addition required to equate prices is to calculate the percentage on each line and to fix the addition at the average of the individual figures. On this basis we have averaged the eighteen cloths whose fair selling prices are shown in Table XLVIII excluding the two samples of plain greys to which we refer below. These cloths include bordered greys (*i.e.*, bordered grey chadars, dhotis, saris and scarves) bleached goods and coloured goods (excluding prints) all of which are now subject to a uniform *ad valorem* duty of 25 per cent. On basis of our calculations the average percentage addition is 17.74 which normally would represent the duty required to afford adequate protection to the Indian mill industry. It has been pointed out to us, however, that there are certain advantages over Indian mill-made goods which United Kingdom goods generally enjoy in the matter of finish and in other respects. Such advantages though real are not easily measured and assessed in terms of money and we have not attempted to put a money value on the advantages possessed by individual cloths. The Board, however, has decided that these factors should be taken into account and that an addition of 2 per cent. to the average percentage above mentioned should be sufficient to remove any handicap which the Indian cloths costed may have in the matter of finish and similar intangible differences. On this basis, the percentage addition required for the bordered grey, bleached and coloured goods excluding prints is 17.74 *plus* 2 per cent. making together 19.74 per cent. The Board recommends that on these classes of goods the duty necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom should be 20 per cent. *ad valorem*.

87. We have received only two pairs of plain greys suitable for comparison. Plain grey cloth is subject to an *ad valorem* duty of 25 per cent. or a specific duty of 4½ annas per lb., whichever is higher. Of the two plain greys in Table XLVIII, one requires a specific duty of 4.4 annas per lb. to equate the e.i.f.c.i. price of the imported cloth to the fair selling price for the similar cloth produced in India; the other sample requires only one anna per lb.

for the same purpose. We do not consider it would be reasonable to accept the resulting average of 2·7 annas per lb. obtained from the costing of two samples as an indication of the degree of protection required for this class of goods. In view, however, of the results obtained from the costings in the grey state of the other eighteen lines in the comparative table and of our comparison of these costings with the costings of the two lines of plain greys under discussion, we have come to the conclusion that the degree of protection required should be the same in plain greys as in the other classes of goods. That is to say, the Board considers that an *ad valorem* duty of 20 per cent. would afford adequate protection to plain grey goods. We have carefully considered the arguments put forward for the abolition of the existing system of specific duties applied to plain grey cloth but are unable to accept them as valid reasons for changing the system. In view, however, of the reduction considered necessary in the relative *ad valorem* duty the Board has come to the conclusion that the same percentage reduction should be made in the amount of specific duty also. The Board recommends that on plain grey goods the duty necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom should be 20 per cent. *ad valorem* or 3½ annas per lb., whichever is higher.

88. While the Board's recommendations as to the levels of duties required to afford adequate protection to cotton piecegoods are the direct result of comparisons of prices of imported goods and of fair selling prices of Indian goods based on mill costings, the differences that exist between mills' realisation prices and fair selling prices have been kept prominently before us. In addition, therefore, to the information regarding typical kinds of competing cloths asked for in the questionnaire, we as already mentioned requested parties interested to assist the Board by submitting samples of typical goods imported from the United Kingdom and of similar goods produced in India with detailed prices so that accurate comparisons might be obtained by the use of comparable samples. Although a considerable portion of the imported cloths differs materially in character from cloths produced in this country, a large portion can fairly be described as similar in character to Indian cloths and differing only in the type of cotton or of spinning used, in borders or designs, in finish or in trade mark or other distinctive features that might influence a buyer in his choice of cloth. It was suggested at first that differences such as these were sufficient to prevent any useful comparisons of cloths or prices but the attitude of parties generally was subsequently modified to the extent of admitting that detailed examinations of comparable cloths with expert assistance might prove helpful to the Board when considering the degree of protection afforded and required. We ultimately received a great number of samples and are indebted particularly to the Millowners' Association, Bombay, the Lancashire Delegation, Chambers of Commerce and dealers in piecegoods not only for supplying samples

but also for examining and criticising samples and price data submitted to the Board. As the result of our examination of many pairs of competing cloths—one of India and the other of United Kingdom manufacture—we are able to appreciate how trade in a particular style of cloth may be lost by the appearance on the market at an attractive price of another style superficially different in appearance as well as in construction. All the same, amongst the samples of competing lines submitted many have been found similar in character and with a degree of comparability sufficient to make it possible for the Board to make useful comparisons.

89. After careful consideration of the views expressed by the parties who were good enough to examine the samples submitted and of the technical advice at our disposal, we have prepared a list of samples of goods produced in Indian mills and of imports from the United Kingdom which have been considered sufficiently similar to justify a detailed comparison. This list is contained in Appendix IX which, in addition to the making particulars, gives the realised prices of the Indian goods and the c.i.f.c.i. prices of the imported goods. The great bulk of the samples submitted to the Board is bleached goods. Twenty pairs of bleached goods representing the various kinds have been selected for comparison. If the duty were added to the c.i.f.c.i. prices of lines imported from the United Kingdom and the resultant prices compared with the mills' realised prices for similar Indian lines, a fair indication would be afforded of the competition in the market of the two classes of goods. By taking the total dimensions of the twenty pairs of samples and the realised prices and c.i.f.c.i. prices of the Indian and United Kingdom goods respectively, we have arrived at the average price per square yard of the Indian cloth and the duty free average price per square yard of the United Kingdom cloth. On basis of these two average prices, we find that an addition of 14.48 per cent. is required to equate the two prices. This is an indication of the duty that would have been necessary if the realised prices had been fair selling prices. Our examination of the prices contained in Appendix VIII shows that there is a lag between the mills' realised prices and fair selling prices. After taking this lag and other relative factors into account, the Board feels that the figures in Appendix IX and the conclusions to be drawn therefrom justify the Board's recommendation that the duty necessary to afford adequate protection to the Indian textile industry against imports of cotton piecegoods from the United Kingdom should be at the rate of 20 per cent. *ad valorem*.

90. We now proceed to consider the effect of the protection afforded at present and to discuss the protection required in future against imports from the United Kingdom of fabrics of artificial silk or of mixture fabrics of cotton and artificial silk. In reply

to our questionnaire the Millowners' Association, Bombay, states that "the importation of artificial silk goods into British India has been one of the principal factors which is adversely affecting the trade in dyed and fancy goods of Indian mills, but it is not possible to say exactly, in view of the comparatively small imports from the United Kingdom, *vis-à-vis* other countries, to what extent United Kingdom's artificial silk goods could displace Indian mill-made dyed and fancy cotton piecegoods".

91. Artificial silk yarns are not produced in India and are not covered by our terms of reference, but their importation is of considerable importance to the development of artificial silk fabrics and mixtures but of competing dyed and fancy cotton piecegoods. The revenue duty on these yarns was increased from $7\frac{1}{2}$ per cent. *ad valorem* first to 10 per cent. and then to $18\frac{3}{4}$ per cent. in 1931 and was changed to 25 per cent. or a minimum specific duty of three annas per pound in May, 1934. Notwithstanding these changes, imports continue to increase and totalled 16.6 million pounds for the year ended 31st March, 1935, and 11.4 millions for the following nine months. Imports from the United Kingdom during these periods were only 0.9 and 0.3 million pounds respectively as against 8.9 and 6.9 millions from Japan and 6.5 and 3.9 millions from Italy.

92. The only figures of piecegoods production available are those contained in Table XVI which show that the Indian mill production of cotton goods mixed with silk or wool amounted to 3.8 million pounds for the year ended 31st March, 1935, and to 2.2 millions for the following six months. Artificial silk yarns are used by the mills for borders and stripes in cotton piecegoods but the handloom weavers are by far the largest consumers, the Millowners' Association, Bombay, estimating the proportion of imports consumed by the handloom industry at about 85 per cent.

93. Turning now to imports covered by our terms of reference, we find that imports of artificial silk goods and mixtures, after reaching in 1932-33 the high figure of 125 million yards, of which the United Kingdom's share was 3.6 millions only, amounted for the year ended 31st March, 1935, to 80.6 million yards and for the following nine months to 57.8 millions, the quantities coming from the United Kingdom during these two periods being only 3.7 and 1.8 millions respectively. Details of the changes in import duties are given in Table I of Chapter II. In view of the alterations in classification and rates made in 1933 and 1934, it is necessary to analyse the import figures still further. Taking first piecegoods made entirely of artificial silk, which represent the great bulk of the cloth under

discussion, we find the imports during the following years ending 31st March were:—

—	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Total imports in millions of yards .	112.82	40.40	67.60	51.56
From Japan	111.70	39.63	66.64	51.03
„ United Kingdom	0.43	0.43	0.46	0.22

The universal duty was 50 per cent. *ad valorem* until 1st March, 1933, when a minimum specific duty of four annas per square yard was introduced and continued in force until 1st May, 1934, when the duty on imports from the United Kingdom was reduced to 30 per cent. *ad valorem* or $2\frac{1}{2}$ annas per square yard. In face of these figures and especially of the insignificant portion of the import trade left by Japan to her competitors the Board feels that until this competition from Japan is adequately dealt with little purpose would be served by attempting to equate prices of United Kingdom and Indian artificial silk goods.

So far as imports of cotton and artificial silk mixtures are concerned, there was a universal rate of $34\frac{3}{8}$ per cent. *ad valorem* until 1st March, 1933, when the duty was altered to 35 per cent. or a minimum specific duty of $2\frac{1}{4}$ annas per square yard. The *ad valorem* duty in December was raised to 50 per cent. and on 1st May, 1934, a fresh classification was made. The duties on mixtures containing 50 per cent. or more cotton were made liable to rates of 30 per cent. or 2 annas per square yard if imported from the United Kingdom and of 50 per cent. or $3\frac{1}{4}$ annas from other countries. Mixtures containing less than 50 per cent. cotton were made liable to a duty of 30 per cent. or $2\frac{1}{2}$ annas per square yard if imported from the United Kingdom and of 50 per cent. or 4 annas from other countries. During the three years ending 31st March, 1935, the imports of artificial silk and cotton mixtures were as follows:—

—	1932-33.	1933-34.	1934-35.	1935-36 (9 months).
Total imports in millions of yards	12.44	17.04	12.95	6.26
From Japan	2.80	8.62	8.12	4.12
„ Italy	4.33	3.44	1.34	0.46
„ United Kingdom	3.15	2.32	3.28	1.57

Of the 12.95 million yards imported in the year ended 31st March, 1935, 11.74 millions were cloths containing 50 per cent. or more cotton.

94. While admitting that there has been little appreciable increase in imports from the United Kingdom since the duties were lowered on 1st May, 1934, the Mill-owners' Associations do not agree that this has been due to effective competition from

Effect of Japanese competition.

mills. According to the Millowners' Association, Bombay, the real reason why United Kingdom's imports of artificial silk fabrics have not increased is that she has not been able to meet Japanese competition. The Lancashire Delegation attribute the small increase in imports in the second half of 1934 to a temporary advantage enjoyed by United Kingdom manufacturers between a reduction in the excise duty on rayon yarn and the revision of the export drawback in that country, and point out that the increase has not been maintained.

95. Japan is now second only to the United States of America as a producer of artificial silk and second to none as a supplier of cheap yarns and piecegoods. We have referred (paragraph 38) to the existence in India of competitive goods imported from countries other than the United Kingdom which exercise a depressing influence on the selling prices not only of Indian goods but also of imports from the United Kingdom. In view of the dominating position attained by Japan and of the overriding influence exercised by that country where supplies and prices of artificial silk goods and mixtures in India are concerned, the Board does not feel justified in attempting to equate the prices of such goods imported from the United Kingdom to the fair selling prices of similar goods produced in India. On the information and data produced, the Board is unable to make an accurate estimation either of the protection afforded by the present tariff or of the level of duties necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom of fabrics of artificial silk and mixture fabrics of cotton and artificial silk. The Board, therefore, makes no recommendation as to the duties on these goods.

96. We referred in Chapter IX (paragraphs 72 to 74) to the theoretical or experimental costings of United Kingdom yarns submitted by the Millowners' Association, Bombay, and the Madura Mills Company, Limited, as evidence of the difference between the prices of special brands of imported yarns and the estimated fair selling prices of the same counts if manufactured in Indian mills to English specifications from special types of raw cotton. These costings the Board was unable to accept for the purpose of this enquiry. The principal classes of yarns imported from the United Kingdom which enter into competition directly or indirectly with similar yarns produced in India, according to the reply of the Millowners' Association, Bombay, to the Board's questionnaire, are grey yarn singles from 50s upward and bleached sewings 2/28s and 2/30s. The Association also states that the following counts of Indian mill-made yarns come into direct or indirect competition with United Kingdom yarns, viz., grey singles of 40s, 50s, 60s, 70s, 80s and 100s counts and bleached sewings 2/28s and 2/30s. Mills were asked to prepare a statement showing costs data per unit of the typical classes of Indian yarn competing with similar classes of

imported yarn. The Millowners' Association, Bombay, was good enough to arrange for four of their members submitting costings of yarns of 50s, 60s, 80s and 100s counts and also a costing of 2/28s sewing thread. The only other costings received were from the Madura Mills Company, Limited, which furnished costs data for yarns of several counts up to 44s and for 60s.

97. Exactly comparable details are not available but the following figures give an indication of the nature and extent of the foreign

import trade compared with the yarns spun in Indian mills for the year ended 31st March, 1935, in millions of pounds:—

TABLE LI.

Counts	Mill production.	Foreign imports.
1-30.	753.4	1.6
31-40	95.5	8.0
Above 40s	43.9	8.4
Twofold (doubles)	..	16.0
Unspecified and waste	5.8	..
TOTAL	1000.7	34.0

The universal duty of $6\frac{1}{4}$ per cent. *ad valorem* or $1\frac{1}{8}$ annas per lb. which had been in force since 30th September, 1931, was reduced on 1st May, 1934, to 5 per cent. or $1\frac{1}{4}$ annas on counts up to 50s and to 5 per cent. only with no specific duty on counts above 50s on yarns imported from the United Kingdom. It is now possible to analyse foreign imports so as to show the counts of twofold yarns and we therefore give the imports of yarn from the United Kingdom for the year 1934-35 in thousands of pounds, showing also the total imports from all sources:—

TABLE LII.

Imports from United Kingdom.	50s AND BELOW.		ABOVE 50s.	
	Singles.	Doubles.	Singles.	Doubles.
Grey	1,730	201	3,679	179
Bleached	602	1,166	833	40
Coloured	768	328	146	7
Mercerised	1	9	10	66
TOTAL	3,096	1,704	4,668	292
TOTAL FROM ALL COUNTRIES	10,045	6,868	7,980	9,082

Of the total imports of 34 million lbs. only 29 per cent. came from the United Kingdom. Japan supplied 33 per cent. and China 37 per cent. The yarn position has been and still is largely dominated by imports from the Far East and we find it difficult to estimate the effects of the recent changes so far as the Indian mills and the United Kingdom alone are concerned. In Table VII we have shown that Indian mills are making substantial progress in spinning yarns up to counts of 50s and 60s but this progress is largely confined to the Bombay Presidency where 82 per cent. of India's total output of counts above 40s was produced in 1934-35. The allocation of the mill production in that Presidency in thousands of pounds was as follows:—

TABLE LIII.

Counts.	Bombay City and Island.	Ahmedabad.	Bombay Presidency.
41—50	10,417	10,822	21,935
51—60	2,371	8,030	10,398
61—80	738	270	8,076
81—100	110	524	715
101s and up	29	21	51

98. On the understanding that the yarn position had been amply covered by the representation of the South Indian mills where the

Mills' costings. spinning section of the industry is concentrated, the Ahmedabad Millowners' Association has not supplied costs data of any description for yarns and our study of costings therefore has been limited to the data submitted by the Millowners' Association, Bombay, and the Madura Mills Company, Limited. The Bombay mills from which costings have been received are large spinning and weaving establishments whose sales of yarn and especially of fine yarns in most cases are very small in comparison with the quantities required for the weaving sections of their business. For this reason we have found it difficult to reconcile the yarn costing figures received from these combined establishments. After careful consideration of all the data and information before us we have decided to base our recommendations regarding yarns mainly on the costings of one of these mills along with the costings of a purely spinning mill supplied by the Madura mills which as already mentioned are by far the largest sellers of yarns in the Indian market. In arriving at the fair selling prices of the yarns produced in these mills we have followed the method adopted in the case of cloth costings. In view of the

different types of raw material used for spinning the same counts of yarn we have replaced the mill debits with costs of cotton which on expert advice we have considered suitable for spinning the counts of yarn. The cost has been based on the prices ruling at the beginning of June, 1935, and due allowance has been made for wastage and for waste realisation during the process of converting the raw material into yarn. We have accepted the manufacturing costs which include reeling and bundling as given by the mills, allowing 4 per cent. for selling and incidental expenses and have calculated overhead charges for interest on working capital, depreciation, managing agents' commission and profits at the rates mentioned when dealing with cloth costings. On this basis, we arrive at fair selling prices of four samples of yarn produced in Indian mills, one being of 40s count, one of 50s and two of 60s.

99. We have experienced some difficulty in fixing the prices of the yarns imported from the United Kingdom for comparison with the fair selling prices of the Indian yarns of similar counts. Different prices for various brands of the same counts were submitted to the Board. The position was further complicated by the quantities of yarn imported for the handloom industry and described as 'rejects' as well as by differences between warp and weft, combed and carded, mule spun and ring spun yarns, regarding which little information was forthcoming. The Collectors of Customs have been good enough to supply us with c.i.f. prices of different counts of yarn imported up to September, 1935, under various brands and descriptions which in some cases are merely 'rejects' or other general terms. We have not the materials before us to enable us to decide which particular brand or description is exactly comparable to the same count of Indian yarn. Imported yarns are used to some extent by weaving mills but we are informed that the great bulk is consumed by handloom weavers who purchase generally by the count and sometimes by the reputation of the brand concerned. In these circumstances we can come only to general conclusions as to the amount of duty required to afford adequate protection to the Indian yarn industry by taking all the comparable samples and reviewing the duty required against each of them. We have arrived at the prices of the imported yarn (excluding duty) by taking the c.i.f. prices and adding five per cent. to cover all commissions and interest. The resulting c.i.f.c.i. price in each case has been compared with the fair selling price of the yarn of the same count produced by the Indian mills.

100. In Table LIV, we give particulars and details of c.i.f.c.i. prices and the fair selling prices showing in each case the difference between the two prices. To convert this difference into an equivalent *ad valorem* rate of duty we have deducted from the c.i.f.c.i. price the five per cent. addition and have calculated the percentage on the actual c.i.f. price.

TABLE LIV.—Summary of prices and of rates of duties required for equaⁿ of prices of Indian and United Kingdom yarns.

Counts.	Spinning mill's fair selling price.	Spinning and weaving mill's fair selling price.	C.i.f.c.i. price of imported yarn.		Difference between fair selling price and c.i.f.c.i. price.	PERCENTAGE OF C.I.F. PRICE OR SPECIFIC DUTY REQUIRED FOR EQUATION.	
						Per cent.	Specific duty.
	As. per lb.	As. per lb.		As. per lb.			As. per lb.
40s	12-90	..	(1) Madras Chamber of Commerce	11-47	1-43	13-12	1-43
			(2) "Birth of Ganges" (Bombay Customs).	13-53	..	..	..
			(3) "Hanuman" (Bombay Customs).	12-60	0-30	2-51	0-30
			(4) "Orange Coloured Horse" (Bombay Millowners' Association).	10-06	2-84	29-71	2-84
50s	..	14-80	(1) "Shanker" (Bombay Millowners' Association).	17-64	..	..	..
			(2) "Bucket" (Bombay Millowners' Association).	13-91	0-89	6-73	0-89
			(3) "Hukkah Chap" (Bombay Customs).	14-45	0-35	2-55	0-35
			(4) "Horse Ticket" (Bombay Customs).	14-11	0-69	5-14	0-69
60s	17-08	17-06	(1) "Woodcutter" (Bombay Millowners' Association).	10-85	0-23	1-40	..
			(2) "Cock Stirrup" (Bombay Customs).	15-40	1-08	10-00	..
			(3) "Parrot" (Bombay Millowners' Association).	17-15	..	..	..
			(4) "Lady Ticket" (Bombay Customs).	16-09	0-99	6-15	..
			(5) "Racing Cow" (Madras Customs).	15-96	1-12	7-36	..
			(6) "Carpet"	17-90	..	..	..

It will be noticed that on yarn of 40s count the specific duty varies from nothing to 2-84 annas per lb. and on yarn of 50s count from nothing to 0-89 annas. Having regard to all the circumstances we feel that the existing rate of specific duty is sufficient to afford adequate protection against imports from the United Kingdom of counts of 50s and below. As regards yarn of 60s count we find the fair selling price of yarn produced by the purely spinning mill and by the combined spinning and weaving mill is practically the same. A comparison of this fair selling price with the c.i.f.c.i. prices of different brands of yarn of the same count shows that the rate of *ad valorem* duty required varies from nothing to 10-9 per cent. Here also we feel that the existing rate of duty is sufficient to afford adequate protection. We have not been able to estimate the fair selling prices of yarns of counts higher than 60s but consider that on general grounds the rate of duty required for yarn of 60s count will afford adequate protection on yarns of higher counts. On the whole the Board recommends that the duty on yarn imported from the United Kingdom should be maintained at 5 per cent. *ad valorem* or $1\frac{1}{4}$ annas per lb., whichever is higher, on counts of 50s and below and at five per cent. *ad valorem* on counts above 50s.

CHAPTER XI.

The Handloom Industry.

101. We now proceed to review present conditions in the handloom industry. We are indebted to the Government of India and

to local Governments and Directors of Industries for supplementing the limited statistical information hitherto available concerning this important section of the Indian textile industry. In Table XXIII the handloom production of cotton piecegoods in India for the year ended 31st March, 1935, is estimated at 1,426 million-yards as compared with 3,397 million yards produced in Indian mills. This handloom production has been arrived at by converting into cloth the balance of cotton yarn available for sale in India as shown in Table XXI, on basis of four yards of cloth to one pound of yarn. No allowance has been made for cotton yarn used for twine and other domestic purposes or for handspun yarns, but the calculation is sufficiently near the mark to indicate the quantity of cotton cloth produced by handloom weavers. The renewed publication of rail and riverborne trade returns which had been suspended for some years has enabled the Government of India to supply details of imports and exports as well as of production and consumption of both foreign and Indian mill-made yarns in the Presidencies and Provinces of British India and the figures provide a useful check on the amount of yarn available for handloom weaving purposes in different parts of the country. In Table LV under appropriate heads, we give for British India and three other areas the balances of cotton yarn available for consumption in handloom weaving for the year ending 31st March, 1935. The mill production of cloth has been converted into yarn on basis of 100 lbs. of yarn to 112 lbs. of cloth. Indian handspun yarn has not been taken into account nor land frontier exports and imports but all other Indian and foreign supplies of cotton yarn available are included as follows:—

TABLE LV.—Estimated balances of cotton yarn available for consumption in handloom weaving 1934-35.

Provinces.	FOREIGN.				INDIAN.				Total foreign and Indian.
	Overseas.	Coastwise.	Rail and river.	Total foreign.	Overseas.	Coastwise.	Rail and river.	Balance mill production after weaving.	
Madras	6,057	978	1,492	8,527	—763	—20,297	9,222	82,093	78,782
Bengal	11,377	—229	—2,828	8,320	—3	23,118	4,630	12,155	48,220
Bombay	13,987	—847	—5,263	7,877	—12,013	—21,841	—46,288	115,285	43,020
United Provinces	..	..	1,864	1,864	..	..	—9,674	51,250	49,440
Bihar and Orissa	..	..	670	670	..	103	30,531	—42	31,262
Punjab	..	..	1,194	1,194	..	..	14,805	8,136	24,135
Delhi and N.-W. Frontier	..	..	..	..	..	..	..	..	..
Burma	2,125	34	..	2,159	..	11,525	..	3,622	17,806
Central Provinces and Berar	..	..	1,140	1,140	..	..	—3,312	22,603	16,431
Ajmer-Merwara	..	..	71	71	..	..	2,684	2,521	6,276
Assam	..	..	604	604	..	..	3,433	..	4,037
Sind and Beluchistan	119	132	71	322	—10	4,339	—529	..	4,122
British India	33,665	63	—985	33,743	—12,789	—3,053	502	297,623	315,031
<i>States.</i>									
Hyderabad	..	..	522	522	..	..	6,983	6,541	14,046
Central India	..	..	29	29	..	..	—1,733	10,910	9,206
Mysore	..	..	548	548	..	..	—6,025	10,348	4,871
TOTAL	33,665	63	114	33,847	—12,789	—3,053	—273	325,422	343,154

(Thousands of lbs.)

Three-fourths of the available imports of foreign yarn were consumed in the Presidencies of Madras, Bengal and Bombay, the balance being distributed over the rest of India. We have not been able to ascertain the quantities of imported yarns used in the powerloom weaving mills. Of the 34 million pounds of foreign yarn imported in the year ended 31st March, 1935, 18 millions were single yarns and 16 millions twofolds. The total was equally divided between counts up to 50s and counts of 51s upwards. Only 29 per cent. came from the United Kingdom, 33 per cent. coming from Japan and 38 per cent. from China.

102. The greatest quantity of yarn available for consumption by handloom weavers is in the Presidency of Madras which is also the largest consumer of imported yarns. The

Handloom industry in Madras.

Government of Madras states that the handloom weavers absorb practically the whole of the cotton yarns imported into the Presidency, which consist mainly of 31s to 40s, 51s to 60s and 61s to 100s, while the absorption of Indian mill yarn by the handloom weaving industry is mostly of counts up to and including 40s. The great bulk, *viz.*, 78 per cent. of the Madras mills' own production, is in counts of 30s and below, 18 per cent. being 31s to 40s and 2 per cent. above 40s for the year ended 31st March, 1935. Of the Madras mills production of 103 million pounds of yarn, only 21 millions are woven into cloth in the mills, the balance of 82 million pounds being put on the market in the shape of yarn and sold mainly to the handloom and other subsidiary industries in various parts of India. Of the 78·8 million pounds of yarn available for the handloom weavers in the Presidency, on the other hand, 8·5 million or 10·7 per cent. only are imported from abroad.

103. We refer here to the question of yarns and in particular to the counts and qualities available for consumption by handloom

The spinning industry of Southern India.

weavers in Madras for the reason that a special representation in this connection has been received from spinning mills in Southern India. The interests of these mills are more seriously affected by foreign imports of yarn than are those of the average spinning and weaving mill which may be in a position to convert the bulk of its yarn into cloth or to regulate sales of surplus yarns according to market conditions. We propose to deal with the case put forward on behalf of the Handloom Industry by the local Governments and Directors of Industries who have favoured us with their views.

104. In Table LVI we give an abstract of statistical information received in reply to the Board's supplementary enquiries. The

The number of handlooms and the consumption of yarn.

number of handlooms given in some instances, *e.g.*, Madras and United Provinces, includes looms engaged in weaving fabrics other than cotton piecegoods. The number of handlooms in Assam has been taken from the Census of 1921 and has not been revised since then. Bengal prefers not to make

any estimate pending the result of enquiries regarding the 600 villages in which the handloom industry is mainly prosecuted. The numbers of handlooms returned by other provinces differ materially from the figures contained in the Report of the last Tariff Board enquiry, but we give the figures received as an indication of the extent of the handloom industry in British India. The quantities of yarn consumed and of cloth produced in some provinces are not in keeping with what might be expected from a study of the estimates in Table LV, but many of the differences can be accounted for by the quantities of handspun cotton yarn and of artificial silk and silk yarns used in the handlooms in addition to the quantities of imported and millspun yarns contained in Table LV. The following are the estimates for the year ended 31st March, 1935:—

TABLE LVI.—*Estimated numbers of handlooms and quantities of yarn consumed and cloth produced.*

(Quantities in millions of lbs.)

Province.	HANDLOOMS.		YARN CONSUMED.		Cloth produced.
	Total.	Making cotton goods.	Cotton.	Others.	
Madras	318,434	258,558	78.8		315
Bengal			48.2		
Bombay		110,183	50.2	3.2	235
United Provinces		161,913	49.5	6.4	291
Bihar and Orissa		180,000	31.1		
Punjab	256,602	241,602	60.1	4.0	401
Delhi	1,554	781	.2		0.7
North-West Frontier . . .		10,000	1.0		9
Burma		500,000	15.6		40
Central Provinces		73,388	15.5		
Assam		421,367	4.3		22
TOTAL		1,957,742	354.5		

These figures, incomplete as they are, confirm the importance attached to the handloom industry as a means of whole-time and part-time employment for weavers and their families in all the principal provinces. Notwithstanding Government grants-in-aid designed mainly to assist weavers' buying and selling operations, this section of the Indian textile industry continues to suffer from the keen competition with which it is faced in India and overseas.

105. The principal classes of fabrics woven in the handlooms of Madras, for instance, include dhotis, saris, long cloths, twills,

shirtings, angavastrams, turban cloths, rumals, bed sheets, towels, Madras handkerchiefs, kailies and lungis, Competition from suitings and durries. The Director of Industries, Madras, states:—

“It is almost impossible to make any comparison between handloom fabrics and imported cloths even of the same count, owing to their difference in quality, particulars and finish. Further, in handloom fabrics of fine counts weavers use both imported and Indian mill-made yarn (imported yarn as warp and Indian yarn as weft). Again, handloom fabrics of fine counts produced exclusively from imported yarn are generally woven with gold thread or silk borders (plain and figured) or both. Such kinds of fabrics are not imported. Further, the local handblock printed cloths cannot suitably be compared with imported machine printed cloths. The price of cloth made on handloom is higher than that of the imported variety even of the same count and appearance and the former rarely competes with the latter.”

The Director of Industries, Bengal, indicates that the competition now mainly comes from Japanese imports and from the products of Indian mills and not from imports from the United Kingdom. In his view the present condition of the handloom weaving industry in Bengal is due to the drop in the purchasing power of the people and the transfer of what demand there is to the cheaper mill-made mass production products in preference to the products of the handloom industry. The Directors of Industries of Bihar and Orissa and the Punjab refer to competition in cloth made from finer counts of yarn from the United Kingdom and Japan. The Punjab Director estimates that during the past five years cotton goods have been displaced in his province to the extent of about 10 per cent. by the imports of cheap artificial silk and mixture goods from Japan. The Director of Industries, Bombay, states that there are not many classes of cloth imported from the United Kingdom which compete directly with handloom cloth produced in the Presidency of Bombay but he gave instances of direct competition where United Kingdom cloth was selling at relatively lower prices than handloom products. In the Director's opinion the tendency is for handloom weavers to divert their attention to kinds of cloth in which there is no mill competition or in which the mill competition is not so severe. He adds that this tendency will naturally be accelerated if the present duties on cloths from the United Kingdom are reduced and as the market left now to handloom weavers is already very restricted nothing should be done to narrow it down further. This is a view generally held and it finds suitable expression in the following extract from the representation of the Government of Madras:—

“There is little, if any, competition between imported cloth and cloth woven on handlooms. The import duty on cloth should, however, be retained as it benefits either directly or

indirectly, both the power mill and the handloom weaver, and if the duty was abolished the competition between the power mill and the handloom weaver in certain classes of cloth would be intensified."

106. The Registrar of Co-operative Societies, Bengal, strikes a warning note. In comparing the relative outturns of cloth and yarns in Bengal during the years 1933-34 and 1934-35, he states that the "proportion of increase in the manufacture of finished goods was much in excess of that of the yarn by the mills. This fact shows that the existing duties have helped in the development of Bengal mills to a great extent. Under the protection of the duties the Indian mills have taken to fine weaving and dumped the market of Bengal with similar class of fine goods which were formerly produced by the handloom weavers alone. The existing duties have thus explored a new avenue for the mills to enter into competition with the handloom industry".

107. It is not only in the Indian market that the handloom weaver is faced with keen competition. There is a regular export trade in certain special lines using fine yarns. The manufacture of Madras handkerchiefs and kailies forms a special line of coloured handwoven fabrics that used to command a large sale outside India. Owing to the general world depression and the reduced purchasing power of consuming countries, exports of Madras handkerchiefs show a considerable decline. Lungis and kailies also have been seriously affected by the competition of cheap Japanese goods in overseas markets. The following Table shows the falling off in numbers and value of these handloom products from Madras in recent years:—

TABLE LVII.—*Exports of some handloom products from Madras.*

(Quantities in millions. Values in lakhs of rupees.)

—	1929-30.	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
<i>Quantities of—</i>						
Handkerchiefs . . No.	4.8	2.6	3.5	5.1	3.5	1.3
Lungis and kailies . Yds.	25.7	19.2	15.1	13.6	5.6	6.6
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<i>Values of—</i>						
Handkerchiefs . . .	43.5	21.4	22.6	36.3	18.4	12.4
Lungis and kailies . .	135.7	97.6	75.9	65.2	27.8	33.5
TOTAL .	179.2	119.0	98.5	101.5	46.2	45.9

Had it not been for the introduction by Ceylon and other countries of quotas against Japan, it has been suggested that the export position might have been even worse than is indicated by these figures. It is now hoped that the recent decision of the Ceylon Government to lower the tariffs on Empire made goods will be of assistance to the handloom weavers interested in exports to Ceylon. But if the handloom industry is to regain lost markets it is necessary to keep down costs. While the Government of Madras consider that the abolition of all duties on yarn and especially on counts of yarn above 40s, would be of assistance, it recognizes that the interests of the mills have also to receive consideration. That Government therefore does not press for a reduction in the existing duty on counts of 50s and below but it strongly advocates the abolition of the duty on yarns of counts above 50s imported from the United Kingdom on the ground that this would be a special benefit to that section of the handloom industry which makes use of the higher counts of English yarn.

108. The Government of the Central Provinces states that only 7 per cent. of the yarn imported into that area is from the United

The duty on yarn. Kingdom and consists of counts of 52s, 62s and 80s. The additional duty imposed on

United Kingdom imports has had an adverse effect on the handloom industry in the Central Provinces since the manufacture of fine saris depends on English yarn for its existence. The Director of Industries, Bombay, suggests that yarn of counts over 60s should be allowed to be imported at as low a rate of duty as possible but the duty should be sufficient to prevent this yarn from competing with and taking the place of Indian yarn of 60s and lower counts. The Director of Industries, Punjab, states that the handloom industry needs cheaper yarn both above and below 50s, that the yarns imported from the United Kingdom are of finer counts, mostly 50s and above with some quantities of 30s and above, and that on the whole they do not enter into direct competition with the yarns produced by spinning mills in the Punjab. While the interests of the handloom weaver in that province require that prices of yarn, especially of higher counts, should not be increased, the Director mentions that fine cotton yarns of over 70s counts are disproportionately heavily priced, as a result of which the use of fine cotton yarn is giving place to cheap Japanese spun silk; if the prices of fine cotton yarns are reduced, their use by the handloom weaving industry will increase.

109. From the foregoing review, the Board finds that there is not much direct competition between cloth imported from the

United Kingdom and cloth woven in handlooms. The Board further finds that the

Indian mill section of the industry has been placed in a better position to compete against the handloom industry which is definitely handicapped by the tariff on yarns especially those required for the production of cloth with finer counts. The likely effect

of any further increase in the duties on yarns is indicated in the following extract from the representation of the cotton spinning industry:—

“The existence of intense internal competition as has been shown to be rampant would safeguard the handloom weaver against any undue rise in price up to and including 32s counts. Counts 40s and upwards would probably rise in price, the increase being more marked in 60s and upwards than in 40s as there is already keen competition in the latter count among Indian mills themselves. This is particularly marked among South Indian mills, who are competing in the Calcutta, Madras and Bombay markets. So far as 60s, etc., are concerned, experience of the textile industry in India during the past ten years has shown that any tendency for particular lines to become more profitable than others is soon corrected by competing mills switching to the profitable lines and thereby prices are brought down to a reasonable level.”

Under the pressure of competition from the mass production of mills both in India and overseas, the handloom weaver has been forced to turn to the weaving of better quality cloths for which finer counts of yarn are required than are usually spun in this country. Imported yarns already are bearing duties which increase the cost of raw material to the handloom weaver. Higher duties may result in this section of the textile industry being entirely dependent on Indian mills for its supplies of yarn. Lower duties may end in the industry being largely dependent on foreign suppliers for its fine yarns. The Board's task is to recommend the level of duties necessary to afford adequate protection to the Indian cotton textile industry, of which the handloom industry forms an important section. Our recommendations as regards both yarn and cloth are contained in Chapter X and the Board feels that any adjustment of the interests of the spinning industry as a whole and of the special interests of the handloom industry is a matter with which the Board is not required to deal.

CHAPTER XII.

Summary of Findings and Recommendations.

N.B.—The numbers in brackets refer to paragraphs except where otherwise stated.

1. The Board considers it necessary to make a survey of the period that has elapsed since the existing rates of duty on cotton piecegoods came into effect. (13.)

2. The Board gives a survey of the progress of the Indian industry during this period, *i.e.*, from September, 1931. (Chapter III.)

3. The tendency for purely spinning mills to turn to the manufacture of cloth has been emphasised during the period except in the Madras Presidency where for special reasons more spinning mills have been started. (16.)

4. The expansion of the industry has been general all over the country except in the Bombay Presidency where, though more mills have been started in Ahmedabad, there has been a reduction in Bombay City and Island which, however, is still the home of large combined spinning and weaving establishments. (16.)

5. Indian mills have increased their production of woven goods by 25 per cent. since 1931 and of yarn by 15 per cent., the difference being partly explained by the change-over to spinning of finer counts but mainly by the greater expansion of the weaving section of the industry: (18.)

6. The Indian mill production of cotton piecegoods rose from 2,561 to 3,397 million yards during the period, showing an increase of 33 per cent. (22.)

7. The Lancashire Delegation does not consider the year 1931 as a fair period for comparing imports of that year with those of succeeding years as owing to various other reasons there was a marked decrease in imports generally and United Kingdom imports in particular. (22.)

8. The Board, however, has limited itself to the period since the existing duties came into effect in September, 1931, and has taken that year as the basic year. Imports show that trade in plain greys has fallen and that the bleached and coloured sections have been able to prevent any further decline. (22.)

9. Imports of grey yarns above 50s were chiefly from United Kingdom till May 1934 when the removal of specific duty on all yarns above 50s count has lost to her much of this trade. (27.)

10. In two folds and in mercerised yarns United Kingdom has a negligible portion of the import trade while in bleached and coloured yarn the imports are virtually from United Kingdom. (27.)

11. In export trade India finds it difficult to maintain far less to increase her overseas trade owing to keen competition. The bulk of her export trade is in coloured goods. (31.)

12. Further evidence of the expansion of the Indian cotton textile industry is afforded by the increased consumption of raw material which is 15 per cent. more than in 1931. The consumption of foreign cotton, especially East African, has increased from 2,246 thousand bales in 1930-31 to 2,686 thousand in 1934-35, 84 per cent. of which is taken by mills in Bombay Presidency and 16 per cent. by the rest of India. (32.)

13. The consumption of Indian cotton by the mills shows the increasing importance of the mill industry which took 15 per cent. more Indian raw cotton in 1934-35 than in 1931. In the same years mills increased their receipts of foreign cotton by 58 per cent., an increase which is accounted for by the greater proportion of fine counts of yarn produced by Indian mills. (35.)

14. Owing to several abnormal causes which were in operation, it is difficult to estimate the relative effects of the duties and other factors that have influenced market values during the period under review. (38.)

15. One inference that can be drawn from an examination of the course of prices is that consumers of cotton yarn and piecegoods in India have not been penalised to the full extent of the duties. (46.)

16. While prices of Indian manufactures have been adversely affected by the prices and in some cases by the volume of foreign imports, the continued low levels of wholesale prices for certain lines of piecegoods produced by Indian mills tend to support the statement that internal competition has been responsible to some extent for the trading results of the industry in recent times. (46.)

17. An examination of the financial position of mills in Bombay City and Island shows that these mills are not making sufficient profits to cover the depreciation allowances to which they are entitled and the large amounts required for interest on borrowed money. (49.)

18. An examination of the figures for Ahmedabad mills generally shows much better results than the Bombay mills. (50.)

19. All over India there are large cotton mills well equipped and well managed, the gross block accounts of which in many cases are covered by reserve, depreciation and other funds, as a result of which they are able to manufacture and place their products on the market more cheaply than newer concerns. (51.)

20. Though several of the purely spinning mills have turned to weaving partly due to the higher protection afforded to the weaving side of the industry, the latest accounts of some of the spinning mills show that profits are being made on that side of the cotton textile industry after providing for all charges. (52.)

21. The Lancashire Delegation and the importers generally urge various reasons for reducing the present level of duties to very much lower levels and in the case of yarns above 50s for the total abolition of the duties. (55-56.)

22. The Millowners' Association, Bombay, urges that the existing rates of duties should be maintained on cotton cloths manufactured from coarse and medium counts and on artificial silk cloths and artificial silk mixtures, and state that the existing duty is inadequate in the case of yarns over 40s and on printed goods and cloths made from fine count yarns. (57-58.)

23. The Ahmedabad Millowners' Association states that the existing duties are absolutely essential in the large majority of cases of Indian manufacture and that in the remaining cases they are insufficient to be helpful to the industry. (58.)

24. The representatives of the Indian spinning industry state that adequate duties must be imposed on all counts of yarns and ask for a specific duty of $1\frac{1}{2}$ annas per lb. together with a further addition of .6 anna per lb. to equate the import duty on raw cotton. (59.)

25. The task of the Board is to compare imported goods with similar goods produced in India and to equate the prices of such imported goods with the fair selling prices of the Indian products and not the actual selling or realised prices of such products. (60.)

26. The Lancashire Delegation has given estimates of the prices at which it can import goods manufactured to the specifications of certain Indian mill-made goods. The Millowners' Association, Bombay, and the Ahmedabad Millowners' Association have given estimated fair selling prices, on the assumption of overheads at certain rates, of goods of the specification of United Kingdom imported products, which the Indian mills can manufacture. On basis of the comparative prices submitted by the Lancashire Delegation it would appear that no protective duty is necessary on the goods whose prices they have estimated. On the other hand, on the assumption that Indian mills are entitled to the overhead allowances claimed, the average fair selling prices arrived at by the two Millowners' Associations indicate that in place of the existing duties the *ad valorem* rates required in respect of such goods should be 52.71 per cent. and 48.99 per cent. respectively. (63,66,70.)

27. In the case of yarns the Bombay mills have given estimates of fair selling prices of certain counts from which it would appear that the duties required to equate prices range from 23.4 per cent. on counts of 50s to 45.97 per cent. on counts of 70s grey yarn. (72.)

28. Similar estimates of fair selling prices of yarns submitted by the Madura Mills Company, Limited, show that the average duty required to equate prices should be 17.76 per cent. (73.)

29. Having regard to the terms of reference and to the fact that the Lancashire Delegation's minimum prices are not prices of imported goods but estimated costings of Indian goods if manufactured in the United Kingdom for export to India in support of which no corroborative evidence has been produced the Board is not prepared to accept these costings as a basis for the equation of prices. (74.)

30. The Board does not feel justified in accepting for the same purpose the theoretical costings of the United Kingdom goods if made in India submitted on behalf of the Indian mills. (74.)

31. The Board accepts the samples of Indian and United Kingdom goods which have been submitted by the Millowners' Associations for purposes of comparison as typical of imports from the United Kingdom and of similar goods produced in India and as sufficiently similar in character to justify their being used as a means of estimating the degree of protection required by the Indian industry. (76.)

32. The Board does not accept the suggestion made by the Lancashire Delegation that mills' realisation prices or the prices at which they have been selling over a substantial period of time should be considered fair selling prices within its terms of reference. The general interpretation in this country of the term "fair selling prices" has been accepted by the Board. (77.)

33. The Board has decided that the average capital cost of a spindle should be Rs. 63 and of a loom Rs. 1,575 for the purpose of calculating the overhead charges. (80.)

34. The Board has further decided that the amount of working capital required should be taken at a figure corresponding to one fourth of the block value; that the interest thereon should be at $4\frac{1}{2}$ per cent.; that the depreciation allowance should be 4 per cent. of the block; that the profit should be fixed at 6 per cent. and the managing agency commission at 10 per cent. on profits before deducting depreciation. (81.)

35. On the basis of these overhead charges and after debiting the price of raw cotton which on expert advice the Board considers suitable for particular counts of yarn and accepting the actual manufacturing costs at the rates given by the mills and adding bleaching or dyeing charges at uniform rates supplied by the Millowners' Association, Bombay, the Board has arrived at what it considers fair selling prices for different types of cloth for which detailed costings have been given by the Millowners' Associations. The Board has compared these fair selling prices with the c.i.f.c.i. prices of imported goods and arrived at the amount which would normally equate these prices. (84.)

36. The Board has taken into consideration the statement of the Millowners' Associations that United Kingdom goods enjoy certain advantages in the matter of finish and in similar other respects and has decided that these factors should be taken into

account and that an addition of 2 per cent. is necessary to remove the handicap of the Indian cloths. (86.)

37. On this basis the Board recommends that on cloths of bordered grey (*i.e.*, chadars, dhotis, saris and scarves) bleached goods and coloured goods (excluding prints) the duty necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom should be 20 per cent. *ad valorem*. (86.)

38. The Board recommends that on plain grey goods the duty necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom should be 20 per cent. *ad valorem* or $3\frac{1}{2}$ annas per lb. whichever is higher. (87.)

39. On an examination of the c.i.f.c.i. price and the mills' realisation price of closely comparable samples submitted by importers, the Board has also come to the conclusion that its recommendation regarding the duty necessary to afford adequate protection to the Indian textile industry against imports of cotton piece-goods is justified. (89.)

40. Having regard to the fact that the Indian textile printing industry is yet in its infancy and that sufficient costings have not been given to justify equation of prices, the Board makes no recommendation regarding the duties necessary in the case of printed goods. (85.)

41. In the case of artificial silk and mixtures of cotton and artificial silk, the Board finds that in view of the dominating position attained by Japan and of the overriding influence exercised by that country where supplies and prices of artificial silk goods and mixtures in India are concerned, the Board does not feel justified in attempting to equate the prices of such goods imported from the United Kingdom to the fair selling prices of similar goods produced in India and on the information and data produced the Board is unable to make an accurate estimation either of the protection afforded by the present tariff or of the level of duties necessary to afford adequate protection against imports from the United Kingdom of fabrics of artificial silk and mixture fabrics of cotton and artificial silk. (95.)

42. The Board has estimated the fair selling prices of yarns of different counts produced by Indian mills and has followed a method similar to that adopted in the case of cloth costings. The Board has compared these fair selling prices with the c.i.f.c.i. prices of imported yarns of the same counts, but finds the comparison complicated by the consideration that different brands of the same counts of yarn are sold at varying prices. (98-99.)

43. The Board finds that on counts of 40s the duty required to afford adequate protection varies from nothing to 2.84 annas per lb. and on counts of 50s from nothing to 0.89 annas per lb. and on counts of 60s from nothing to 10.9 per cent. *ad valorem*. On a review of the whole position the Board has come to the con-

clusion that the existing levels of duty afford adequate protection to the industry and recommend that on yarn of counts of 50s and below the duty should be 5 per cent. *ad valorem* or $1\frac{1}{4}$ anna per lb. and on counts above 50s, 5 per cent. *ad valorem*. (100.)

44. The Board finds that there is not much direct competition between the products of the handloom industry and imports of the United Kingdom. The adjustment of the interests of the handloom weaver and of the Spinning industry is a matter beyond the purview of the Board. (109.)

ALEX. R. MURRAY,

President.

FAZAL IBRAHIM RAHIMTOOLA,

Member.

A. RAMASWAMI MUDALIAR,

Member.

C. M. KER,

Secretary.

Calcutta, the 26th March, 1936.

APPENDIX I.

(Vide paragraph 2.)

(1) *Press Communiqué issued by the Special Tariff Board, dated the 16th October, 1935.*

The Government of India in their Resolution No. 341-T. (12)/35, dated the 10th September, 1935, have entrusted a special Tariff Board with an enquiry regarding the level of duties necessary to afford adequate protection to the Indian Cotton Textile Industry against imports from the United Kingdom of (a) cotton piecegoods, (b) cotton yarn, (c) fabrics of artificial silk and (d) mixture fabrics of cotton and artificial silk.

2. The following are the terms of reference to the Board:—

“To recommend on a review of present conditions and in the light of the experience of the effectiveness of the existing duties, the level of the duties necessary to afford adequate protection to the Indian Cotton Textile Industry against imports from the United Kingdom of (a) cotton piecegoods, (b) cotton yarn, (c) fabrics of artificial silk and (d) mixture fabrics of cotton and artificial silk. By adequate protection is meant duties which will equate the prices of imported goods to the fair selling prices for similar goods produced in India.”

3. The Board will give full opportunity to the Cotton Textile Industry, whether in India or the United Kingdom, to present its case and, if necessary, to answer the cases presented by other interested parties. In order to facilitate the preparation and consideration of such cases, the Board has prepared a questionnaire setting out points on which detailed information is required. Copies may be obtained from the Secretary, Special Tariff Board.

4. Firms or persons who desire that their views should be considered by the Board should address their representations (with six spare copies) to the Secretary, Special Tariff Board, so as to reach the office of the Board in Calcutta before 9th November, 1935, or at latest the office of the Board in Bombay before 16th November, 1935. Dates for public examination of witnesses will be notified in due course.

(2) *List of persons or firms from whom representations or replies to questionnaire were received.*

(a) AGAINST ANY REDUCTION IN DUTY.

Marwari Association, Calcutta.

Indian Chamber of Commerce, Coimbatore.

Southern India Chamber of Commerce, Madras.

Upper India Chamber of Commerce, Cawnpore.

Labour Associations recommending protection with stipulations as to wages, etc.

South Indian Textile Workers' Federation, Madras.

Textile Labour Association, Ahmedabad.

Nagpur Textile Union.

Mills.

Bombay Millowners' Association.

Bengal Millowners' Association.

Southern India Millowners' Association.

Ahmedabad Millowners' Association.

The following mills addressed the Board direct:—

Buckingham and Carnatic Company, Limited,

Sri Ramalinga Choodambikai Mills, Limited,

Cawnpore Cotton Mills Company, Limited,

Raja Gokuldas Mills, Limited,

Savatram Ram Prasad Mills Company, Limited,

of whom all but the first are represented by one or other of the Millowners' Associations.

Handloom and other subsidiary industries.

Handweavers of the United Provinces.

Salem Weavers' Co-operative Society, Limited, Salem.

Amritsar Textile Manufacturers' Association.

Messrs. M. A. Taj and Company, Ludhiana (especially silk ribbon).

Weavers' Association, Ludhiana.

Bengal Hosiery Manufacturers' Association (especially cotton knitted goods).

Bengal Industries Association.

Bar Association, Diamond Harbour.

Punjab Government.

Assam Government (cloth).

Ahmedabad Manufacturing and Calico Printing Company, Limited,
Ahmedabad (sewing thread).

(b) FOR A REDUCTION IN DUTY.

Mr. G. A. Bahl.

Empire Trade League.

Messrs. Jardine Skinner and Company.

Babu Bholaram Mussooddec.

Messrs. G. M. Roy and Company.

Prof. P. C. Mullick, Calcutta.

Mr. B. Mukerjee, Lucknow.

Mr. R. M. Gandhi, Bansda.

Mr. S. K. Sundararamaiar, Madras.

Messrs. W. A. Beardsell and Company, Limited.

Mr. Devidas Madhowji Thakorsay, Bombay.

United Kingdom Delegation.

Madras Chamber of Commerce.

Bombay Chamber of Commerce.

Karachi Chamber of Commerce.

Bengal Chamber of Commerce.

Marwari Chamber of Commerce.

Delhi Piecegoods Association.

Bombay Piecegoods Native Merchants' Association.

Calcutta Import Trade Association.

Mr. Yoosuf Ali Mohamed, Bombay.

Handloom and Subsidiary industries.

Pandit Nilkantha Das, Cuttack.

Sholapur District Weavers' Central Co-operative Society (yarn).

Mr. Amichand Chaganlal Shah and others of Surat (yarn).

Messrs. Moti Mehra and Company, Amritsar (yarn).

Messrs. W. A. Beardsell and Company (yarn).

Government of Madras (yarn).

Government of Bombay (yarn).

Government of Central Provinces (yarn).

Government of North-West Frontier Province (yarn).

Government of Assam (yarn).

(c) Others.

Punjab Chamber of Commerce.

Messrs. Kettlewell Bullen and Company, Calcutta.

Coimbatore Spinning and Weaving Company, Limited.

Other local Governments and Administrations.

Mr. C. Gopal Menon, Madras	} (Merchandise Marks Act).
Mr. A. C. Mukherjee, Calcutta.	

Messrs. R. J. Wood (Sea Customs Act)

Mr. V. I. Chettiar (a note on handlooms).

APPENDIX II.

Programme of the Board.

(Vide paragraph 4.)

- 10th September, 1935 Resolution of the Government of India.
 7th October, 1935 . Dewan Bahadur A. Ramaswamy Mudaliar, Member, joined in Bombay.
 8th October, 1935 . Mr. C. M. Ker, Secretary, joined in Bombay.
 10th October, 1935 . Rai Bahadur H. Mookerjee, Technical Adviser, joined in Bombay.
 11th October, 1935 . Mr. Fazal Ibrahim Rahimtoola, Member, joined in Bombay.
 11th October, 1935 . Sir Alexander Murray, President, joined in Bombay.
 11th January, 1936 . Mr. A. L. Sahgal joined in Calcutta.
 16th October, 1935 . Press communiqué issued.
 18th October, 1935 . Questionnaire issued.

TOUR PROGRAMME AND VISITS.

- 18th October, 1935 . Visited the Custom House, Bombay.
 19th October, 1935 . Visited the New Great Eastern Mills and the New City Mills, Bombay.
 21st October, 1935 . Visited the Khatau Makanji Spinning, Weaving, Dyeing and Bleaching Mills, Bombay.
 21st October, 1935 . Left Bombay.
 23rd October, 1935 . Arrived Calcutta.
 25th October, 1935 . Visited Calcutta Customs House.
 2nd November, 1935 Visited the Basanti Cotton Mills and the Rampooria Cotton Mills.
 12th November, 1935 Left Calcutta.
 14th November, 1935 Arrived Madras.
 18th November, 1935 Visited Madras Textile Institute and handloom weaving centre.
 19th November, 1935 Left Madras.
 21st November, 1935 Arrived Bombay.
 16th December, 1935 . Visited the Dye House and Laboratories of the Department of Chemical Technology, Bombay University.
 20th December, 1935 . Left Bombay.
 21st December, 1935 . Arrived Ahmedabad.
 22nd December, 1935 Visited the Motilal Hirabhai Mills, the Arvind Mills and the New Textile Mills.
 24th December, 1935 Left Ahmedabad.
 25th December, 1935 Arrived Bombay.
 26th December, 1935 Left Bombay.
 28th December, 1935 Arrived Calcutta.

PUBLIC HEARINGS.

- 12th December, 1935 } United Kingdom Delegation represented by Messrs.
 13th December, 1935 } Angus D. Campbell, E. Raymond Streat, O. B.
 14th December, 1935 } Clegg, T. Dutton, F. Hopkinson and A. C. Wild.
 14th December, 1935 The Southern India Spinning industry represented by Mr. J. M. Doak, Diwan Bahadur C. S. Rathnasabhpathi Mudaliar, Messrs. R. Venkata-swamy Naidu and G. N. Sirur.

- 16th December, 1935 Bengal Chamber of Commerce represented by Messrs. M. W. Lowndes and W. L. Clement.
- 17th December, 1935 Madras Chamber of Commerce represented by Messrs. D. M. Reid and R. N. Ranganadhan.
- 19th December, 1935 } Bombay Millowners' Association represented by
 20th December, 1935 } Sir Joseph Kay, Mr. V. N. Chandavarkar, Sir
 21st December, 1935 } Hormasji Mody, Messrs. F. Stones and T. Maloney.
- 21st December, 1935 Bombay Chamber of Commerce represented by Messrs. A. L. Hutson, A. G. Sotiriadi, H. A. Henry and H. Royal.
- 23rd December, 1935 Ahmedabad Millowners' Association represented by Messrs. Kasturbhai Lalbhai, Seth Chamanlal G. Parekh, Seth Sankarlal Balabhai, Seth Narainlal Lalubhai, Seth Santilal Mangaldas and Gordhanbhai L. Patel.

INTERVIEWS.

- 12th October, 1935 . Mr. J. M. Doak, Madura Mills, Madras.
- 14th October, 1935 . Mr. W. D. M. Clarke, H. M. Trade Commissioner for India.
- 14th October, 1935 . Mr. P. S. Sathappa Chettiar, President, Mr. C. S. Rathnasabhapathi Mudaliar, Vice-President, Mr. R. Venkataswamy Naidu, Secretary, and Mr. A. T. Devaraja Mudaliar, Southern India Millowners' Association, Coimbatore.
- 15th October, 1935 . { Sir Joseph Kay, President, and Mr. T. Maloney, Secretary, Millowners' Association, Bombay.
 { Mr. Kasturbhai Lalbhai, President, Ahmedabad Millowners' Association.
- 24th October, 1935 . Mr. D. P. Khaitan of Messrs. Birla Bros., and Mr. Elder, Piecegoods Manager of Messrs. Jardino Skinner & Co.
- 28th October, 1935 . { Mr. S. C. Mitter, Deputy Director of Industries, Bengal.
 { Mr. S. N. Mitter of Basanti Mills.
 { Mr. Evans, with Babu Bholaram Mussooddee of Messrs. Hoare Miller & Co., Calcutta and Mr. Scotson of Messrs. Anderson Wright & Co.
- 29th October, 1935 . Messrs. M. M. Mukherji, President and L. M. Mukherji, Secretary, Bengal Hosiery Manufacturers' Association.
- 30th October, 1935 . Mr. Ratan Lal, Manager of Messrs. Hazarimal Hiralal, the Manager, Rampooria Cotton Mills and Babu Bholaram Mussooddee.
- 31st October, 1935 . Mr. S. Mundra, Proprietor of Messrs. Meghraj Kanyalal, and Mr. Clements of Messrs. Grahams Trading Co., Ltd.
- 1st November, 1935 . Mr. Russell of Messrs. James Finlay & Co., Mr. Cronopoulo of Messrs. Ralli Bros. with Sir Badridas Goenka,
- 10th November, 1935 Mr. M. W. Lowndes of the Bengal Chamber of Commerce.
- 14th November, 1935 Messrs. L. B. Green, Director of Industries, Madras and D. M. Amalsad, Deputy Director.
- 14th November, 1935 { Messrs. D. M. Reid and K. R. Simpson of Messrs.
 { W. A. Beardsell & Co., and Mr. Sundaram Ayyar.
 { Mr. J. M. Doak of the Madura Mills.

18th November, 1935	Messrs. K. Kay and J. Nuttall of Messrs. Binny & Co., Mr. G. N. Lawrence of Bombay Co., Ltd., Mr. Wood of Messrs. MacConechy & Co., and Mr. Maine of Messrs. Ralli Bros.
19th November, 1935	Messrs. C. S. Rathnasabhapathi Mudaliar, Sathappa Chettiar, Radhakrishna Naidu and Ganga Naidu.
25th November, 1935	Messrs. A. G. Sotiriadi and Lalkaka, Cotton Piece-goods Broker of Messrs. Ralli Bros.
26th November, 1935	The United Kingdom Delegation.
27th November, 1935	The United Kingdom Delegation.
28th November, 1935	Mr. A. Campbell, Leader of the United Kingdom Delegation.
29th November, 1935	The United Kingdom Delegation.
2nd December, 1935	Mr. T. Maloney and the United Kingdom Delegation.
3rd December, 1935	The United Kingdom Delegation and Sir Joseph Kay.
20th December, 1935	Discussed costings <i>in camera</i> with the Bombay Mill-owners' Association.
24th December, 1935	Discussed costings <i>in camera</i> with the Ahmedabad Millowners' Association.
26th December, 1935	Discussed costings <i>in camera</i> with the Bombay Mill-owners' Association.
8th January, 1936	} Sir Joseph Kay.
9th January, 1936	
20th to 26th February, 1936.	Mr. T. Maloney and Mr. A. P. Walwyn.

APPENDIX III.

(Vide paragraph 15.)

Statement showing the progress of the cotton mill industry in India.

Year ending 31st August.	Number of mills working.	Number of mills of spindles.	Number of mills of not working.	Number of spindles.	Number of looms.	Number of mills in course of erection.	Number of spindles.	Number of looms.	Total number of mills.	Number of spindles. Working. non-work- ing and proposed.	Number of looms. Working. non-work- ing and proposed.	Average number of hands employed daily.	Approximate quantity of cotton consumed in bales of 392 lbs.
1930-31	312	8,890,723	27	421,220	10,454	24	51,620	1,328	363	9,363,573	183,757	396,475	2,633,176
1931-32	314	9,078,125	25	427,958	11,184	37	30,788	835	376	9,536,871	187,176	408,226	2,911,264
1932-33	311	8,854,240	33	726,418	15,715	31	19,944	466	375	9,600,602	189,506	400,005	2,837,153
1933-34	320	8,546,981	32	766,193	17,042	28	41,400	929	380	9,654,574	195,317	384,988	2,703,990
1934-35	336	9,098,919	29	501,256	11,633	42	93,888	654	407	9,779,063	199,521	414,884	3,123,414

APPENDIX IV.

(Vide paragraph 28.)

Imports into the Maritime States in Kathiawar.

(Thousands.)

—	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (8 months).
<i>Cotton Yarn</i> —Total . . lbs.	0·8	20·3	15·7	14·6	8·5
<i>Piecegoods</i> —	<i>Plain and bordered.</i>			<i>Plain.</i>	
<i>Grey unbleached</i> —					
United Kingdom . . yds.	20·4	488·8	402·3	2,587·0	6,004·4
Japan "	311·7	1,470·5	1,342·2	1,083·4	1,634·7
Total "	332·1	1,959·3	1,746·5	3,673·6	7,639·1
<i>Bordered Grey</i> —				<i>Bordered.</i>	
United Kingdom . . "	} Not separately recorded. }			1,577·3	149·0
Japan "				1,841·8	184·7
Total "				3,419·1	334·6
<i>White Bleached</i> —					
United Kingdom . . "	156·8	825·2	2,019·5	13,630·9	13,407·2
Japan "	41·4	837·7	1,139·5	2,472·0	884·5
Total "	210·2	1,704·8	3,210·4	16,210·5	14,335·1
<i>Printed Goods</i> —					
United Kingdom . . "	30·6	1,034·2	1,648·7	1,936·7	1,280·0
Japan "	26·5	415·8	572·0	2,260·2	1,418·2
Total "	58·7	1,450·0	2,225·0	4,220·2	2,710·7
<i>Dyed Goods</i> —					
United Kingdom . . "	130·7	786·5	1,259·2	2,999·0	2,349·1
Japan "	4·7	130·9	138·8	607·5	224·0
Total "	144·2	964·7	1,398·0	3,625·6	2,578·6
<i>Woven Coloured</i> —					
Total "	16·0	133·0	598·6	2,456·8	474·3
(Imports by countries not specified.)					
<i>Fents</i> —Total "	0·4	43·4	90·7	1,772·3	1,087·0
(Imports by countries not specified.)					
<i>Total Piecegoods (including Fents)</i> —Total. . . . "	761·7	6,256·2	9,260·3	35,378·0	28,072·5
(Imports by countries not specified.)					

	1931-32.	1932-33.	1933-34.	1934-35.	1935-36 (8 months).
<i>Artificial Silk Piecegoods (Pure and Mixture)—</i>					
United Kingdom . Yds.	1·7	}	See figures below.		
Japan "	57·1				
Total "	65·6				
<i>Piecegoods made entirely of Artificial Silk—</i>					
United Kingdom . . "	..	2·4	18·1	21·8	20·3
Japan "	..	321·8	3,073·1	2,748·3	492·9
Total "	..	343·0	3,100·7	2,786·7	527·1
<i>Piecegoods of Cotton and Artificial Silk—</i>					
United Kingdom . . "	..	9·7	22·6	80·4	63·4
Japan "	..	380·0	281·2	862·6	1,376·7
Total "	..	510·8	457·4	1,414·0	1,550·4

APPENDIX V.

(Vide Table XLIII and paragraphs 64 and 65 of the Report.)

Comparative prices of Indian mill made piecegoods submitted by United Kingdom Cotton Textile Delegation showing (1) minimum c.i.f. prices of goods if made in United Kingdom to same specifications as Indian samples, (2) prices supplied by United Kingdom as Indian mills' selling prices of the Indian samples, (3) Indian mills' latest realisation prices and (4) Indian mills' bare manufacturing costs where available.

	Reference No.	Weight per piece.	United Kingdom price c.i.f.	Prices supplied by United Kingdom as Indian mills' selling prices of Indian goods.	Indian mills' latest realisation prices.	Indian mills' bare manufacturing costs.	Percentage of variation plus or minus between columns 3 and		
							4	5	6
	1	2	3	4	5	6			
		lbs.	As per piece.	As per piece.	As per piece.	As per piece.			
<i>I. Plaisa Grey.</i>									
1. Shirting	B101	11.75	147.0	135.0	142.0	138.8	-8.2	-3.4	-5.9
Ditto	B102	10.91	103.7	86.3	91.8	90.0	-16.8	-11.5	-13.2
Ditto	B103	8.18	89.7	83.8	..	..	-6.6	..	..
Ditto	B104	11.97	123.2	111.1	110.7	115.5	-9.8	-10.1	-6.2
Ditto	B105	4.91	60.9	51.7	..	..	-15.1	..	..
Ditto	C100	8.84	90.1	92.3	90.0	85.1	+2.4	-0.11	-5.5
Ditto	C101	11.18	112.9	103.0	99.8	87.2	-8.8	-11.6	-22.8
Ditto	C102	9.26	95.3	89.7	84.0	83.4	-5.9	-11.9	-12.5
Ditto	C103	10.41	91.6	89.0	..	..	-2.8	..	..
Ditto	C104	9.92	92.9	105.0	95.0	97.6	+13.0	+2.3	+5.1

	Reference No.	Weight per piece.	United Kingdom price c.i.f.	Prices supplied by United Kingdom mills' selling prices of Indian goods.			Indian mills' latest realization prices.	Indian mills' bare manufacturing costs.	Percentage of variation plus or minus between columns 3 and				
				2	3	4			5	6	4	5	6
III. Bleached.													
5. Dhold	B331	1.39	34.4	38.0	37.1	40.2	+10.5	+7.8	+16.9				
Ditto	B333	0.98	32.9	38.1	..	..	+15.8	..	..				
Ditto	B334	1.70	29.4	28.0	36.1	30.2	-4.8	+22.8	+2.7				
Ditto	B335	1.24	27.4	27.0	..	..	-1.5	..	..				
Ditto	B337	1.03	38.7	45.0	..	..	+16.3	..	..				
Ditto	C330	1.24	27.9	23.7	..	..	-15.1	..	..				
Ditto	C331	1.17	27.4	23.7	..	..	-13.5	..	..				
6. Shirting	B300	9.58	133.3	133.8	134.0	132.2	+0.4	+0.5	-0.8				
Ditto	B302	7.87	107.2	93.5	..	102.4	-12.8	..	-4.5				
Ditto	B303	8.43	131.8	147.1	147.0	140.8	+11.6	+11.6	+6.8				
Ditto	B304	9.58	116.8	108.0	..	119.7	-7.5	..	+2.5				
Ditto	B305	7.39	100.8	87.3	86.8	101.3	-13.4	-13.9	+0.5				
7. Matusook	B310	1.52	26.8	23.5	27.0	25.3	-12.3	+0.7	-5.6				
Ditto	B311	1.44	25.0	24.3	25.5	23.7	-2.8	+2.0	-5.6				

[illegible]

Total of Section III—

All items

17 items occurring in column 5.

20 items occurring in column 6 .

Average counts 35×43 ; reed and pick 56×44

V. Prints.

11. Shirting	B400 ₂	3-86	101-2	84-0	..	..	-16-9	..	..
Ditto	B401	8-69	102-4	90-0	..	..	-12-1	..	..
12. Chocolate jean	B420	4-06	89-4	90-0	97-5	94-1	+0-7	+9-1	+5-3
Ditto	B421	5-51	94-2	97-5	..	..	+3-5	..	..
Total of section V—									
All items	..	..	337-2	361-5	..	..	-6-7	..	..
1 item occurring in column 5	..	..	89-4	..	97-5	..	..	+9-1	..
1 item occurring in column 6	..	..	89-4	..	..	94-1	..	..	+5-3
Average counts 40 x 44 ; reed and pick 76 x 46	..	..	..	..	..	..	..	..	..
VI. Yarn Dyed.									
13. Shirting	B601	0-17	7-7	8-1	..	..	+5-2	..	..
Ditto	B602	0-22	8-0	7-8	8-3	7-4	-2-5	+3-7	-7-5
Ditto	C600	4-18	98-9	90-0	..	83-1	-9-0	..	-16-0
Ditto	C601	3-96	88-0	91-0	..	..	+3-4	..	..
14. Doria	C610	3-52	104-4	90-0	..	..	-13-8	..	..
Ditto	C611	3-28	115-7	104-0	..	..	-10-1	..	..
Total of section VI—									
All items	..	..	422-7	390-9	..	..	-7-5	..	..
1 item occurring in column 5	..	..	8-0	..	8-3	..	..	+3-7	..
2 items occurring in column 6	..	..	106-9	..	..	90-5	..	..	-15-3
Average counts 32 x 42 ; reed and pick 92 x 52	..	..	..	..	..	..	..	..	..

* Split.

APPENDIX VI.

(Vide Table XLIV and paragraphs 67 and 68.)

Table of samples and prices of United Kingdom imports compared with Indian mills' average fair selling prices for the same goods if manufactured in Indian mills to same specifications, according to Millowners' Association, Bombay.

Serial No.	Description.	Weight per piece.	Wholesale market price of United Kingdom imports.	Net whole-sale market price less 2 per cent. discount and appropriate duty.*	Mills' fair selling price.	Difference required for equation.	Percentage of difference to net wholesale market price.	Mills' bare manufacturing cost.	Percentage of over-heads to bare cost.
		1	2	3	4	5	6	7	8
		Lb. oz.	As. per piece.	As. per piece.	As. per piece.	As. per piece.		As. per piece.	
	<i>Plain Greys.</i>								
1	Grey Jaconet	3 6	70	53.83	80.83	27.00	50.16	57.67	40.16
2	Ditto	3 10	83	65.08	89.80	24.72	37.97	65.60	36.89
3	Ditto	3 12	83	64.93	96.23	31.30	48.19	70.58	36.34
4	Ditto	3 14	83	64.39	98.39	34.00	52.80	72.00	36.65
5	Grey mull	3 6	95	74.48	133.92	59.44	79.81	99.05	35.20
6	Ditto	3 4	90	70.56	132.59	62.03	87.91	98.07	35.20
	<i>Bartered Greys.</i>								
7	Grey dhori	0 7	15	11.76	18.91	7.15	60.80	13.75	37.93
8	Ditto	1 10	86	23.22	44.52	16.30	57.76	32.08	38.77
9	Ditto	1 14	87.75	29.59	44.59	15.00	50.69	32.36	37.79
10	Ditto	1 15½	84	26.66	43.51	16.85	63.20	32.49	35.93
11	Ditto	1 13½	84	26.66	42.24	15.58	58.44	31.52	34.01
12	Ditto	1 8	..	..	37.84	..	..	..	..

APPENDIX VII.

(Vide Table XLV and paragraph 69.)

Table of samples and prices of United Kingdom imports compared with Indian mills' average fair selling prices for the same goods if manufactured in Indian mills to same specifications, according to the Ahmedabad Millowners' Association.

Serial No. in Appendix VI.	Description.	Weight per piece.	Wholesale market price of United Kingdom imports.	Net wholesale market price less 2 per cent. discount and appropriate duty.*	Mills' fair selling price.	Difference required for equation.	Percentage of difference to net wholesale market price.
		1	2	3	4	5	6
		Lb. Oz.	As. per piece.	As. per piece.	As. per piece.	As. per piece.	
2	Grey Jaconet	2 10	83	65-07	95-91	30-84	47-39
3	Ditto	3 12	83	64-93	95-91	30-98	47-71
4	Ditto	3 14	83	64-39	95-91	31-52	48-95
11	Grey dhori	1 12½	70	53-83	82-64	28-81	53-52
10	Ditto	1 13½	84	50-66	42-78	16-10	60-39
8	Ditto	1 15	84	50-66	45-15	18-49	60-35
25	Bleached mull	1 10	86	28-22	47-09	18-87	66-86
26	Ditto	3 12	85	53-31	83-29	29-98	56-23
22	Ditto	1 11	125	65-86	109-58	43-70	66-35
23	Ditto	1 10	71	55-67	141-78	33-99	31-04
24	Ditto	2 0	49	38-42	81-42	43-70	46-25
16	Bleached nainsook	1 6	49	38-42	66-64	28-22	73-45
17	Ditto	1 6	48	38-42	66-64	28-22	73-45
17	Ditto	2 8½	88	53-31	77-00	23-69	44-42
17	Ditto	2 10½	88	53-31	82-00	28-69	53-81
17	Ditto	2 10½	914	53-31	86-00	32-69	61-82
28	Bleached Twill	..	251	167-78	262-51	94-73	56-46
28	Ditto	..	251	196-79	254-85	58-06	29-60
28	Bleached shirting	6 15	274	214-82	290-00	65-18	80-84
28	Dyed mull	..	122-50	96-04	150-56	54-52	57-10

* 4½ annas per lb. in the case of Nos. 1, 3 and 4, and one fifth of the reduced value in other cases.

APPENDIX VIII.

(Vide paragraph 84 and Table XLVIII.)

Samples of Indian goods and of competing goods from United Kingdom submitted for comparison by Millowners' Associations.

Description.	CLOTH PRODUCED IN INDIAN MILLS.					CLOTH IMPORTED FROM UNITED KINGDOM.					Difference between fair selling and c.l.f.d. prices.	Percentage of c.l.f. price required for equaton.
	Sq. yds. per piece.	Counts.	Reed and pick (combined).	Fair selling price.	Realised price.	Counts.	Reed and pick (combined).	C.l.f. price.	C.l.f.d. price.			
				4	5			6	7	8		
	1	2	3	As. per piece.	As. per piece.			As. per piece.	As. per piece.	As. per piece.		
Bordered grey .	5-00	60 × 80	104	12-98	•	•	•	10-19	10-69	22-47		
Ditto	12-20	60 × 80	124	34-18	•	•	•	25-67	26-95	28-16		
Bleached scarf .	7-55	40 × 50	112	24-33	•	•	•	21-17	22-22	10-00		
Bleached dhori	10-66	60 × 80	128	31-66	•	•	•	29-40	30-87	2-70		
Ditto	11-77	80 × 100	144	42-33	44-00	80 × 120	148	36-44	38-26	11-17		
Ditto	11-11	70 × 90	144	41-27	41-00	70 × 80	140	33-56	35-23	18-00		
Bleached jaconet	18-00	38 × 44	120	61-60	54-00	38 × 30	124	51-12	53-67	6-04		
Bleached mull .	19-44	50 × 46	104	44-57	39-00	48 × 58	90	36-32	38-13	7-93		
Ditto	24-44	60 × 60	94	52-72	47-00	48 × 58	80	44-80	47-04	17-78		
Ditto	28-33	38 × 44	128	71-50	66-84	40 × 40	124	66-84	70-16	5-68		
Bleached longcloth	41-69	40 × 40	160	187-65	184-00	36 × 40	156	151-11	158-66	17-35		
Ditto	35-88	36 × 40	152	168-19	152-00	44 × 36	148	125-28	131-64	19-18		
Ditto	37-77	38 × 44	144	158-71	•	44 × 36	128	122-71	128-85	24-34		
Bleached shirting	38-88	36 × 40	140	159-27	158-00	42 × 36	140	125-30	131-56	29-86		
Ditto	37-77	36 × 30	134	153-89	146-00	42 × 36	140	125-30	131-56	57-71		
Dyed shirting .	33-33	36 × 44	66	59-17	60-00	42 × 46	68	51-97	51-97	22-83		
Ditto	40-00	30 × 24	118	175-07	174-00	30 × 26	128	139-56	146-64	7-20		
				per yd.	per yd.			per yd.	per yd.	28-53		
Dyed voile	146-66	50 × 50	102	4-14	4-12	70 × 60	104	3-42	3-59	0-55		
				per piece.	per piece.			per piece.	per piece.	16-08		
Plain grey mull	40-62	24 × 28	60	59-26	54-00	24 × 36	56	36-29	38-10	As. per lb. required for equaton.		
Ditto	24-44	38 × 44	128	76-16	61-08	40 × 48	136	68-90	72-34	4-40		
										1-00		

* These particulars have not been supplied by the mills.

APPENDIX IX.

(Vide paragraph 89.)

Closely comparable samples of Indian goods and of competing goods imported from United Kingdom submitted by the Lancashire Delegation, Chambers of Commerce and dealers in piecegoods for comparison of mills' realised prices with c.i.f.c.i. prices.

Description.	INDIAN.				UNITED KINGDOM.			
	Square yards.	Counts.	Reed and Pick (combined).	Mills' realised price.	Square yards.	Counts.	Reed and Pick (combined).	C.i.f.c.i.
Bordered Grey	Per piece.			As. per piece.	Per piece.			As. per piece.
Ditto	12-22	40 x 44	115	36-75	12-22	38 x 40	116	27-93
Ditto	13-61	30 x 52	124	34-00	9-33	34 x 54	116	20-89
Ditto	11-11	36 x 46	120	30-00	11-11	44 x 46	120	30-24
Ditto	12-22	40 x 44	115	36-75	12-22	40 x 50	108	25-78
Bleached Dhodi	12-75	60 x 72	132	37-50	12-50	60 x 80	144	36-22
Ditto	12-50	60 x 70	130	39-25	12-50	60 x 60	120	30-13
Ditto	11-00	62 x 54	132	34-00	10-66	62 x 76	132	25-93
Bleached Mull	28-66	40 x 45	111	52-00	27-22	44 x 44	118	65-83
Ditto	19-44	50 x 46	104	30-00	20-55	46 x 56	103	42-00
Ditto	26-67	70 x 60	144	92-00	22-22	70 x 100	156	52-50
Ditto	27-50	44 x 42	119	67-00	26-66	40 x 46	119	58-27
Ditto	27-77	36 x 42	136	86-16	26-66	38 x 46	138	62-05
Ditto	27-50	44 x 42	119	67-00	27-22	42 x 50	117	58-80
Bleached shirting	39-66	31 x 30	160	160-00	36-11	30 x 32	152	146-53
Ditto	38-88	36 x 40	140	158-00	37-77	42 x 36	140	137-59
Ditto	38-88	36 x 40	152	152-00	38-88	40 x 44	148	129-72
Ditto	37-77	36 x 29	154	147-50	36-66	36 x 32	156	120-75
Ditto	26-11	40 x 45	108	65-50	26-66	40 x 46	116	62-05
Ditto	20-00	42 x 42	108	48-00	20-55	42 x 44	108	45-74
Bleached mainsook	24-44	36 x 42	94	50-00	24-44	36 x 38	94	46-93
TOTAL (sq. yds.)	466-09	..	..	1,432-41(1)	452-14	..	..	1,219-80(2)

(1) Average price of 1 sq. yd. = 3-069 as.

(2) Average price of 1 sq. yd. = 2-697 as. c.i.f.c.i. Difference 3-72 as.

Average price of 1 sq. yd. c.i.f. = 2-569 as. Percentage difference is 14-48.

APPENDIX X.

[Vide paragraph 58 (b).]

Statement submitted by the Millowners' Association, Bombay, showing the estimated consumption of piecegoods per head in India.

Years.	Cloth available for consumption in India.	Imports of art silk cloth less re-exports.	Total of columns 2 and 3.	Total yarn available to hand-loom.	Imports of art silk yarn into India.	Totals of columns 5 and 6.	Quantity of cloth turned out on handlooms (approx.).	Total quantity of cloth available for consumption in country.	Population in India.	Consumption per head in yards.	Average price per yard Indian mill-made cloth.
1	2	3	4	5	6	7	8	9	10	11	12
	Mil. yds.	Mil. yds.	Mil. yds.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. yds.	Mil. yds.	Milions.		As. per yd.
1912-13	3,943	..	3,943	260	..	260	1,243	5,186	315.8	16.4	2.83
1913-14	4,076	..	4,076	267	..	267	1,277	5,353	316.2	16.9	2.76
1914-15	3,354	..	3,354	206	..	206	1,176	4,770	316.6	15.1	2.76
1915-16	3,299	..	3,299	272	..	272	1,201	4,600	317.0	14.5	2.46
1916-17	2,941	..	2,941	263	..	263	1,001	2,945	317.4	9.2	3.27
1917-18	2,786	..	2,786	268	..	268	974	2,757	317.8	11.8	5.20
1918-19	2,309	..	2,309	232	..	232	1,252	3,561	318.2	11.2	7.60
1919-20	2,337	..	2,337	141	..	141	1,674	3,011	318.6	9.4	6.95
1920-21	2,816	..	2,816	111	..	111	1,273	4,189	319.0	13.1	7.38
1921-22	2,525	1	2,526	298	..	298	1,425	3,951	322.4	12.2	6.76
1922-23	3,006	2	3,008	335	..	335	1,602	4,610	325.8	14.1	6.33
1923-24	2,965	6	2,971	321	..	321	1,200	4,174	329.2	12.7	5.53
1924-25	3,430	17	3,447	314	..	314	1,502	5,069	332.6	15.2	5.72
1925-26	3,134	15	3,149	324	..	324	1,353	4,502	336.0	13.4	4.76
1926-27	3,027	42	3,069	324	..	324	1,549	5,198	339.4	15.3	3.80
1927-28	3,921	50	3,971	323	8	331	1,583	5,558	342.8	16.2	3.93
1928-29	3,411	50	3,461	279	7	287	1,373	4,864	346.2	14.0	4.00
1929-30	4,003	57	4,060	344	7	351	1,679	5,744	349.6	16.4	3.81
1930-31	3,189	51	3,233	339	7	346	1,655	4,868	353.0	13.8	3.15
1931-32	3,167	85	3,252	370	8	378	1,808	5,360	357.4	14.9	2.87
1932-33	4,134	125	4,259	351	11	430	2,056	6,325	360.8	17.5	2.77
1933-34	3,473	58	3,531	351	10	361	1,725	5,256	363.2	14.5	2.64
1934-35	4,096	81	4,177	353	17	375	1,793	5,970	366.6	16.3	2.41

