

JOINT SELECT COMMITTEE
REPORTS OF LEGISLATIVE
ASSEMBLY - 1927

**The Indian Tariff
(Cotton Yarn Amendment) Bill**

List of Reports of Select or Joint Committees
presented in the Legislative Assembly in 1927.

Serial No.	Short title of the Bill.	Date of presentation.	Remarks.
1.	The Steel Industry (Protection) Bill.	7.2.27.	
2.	The Indian Merchant Shipping (Amendment) Bill.	26.3.27.	
3.	The Gold Standard and Reserve Bank of India Bill.	18.8.27.	Report of the Joint Committee.
4.	The Imperial Bank of India Bill.	18.8.27.	-do-
5.	The Indian Lighthouse Bill.	31.8.27.	-do-
6.	The Indian Securities (Amendment) Bill.	31.8.27.	
7.	The Indian Tariff (Amendment) Bill.	31.8.27.	
8.	The Indian Tariff (Cotton Yarn Amendment) Bill.	31.8.27.	
9.	The Bamboo Paper Industry (Protection) Bill.	31.8.27.	
10.	The Indian Forest Bill.	1.9.27.	
10.	The Indian Criminal Law (Amendment) Bill.	14.9.27.	

GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

We, the undersigned, Members of the Select Committee to which the Bill further to amend the Indian Tariff Act, 1894, in order to safeguard the manufacture of cotton yarn in British India was referred, have considered the Bill, and have now the honour to submit this our Report, with the Bill as amended by us annexed thereto.

2. In the long title and in the preamble, we have substituted the word "protect" for the word "safeguard", as we prefer the more familiar term.

3. We have considered carefully the effect which the imposition of a specific minimum duty of $1\frac{1}{2}$ annas a pound may be expected to have on the handloom industry. We recognise that this duty can benefit the cotton mill industry only to the extent to which the price of yarn is increased thereby, and that any increase in the price of yarn must be a burden on the handloom weaver unless he is able to receive a higher price for the cloth that he weaves. So far as the fabrics woven from the finer counts are concerned, the $1\frac{1}{2}$ anna duty will often be less than the duty at 5 per cent. *ad valorem* and will seldom be appreciably higher. The weavers of this kind of cloth will be little, if at all, affected by the specific duty, and even when the price of the yarn they use is slightly raised, they may be able to obtain a slightly higher price from purchasers with whom quality rather than price is the first consideration. On the other hand, the imports of yarn of the counts below 30s. are very small, and we believe that the price of such counts in India is regulated to a large extent by internal competition. The great bulk of the yarn used by the handloom weavers is of this class, and we do not anticipate that the price will be raised, if at all, to anything like the extent of the difference between the $1\frac{1}{2}$ anna duty and the duty at 5 per cent. *ad valorem*. On the other hand, the imposition of the specific duty should prevent any heavy fall in the price of the lower counts such as might result from the importation of large quantities of cheap yarn from China.

4. It is in respect of the medium counts that the Indian mills have felt the competition of yarn imported from Japan (and in recent months from China) most severely, and particularly the counts from 31s. to 40s. The annual consumption of yarn of these counts in India is about 50 million pounds, and as the production of the Indian mills is more than half of the total, the quantity taken by the

handloom weavers is probably not more than a half. At present prices the $1\frac{1}{2}$ anna duty would be equivalent to a duty of approximately 10 per cent. *ad valorem* on such yarn, and it is possible that the price may be raised to the full extent of the difference between the $1\frac{1}{2}$ anna duty and the 5 per cent. duty. In that case the additional cost is estimated to be Rs. 12 lakhs a year. But the yarn of counts from 31s. to 40s. is probably not more than 10 per cent. of the total yarn consumption of the handloom weavers, and the additional cost spread over their whole output would not seriously affect them. Our final conclusion is that the imposition of the $1\frac{1}{2}$ anna duty will not materially prejudice the interests of the handloom industry, but we recognise the difficulties which always exist in forecasting the exact effect of an increase in duty, and we consider that the actual effect on the handloom industry should be watched. We recommend, therefore, that the Government should be asked to address Local Governments on the subject, desiring them to have special inquiries made and to report on the subject six months after the passage of the Bill into law.

5. The Bill was published in the Gazette of India, dated the 27th August, 1927.

6. We think that the Bill has not been so altered as to require re-publication, and we recommend that it be passed as now amended.

MOHAMMAD YAKUB*.

G. RAINY*.

R. K. SHANMUKHAM CHETTY.

VICTOR SASSOON*.

PURSHOTAMDAS THAKURDAS*.

W. S. LAMB.

D. CHAMAN LALL*.

N. M. JOSHI.

GHAZANFAR ALI*.

C. DURAISWAMI AIYANGAR*.

JAMNADAS M. MEHTA*.

SATYENDRA CHANDRA MITRA*.

HIRDAY NATH KUNZRU.

ISWAR SARAN*.

M. R. JAYAKAR.

* Subject to Minute of Dissent.

MINUTES OF DISSENT.

I consider that the change made by the Committee in the preamble and in the long title of the Bill by the substitution of the word "protect" for the word "safeguard" is inadvisable, and may create the impression that some change has been made in the scope and object of the Bill. The word "safeguard" is commonly used when the danger to which the domestic industry is exposed arises from one or more of the forms of competition ordinarily designated as unfair. The word "protect", on the other hand, has a wider significance, and is appropriate when it is proposed to maintain or develop a domestic industry, irrespective of the nature of the competition to

which it is exposed. The unfair competition by which the manufacture of cotton yarn in India is endangered arises from differences in industrial conditions, and in particular from the fact that night work by women is permitted in Japan, whereas in India it is prohibited by law. I hold that the Indian spinning mills are entitled to be safeguarded against this competition, but not that they are entitled to be 'protected' if that word is to be given the wider meaning which it commonly bears.

The 30th August, 1927.

G. RAINY.

The 30th August, 1927.

MD. YAKUB.

We are anxious to safeguard the manufacture of cotton yarn against foreign competition. We shall willingly support any measure which gives the much-needed relief to the mill industry without inflicting a corresponding loss on some other industry in the country. But unfortunately if the present Bill is passed, it is bound to prejudicially affect the handloom industry. It is our considered judgment that nothing should be done to hurt the interest of the handloom industry and thus save the poorer section of our people from additional loss or expenditure. We strongly

recommend that in the interest of the mill industry the import duty on piece-goods be increased as recommended by the Tariff Board, but we have been told that this or any other proposal of a like nature is not open to us to make, and our motion on those lines was ruled out of order. We are, therefore, most reluctantly forced to say that this Bill be sent back to the Assembly with a suggestion that it be not proceeded with.

JAMNADAS M. MEHTA.

ISWAR SARAN.

This Bill is framed in the spirit of offering a mere eye-wash to the clamouring Mill owners of Bombay at the expense of the poor voiceless handloom weavers spread all over the country. It is admitted that whatever benefit is expected to be conferred on the Mill industry is at least to that extent a burden on the handloom weavers.

The handloom weavers have always been working at a great disadvantage as against the facilities given to and the influence of the Mill owners.

At page 175 of the Report the Indian Tariff Board give it as their considered opinion that the imposition of any additional duty on yarn is undesirable in view of the effect that it will have on the handloom industry and that any assistance to be

given to the spinning industry is best given in the form of a bounty. This Bill brushes aside most unceremoniously the considered view of the Tariff Board and sets an unprecedented and unwholesome example of giving shadow of a protection to one indigenous industry at the cost of its neighbour. Some of us suggested that a slight enhancement of the import duty on piece-goods will afford a better protection for the Indian textile industry as a whole, but the Hon'ble the Commerce Member would not accept it and the suggestion was ruled out of order.

In the circumstances, there is no other alternative than to reject this Bill.

C. DURAISWAMI IYENGAR.

SATYENDRA CHANDRA MITRA.

The 30th August, 1927.

I sign the majority report subject to the following note :—

NOTE BY SIR VICTOR SASSOON, BART.

The principle underlying the Bill is to safeguard the Cotton textile industry in British India against competition in cotton yarn produced under industrial conditions which enable such yarn to be produced at a cost below that at which it can be produced in British India.

2. Certain accusations have been made against the industry, the more important of which I should like to answer before proceeding to give my views on the present Bill. It has been contended in some quarters that the present parlous condition of the Bombay Cotton Mill Industry is due to over capitalisation. Taking the Tariff Board's own valuations of the capital cost per loom with 30 spindles at Rs. 5,450 per loom, which represents Rs. 100 per spindle and Rs. 2,450 per loom, and

allowing a reduction of 5% on these figures to compensate for the reduction in the import duty on machinery and mill stores which has been proposed, the total capital value of the land, buildings and machinery represented by the mills in Bombay would work out at Rs. 48.50 crores (excluding the cost of dyeing, bleaching and finishing machinery the value of which exceeds Rs. 2 crores) against a block value of Rs. 46.72 crores given in Appendix VI of the Tariff Board Report. This clearly shows that according to the Tariff Board's own valuation the industry is certainly not over-capitalised as there is a margin of Rs. 3.78 crores, roughly 8% to allow for the increase in efficiency which might be obtained if all the machinery was new. In this connection I might point out the fact that the Tariff Board themselves definitely refuted the imputations made as regards inefficient machinery (*vide* para. 42 of the report), and this opinion is definitely confirmed by an outside authority—the Right Hon'ble Tom Shaw, M.P., the head of the deputation from the International Textile Workers' Association which visited India recently—who declared in the House of Commons: "In his opinion most of the Indian factories were better than the Lancashire ones and the machinery was mostly new."

3. It has also been urged, even by the Government of India themselves that "industrial concerns which made substantial profits at the expense of the consumer when conditions were favourable cannot fairly claim that they shall also be protected from loss at his expense when conditions change for the worse." If one takes the profit of the Bombay industry as a whole for a period of ten years from 1917 to 1926, which includes the boom years, it will be found that the average return on capital represented by land, buildings and machinery, after allowing for depreciation, is even below 7½ per cent. Thus the consumer has given to the industry over a period of ten years a return less than what the Tariff Board and the Government of India are willing to concede is a fair return on industrial capital (*vide* Appendix A.)

4. A third charge which has been made is that the remuneration given to labour in Japan is much higher than in Bombay. A reference to the figures of wages paid in 1919 in Japan (Table LXX of the Tariff Board Report) substantiates the statement made on pages 107 and 108 of the United States Tariff Commission Report, 1919, on the Japanese Cotton Industry and Trade, where it is pointed out in response to severe public criticism on account of the low wages ruling in the cotton industry, the cotton mills decided to include in their published statement in addition to actual money wages the value of such other items as cheap board and bonus, cheap boarding, hospital and education, which were estimated to form 40 per cent. of the wage now shown. No correct comparison of Japanese and Bombay wages can therefore be made since Bombay wages do not include the monetary equivalent of such services, but such comparisons as it is possible to make from the information available show that the Bombay industry has little if anything to fear in any correct comparison. In this connection it is also interesting to note that from the second half of 1920

t the second half of 1925 there has been a reduction of 19 per cent. in the number of operatives per 1,000 spindles in spinning mills, and a reduction of 30 per cent. in the number of operatives per 100 looms in weaving mills in Japan without any appreciable increase in the wages paid per operative (*vide* pages 57-58, Department of Overseas Trade Report on the Cotton Spinning and Weaving Industry in Japan, 1925-26).

5. With a view to removing misapprehensions as to the seriousness of the present position of the Indian Cotton Textile Industry, it is desirable to draw attention to the increase in imports from Japan which rose from 98 million yards in the first five months of 1926 to 131 million yards in the corresponding period of 1927, an increase of 33 per cent.; similarly, during the first five months of 1927 the imports of yarn from China reached 2.1 million pounds (chiefly 40s counts) as compared with the insignificant total of 8,000 pounds for the corresponding period of 1926. It is necessary to examine the prices at which these additional imports from China have been made and to compare them with the cost at which similar yarn can be manufactured in India. The price of Sino-Japanese yarn of 40s counts bought on August, 18th, inclusive of the existing 5 per cent. duty was 15.75 annas per lb. laid down in Bombay: The cost of producing the same count of yarn in an efficient Bombay mill from cotton at the price ruling on that date (Rs. 620 per candy) was 19.71 annas per lb. exclusive of any allowance for depreciation. In other words, the cost of producing 40s. yarn in Bombay was 25 per cent. higher than the selling price of Sino-Japanese yarn. It is thus clear that even after the imposition of the specific duty recommended in this Bill, which would raise the price of Sino-Japanese yarn of 40s. counts to 16.50 annas per lb., the handloom industry purchasing such yarn would have an advantage of roughly 20 per cent. when competing with cloth made from similar counts in Bombay mills. The latest shipments from China have, however, been of low counts of yarn.

6. The Tariff Board recognised the possibility of a rapid increase in the imports of coarse yarn at prices at which Indian mills would not be able to compete in the event of a continuation of the disturbed conditions in China (*vide* pages 72 and 192 of the Tariff Board Report), and were of the opinion that if this contingency arose, "an additional duty on yarn would be fully justified." The facts and figures quoted above eloquently prove that the contingency which the Tariff Board had in mind is arising.

7. To my mind the problem before us resolves itself into protecting the yarn industry against "dumping" and unfair competition without damaging the handloom industry. The Government of India estimate that the price of 25 million lbs. of medium count yarns consumed by the handloom industry might be affected by the imposition of the specific duty proposed in the Bill. If the prices of these yarns went up to the full extent of the increase in the duty, which I am confident will not be the case owing to the intensive competition now existing, the cost to the handloom

industry would amount to less than Rs. 12 lakhs per annum on a turnover of over Rs. 30 crores, or less than $\frac{1}{4}$ per cent.

8. The Tariff Board have dealt at length with the effect of such a rise in prices (*vide* paragraph 90, page 170 of the Report) and their unanimous conclusion was that the imposition of a duty to safeguard the Indian yarn industry would prevent a much greater rise in prices which would be bound to follow any crippling of the indigenous industry.

9. In a previous paragraph I have called attention to the fact that Sino-Japanese yarns have recently been sold in Bombay at 25 per cent. less than the bare cost of manufacture of similar yarn in Indian mills. Up till recently these importations have been in counts which are not extensively manufactured in Indian Mills, but the latest shipments of foreign yarn to Bombay have been in the lower counts which form the staple trade of Indian mills and a continuance of the disturbed conditions in the markets of the Far East will result in further importations of coarse yarns at prices at which Indian mills will find it

I do not think that this Bill provides sufficient protection to the Textile Industries, while, on the other hand, it is bound to do a good deal of harm

I voted for the import duty on yarn in the Select Committee but wish to make it clear that the constituency which I have the honour to represent in the Assembly is not in favour of handicapping the handloom industry. It is admitted even by the Honourable Member in charge of the Bill that the imposition of this duty on yarn will affect the handloom weaver to a small extent. There is no doubt about Japan and China exporting yarn to India at rates amounting to their dumping yarn in India. That the mill industry should have protection against this must be admitted by all. But when this Bill is passed there is nothing to prevent these countries

I regret I cannot agree with my colleagues in recommending measures contained in the Bill further to amend the Indian Tariff Act, 1894 for the purpose of safeguarding the manufacture of cotton yarn in India. Protection whatever shape it might assume, is always a double edged sword. Invariably it affords assistance to an industry or a group of industrialists at the expense of either the consumer who happens in such cases usually to be the man-in-the-street or at the expense of some cognate industry thus neutralising by the imposition of burdens the advantages of protection. I turn to page 175, of the Tariff Board's Report. It is stated therein :—

“ The majority of us consider, however, that the imposition of any additional duty on yarn is undesirable in view of the effect that this would have on the handloom industry which in 1925-26 according to figures given in Appendix IV, supplied

impossible to compete. The imposition of a specific duty would be of inestimable value to the mill industry during the present dislocation of the markets of the Far East, and would provide some defence against the importation of coarse counts at unreasonably cheap prices, and it is for this reason that I earnestly press for the adoption of the Bill. I recognise that the proposed duty will be insufficient to safeguard the yarn industry from the disadvantages of unfair labour conditions and the probability of ‘ dumping ’, but since it would be undesirable to penalise the handloom industry it necessarily follows that the only way in which the cotton textile industry can be adequately protected would be by increasing the duty upon both yarn and cloth. The case for an additional duty on cloth is further strengthened by the fact that, as in the case of yarn, there is every probability of even larger importations of cloth from Japan and China at prices much below the cost of production in India if the disturbed conditions of the Far Eastern markets continue.

VICTOR SASSOON.

to the handloom industry, therefore I am opposed to the passing of this Bill.

GHAZANFAR ALI KHAN.

The 31st August 1927.

from exporting cloth to India on similar terms. The protection offered by the Bill therefore becomes more of an eye-wash than a reality unless an attempt is made to import coarse counts. If Government wish to protect the industry they must do it wholeheartedly and from every direction. The protection afforded by the Bill is most defective and permits of the countries against which protection is ensured shifting their methods. And this will nullify the protection contemplated by the Bill.

PURSHOTAMDAS THAKURDAS.

about 26 per cent. of the total consumption of cloth in India.

It will also react unfavourably on the position of those mills which have weaving sheds only and are dependent on yarn either locally manufactured or imported.”

Thus it is obvious that, keeping in view the interests of the handloom industry as well as the interests of weaving sheds in India, the Tariff Board's report turned down the principle of the proposal which now finds its way into this Bill.

Now there are various ways in which the Cotton industry of India might be safeguarded from attacks upon it by foreign competitors. One of the ways was dealt with at length by the Tariff Board, namely, internal economies and labour efficiency. Further although the Tariff Board's report declares that—neither over-capitalisation nor unduly high dividends in a boom period can be said to be the causes

of a subsequent depression". Yet it is obvious that the dissipation of enormous profits during the boom period, in the shape of dividends, in order perhaps to boom the value of their shares, has robbed the millowners of the capacity to hold out against the period of cyclic depression without assistance from the State. "Dividends from (not total profits) 1919 to 1922 inclusive represented 40·1, 35·2, 16·4 per cent.—that is dividends paid by the Bombay Mills. Figures for 1920, 1921, 1922 were 47·0, 40·5, 21·5 per cent. respectively. That an industry which has been in existence for a little less than a century, which has been in a position to pay such handsome dividends, which has done so little for the improvement of the life, education and efficiency of its workers because it was more concerned with profits, which has the command of cheap labour and cheap raw-material, which has an unrivalled market for its produce; that an industry which has and has had all these advantages should not be in a position to hold up its head against Japanese and Chinese competition is a fact which to me seems explicable only on the basis that capitalistic greed has outrun capitalistic caution. There is another factor which must be brought clearly to the notice of Honourable Members and that is this. The depression we notice is generally depression which is disastrous only to a certain proportion of the cotton mills of Bombay but that, although it adversely affects Ahmedabad and up-country mills, it cannot be said, by any stretch of the imagination, to be of a nature disastrous to them. For instance a report published on August 16th, 1927, of the general meeting of the Delhi Cloth and General Mills Co., Ltd., say:—

"The directors apprehended a gloomy future for the industry if immediate relief was not given to it by the Government.....*Dividend, free of income-tax, Rs. 45 per cent. per annum.*" In 1925 this mill paid 32 per cent. in dividends. The Tariff Board's Report on page 84 bears me out in my suggestion. "The best test is that of results and judging by these it is obvious that if the Bombay Mills had husbanded their resources to a greater extent in the boom years and still more in the years which preceded them, they would have been in a better position to meet the subsequent depression....."

"Dividends in boom periods are apt to be governed by the share quotations rather than the quotation by the dividend. One very striking example of the results of cautious finance may be mentioned here. One mill in Bombay with a capital of Rs. 8 lakhs of which Rs. 2 lakhs were ordinary shares and Rs. 6 lakhs preference, utilised part of its profits during this period to pay off its preference shares and has in the last two years paid dividends of 150 and 130 per cent. respectively." The sins of the millowners shall be visited upon the Nation. There is one other cause for the sorry plight of the Bombay millowner. During the boom period based on valuations of that period capital was increased and in some cases reserves were capitalised by the issue of bonus shares. It is estimated that out of 79 mills working in Bombay in 1924-25 nearly 30 mills were affected by one or other of these processes. But in spite of all these troubles the Tariff Board's Report confidently asserts that "no mill in India which could be

regarded as run with fair efficiency and economy has up to the present been forced into liquidation as the result of depression. -None of the mills which has so far gone into liquidation had the smallest chances of surviving except in boom conditions.....Liquidation was the result of incompetency and inefficiency and in some cases of dishonesty." Furthermore the general poverty of the agricultural classes, their reduced purchasing power has also militated against the industry. Having indicated some of the sins of the industry

I would like to point out that "almost all the mills which have spinning departments only except for striking exceptions in Madras, have been badly hit and have been unable to pay dividends for the last three years." This is the verdict of the Tariff Board. It is alleged that it therefore becomes imperative to protect the yarn industry of India. The total quantity of yarn imported into India and affected by the provisions of the Bill is (in thousands of pounds) 37956 for 1925-26 and 18007 for the six months ending 30th September 1926. Out of the former figure 30·126 (thousands) of pounds of yarn were imported from Japan and out of this amount 20,053 thousands of pounds of yarn were Greys 31s. to 40s. imported from Japan. This import of yarn does not generally enter into competition with the yarn produced by Indian Mills which out of 28 million pounds odd produced by them utilise nearly 25 million pounds odd leaving for the market a bare three million pounds of yarn. Hence it is obvious that without in any important measure helping the mill industry of India the provisions of this Bill will operate to make Japanese imported yarn to the extent of over 20 million pounds (some compute it at 25 million pounds) which is used by the handloom industry of India and by none else, more expensive. Either the handloom industry, to that extent, will go under or the excess will be passed on to the consumer. I cannot set my seal upon this act of vandalism. Some of the millowners of Bombay were themselves of the opinion that the provisions of the Bill militated against the existence and prosperity of the handloom industry without giving them an appreciable advantage which could extricate them from their present plight. It is obvious that the troubles of the mill-industry are due not only to world conditions but are also in a great measure of its own making. Nevertheless scientific, national scheme of assistance which would bring prosperity to the mill hand, whose welfare should be our main consideration, would command the support of those who feel that the worker, the real producer of the wealth got out of this industry, has been made to bear the brunt of the suffering in the shape of low wages and unemployment as a result not only of the depression, but of the system under which he works. The proposals of the Bill instead of adding appreciably either to the prosperity of the industry or of the worker will ruin many homes of handloom workers throughout the country. I see no reason why the poor should be made to pay for the rich by conscious acts of the Legislature in which the opposition is supposed to protect the interests primarily of the masses. For these reasons I regret I cannot support the Select Committee's recommendations.

D. CHAMAN LALL.

(AS AMENDED BY THE SELECT COMMITTEE.)

(The word printed in antique and italics indicates the amendment suggested by the Committee.)

A
BILL

Further to amend the Indian Tariff Act, 1894, in order to protect the manufacture of cotton yarn in British India.

WHEREAS it is expedient further to amend the Indian Tariff Act, 1894, in order to *protect* the ^{VIII of 1894.} cotton textile industry in British India against competition in cotton yarn produced under industrial conditions which enable such yarn to be produced at a cost below that at which it can be produced in British India; It is hereby enacted as follows:—

1. This Act may be called the Indian Tariff (Cotton Yarn Amendment) Act, 1927.
Short title.
2. (1) In Item No. 44 of the Second Schedule to the Amendment of the Indian Tariff Act, 1894, ^{VIII of 1894.} Second Schedule to Act after the figure and VIII of 1894. words "5 per cent" the figure and words "or 1½ annas per pound, whichever is higher" shall be added.
(2) The amendment made by sub-section (1) shall have effect up to the 31st day of March, 1930.

GOVERNMENT OF INDIA. -
LEGISLATIVE DEPARTMENT.

Report of the Select Committee on the Bill
further to amend the Indian Tariff
Act, 1894, in order to safeguard the
manufacture of cotton yarn in British
India ; with Bill as amended.