

**ESTIMATES COMMITTEE
1963-64**

SIXTY-SECOND REPORT

(THIRD LOK SABHA)

MINISTRY OF INDUSTRY

Action taken by Government on the recommendations contained in the Hundred and Sixty-fourth Report of the Estimates Committee (Second Lok Sabha) on the erstwhile Ministry of Commerce and Industry—Office of the Textile Commissioner—Part III—Woollen Industry.



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1964/Vaisakha, 1886 (Saka)

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1963-64

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*Elected w. e. f. 16th August, 1963 vice Dr. K. L. Rao ceased to be a member of the Committee on his appointment as a Minister.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee, present this Sixty-second Report of the Estimates Committee on action taken by Government on the recommendations contained in the Hundred and Sixty-fourth Report of the Estimates Committee (Second Lok Sabha) on the erstwhile Ministry of Commerce and Industry—Office of the Textile Commissioner—Part III—Woollen Industry.

2. The Hundred and Sixty-fourth Report of the Estimates Committee was presented to the Lok Sabha on the 27th March, 1962. Government furnished replies indicating the action taken on all the recommendations on the 10th December, 1962. Clarification was sought in respect of Government's replies to four recommendations on the 2nd January, 1963 and was received between the 11th February and the 15th March, 1963. Government's replies to all the recommendations were considered by the Study Group 'D' of the Estimates Committee on the 30th August, 1963 who desired that further information in respect of recommendation No. 3 might be called for. Further information in respect of that recommendation was received on the 11th October, 1963 and was considered by the Study Group 'D' on the 21st December, 1963. The draft Report on action taken by Government on the recommendations contained in the Hundred and Sixty-fourth Report was considered by the Study Group 'D' on the 6th April, 1964 and adopted by the Committee on the 28th April, 1964.

3. The Report has been divided into the following Chapters:—

I. Report.

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not want to pursue in view of the Government's reply.

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Sixty-fourth Report (Second Lok Sabha) of the Estimates Committee is given in Appendix. It would be observed therefrom that out of 15 recommendations made in the Report, 11 recommendations i.e. 73:3 per cent have been accepted by Government, and the Committee do not desire to pursue 4 recommendations i.e. 26:7 per cent in view of Government's reply.

NEW DELHI-1;
April 29, 1964.
Vaisakha 9, 1886 (Saka).

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

CHAPTER I

REPORT

The Estimates Committee are glad to observe that the recommendations contained in their Hundred and Sixty-Fourth Report (Second Lok Sabha) on the erstwhile Ministry of Commerce and Industry—Office of the Textile Commissioner—Part III—(Woollen Industry) have been generally accepted by Government.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (S. No. 1, Paragraph 4)

The Ministry have indicated differing estimates of capacity in the woollen industry. This, it has been stated, is due to assumption of different figures for registered and unregistered spindles. The Committee regret that the Textile Commissioner's Organisation is not in possession of complete and correct figures in respect of installed capacity of the industry and varying figures have been given at different places. It is obvious that for proper planning and development of the industry in the context of the scheme for rehabilitation and modernisation and the difficult situation in regard to availability of raw material, there should be no uncertainty about the installed capacity of the industry at any time.

REPLY OF GOVERNMENT

The Textile Commission has got complete data about the installed capacity of the woollen industry which are registered either under the Industries (Development and Regulation) Act, 1951, or with the Textile Commissioner. As regards the unregistered spindles, these appear to have come up mostly out of the discarded cotton waste spindles. The data in regard to these spindles are also being collected as far as possible. It may be stated that no new installation of woollen spindles is allowed unless authorised by the Textiles Commissioner under the woollen Textiles (Production and Distribution) Control Order, 1962.

It also appears that the estimates of the capacity of woollen industry have been varying because normally we assess a capacity on two shift working basis whereas the Working Group appointed by the N.I.D.C. has estimated the same on three shift working basis.

(Miny. of C. & I. O.M. No. 17(2)-Tex(B)/62 dated 10-12-1962)

Recommendation (S. No. 3(i), paragraph 11)

The Committee see little justification for issuing licences for installation of 12,784 additional spindles for shoddy yarn for the same number could well have been found by allowing conversion of woollen spindles to shoddy, for it is a well-established fact that the woollen spinning capacity has not been fully utilised for a number of years and is surplus to requirements.

REPLY OF GOVERNMENT

No doubt the woollen spinning capacity has not been fully utilised for a number of years, but it was found that the

production of shoddy yarn was not adequate. As has been pointed out to the Estimates Committee, in the process of shoddy yarn spinning reclaimed wool from old garments, tailor cuttings, woollen rags and wastes is utilised. The shoddy yarn and fabrics are cheaper than woollen yarn and fabrics and therefore cater to the requirements of poor class of the community. It was, therefore, considered desirable that the productive capacity of shoddy yarn spinning should be increased so as to provide greater employment to the handloom weavers, as also to make available cheaper varieties of blankets, melton cloth, etc. for the general public. The licensing of 12,784 additional spindles for shoddy yarn was based on the above consideration.

Recommendation (S. No. 3(ii), paragraph 12)

The Committee consider that the over-licensing of spindles in such excessive numbers has accentuated the problem of raw materials, worsened the already low utilisation of the existing productive capacity and has meant locking up of capital resources including the outlay on foreign exchange for machinery etc., all of which are bound to make for higher overheads in production and charging of higher prices from the consumers. They would suggest that a careful review of the position may be made to avoid over-licensing and that simultaneously the Government should help the industry to avoid under-utilisation of the installed capacity by assuring them supply of raw material.

REPLY OF GOVERNMENT

While licensing the additional capacity it was not envisaged that the foreign exchange available for import of raw material for the woollen industry would be so considerably curtailed. The shoddy wool being a cheap raw material, it was anticipated that with a smaller expenditure of foreign exchange more raw material and as such more yarn and fabric would be made available to the general public at cheaper prices.

However, in the light of the new situation that has recently developed, the Committee's recommendations will be carefully borne in mind.

(Miny. of C&I O.M. No. 17(2)-Tex(B)/62, dated 10-12-1962)

(Further information called for by the Committee)

Please indicate the steps taken to ensure full utilisation of the installed capacity in the woollen industry by adequate supply of raw material (Lok Sabha Secretariat O.M. No. 5/3/62-EC, dt. 9-9-63.)

REPLY OF GOVERNMENT

The production trend in the woollen industry in the past years showed an under-utilisation of its total capacity. This was mainly

due to restricted imports of raw wool and wool tops which in turn was due to foreign exchange difficulties. Since the outbreak of emergency, this industry has been geared up for defence production and arrangements have been made for the import of raw materials for defence requirements as also for civilian use. The existing machinery in the woollen industry is being fully utilised and is working practically 3 shifts as against 1.5 shifts in the past. In certain sectors, however, the entire capacity could not be utilised for want of balancing machinery e.g., the entire spindles of a mill could not be utilised for want of adequate drawing machine or other preparatory machines. In other cases, the particular types of spindles could not be utilised for the production of yarn because that type of yarn was not suitable for defence requirements. The unit as a whole, however, has been working to its full capacity.

The following statement gives the productive quarterly capacity and actual production during the last quarter of 1962 and first two quarters of 1963:

	Productivity quarterly Capacity	PRODUCTION		
		4th Q 1962	1st Q 1963	2nd Q 1963
Woollen spinning	6.16 million lbs.	1.5 million lbs.	4.73 million lbs.	5.48 million lbs.
Worsted spinning	6.54 million lbs.	1.8 million lbs.	4.38 million lbs.	5.14 million lbs.
Shoddy spinning	2.04 million lbs.	1.06 million lbs.	2.81 million lbs.	2.56 million lbs.
Weaving Capacity	8.45 million yds.	5.32 million yds.	4.22 million yds.	5.08 million yds.

Besides the imported wool, the industry is also utilising indigenous wool. Out of the annual estimated production of 72 million lbs., the exports in the current year are not likely to exceed 12 million lbs. as against 23.44 million lbs. last year. The consumption of Indian wool by the industry may thus be estimated to have gone up by about 11.44 million lbs.

The survey of the woollen industry taken in connection with the gearing up of the industry for defence requirements has brought out certain inherent weakness particularly in respect of imbalance of the spinning and weaving sectors. The woollen spindles are of old type and need replacement by the latest type of ring frames. Similarly, a very considerable proportion of looms available with the decentralised sector cannot be used for making heavy fabrics. It is proposed to take action to remove these weaknesses.

(*Miny. of C&I O.M. No. 14(45)-Tex(D)/61 dated 11-10-1963*)

Recommendation (So. No. 4, paragraph 17)

The Committee suggest that a mill-wise plan for rehabilitation and modernisation of woollen industry may be prepared and implemented. Government should assist the industry by indicating the sources from which machinery could be procured. Information regarding the availability of machinery from East European countries given in the report of the Delegation which visited those countries in 1960 may be circularised to the mills. The Committee would also recommend that efforts should be made to increasingly manufacture machinery for woollen industry within the country.

REPLY OF GOVERNMENT

The question of rehabilitation and modernisation of woollen industry as also that of making efforts for the increasing manufacture of machinery for the woollen industry in the country is already receiving our attention. The implementation of the suggestion that a mill-wise plan for rehabilitation and modernisation of the woollen industry should be prepared will depend on the availability of foreign exchange for import of machinery and/or on the quantum of machinery produced indigenously. However, the mill-wise plan would help in examining individual problems and making suggestions to the concerned mills to get their requirements of the machinery, as desired by the Estimates Committee, the report of the delegation which visited East European countries in 1960 for assessing the availability of machinery in those countries has been circulated to the mills.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

(Further information called for by the Committee)

Please state whether a mill-wise plan for the rehabilitation and modernisation of the woollen industry as recommended by the Estimates Committee is being prepared.

(L.S.S., O.M. No. 5|3|62-EC, dt. 2-1-1963)

REPLY OF GOVERNMENT

The Development Council for the Woollen Industry has issued letters to all woollen mills with a view to ascertaining their phased programme of rehabilitation and modernisation. When all the replies are received, the Textile Commissioner will prepare estimates of the latest position regarding the requirements of machinery for the different sectors of the woollen industry and the value of the machinery.

(Min. of C&I O.M. No. 17(45) Tex(D)/61, dated 11-2-1963)

Recommendation (S. No. 7, paragraph 22)

The Committee suggest that co-operatives may be encouraged to come into the field of wool tops production.

REPLY OF GOVERNMENT

A co-operative society has already been established in Ludhiana for purposes of manufacture of wool tops. The total target of wool top production including synthetic top production is 31.5

million lbs. for the Third Five Year Plan. Licences have been issued for production of about 24.5 million lbs. of wool tops (including wool top manufactured from Indian wool). The present licensed capacity is expected to produce the immediate requirements of wool tops and synthetic tops. The full requirements of raw material for achieving the Third Five Year Plan target cannot be met out of the foreign exchange available at present. The question of encouraging more co-operatives for this purpose would be kept in mind when further licensing of capacity is considered.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

Recommendation (S. No. 8, paragraph 23)

The Committee feel that Government should pay special attention to the development of adequate combing capacity within the country so that foreign exchange can be utilised more gainfully for importing raw wool rather than wool tops.

REPLY OF GOVERNMENT

We have already taken steps to develop adequate combing capacity within the country.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

Recommendation (S. No. 9, paragraph 24)

The Committee would urge that experiments for manufacture of wool tops from indigenous wool and in combination with imported wool may be proceeded with speedily and the results publicised without delay. The Committee would also stress the need not only of stepping up wool production but also of developing wool of the requisite quality within the country by undertaking large-scale sheep shearing, grading and marketing programme. The Government should also assure supplies of the requisite quantities of imported wool so that the programme for production of wool tops does not suffer.

REPLY OF GOVERNMENT

Experiments for the manufacture of wool tops from indigenous wool as also from indigenous wool in combination with imported wools have been conducted. A substantial quantity of wool tops from indigenous wool is being produced now. The Development Council for the Woollen Industry is, however, of the view that admixture of Indian and imported wool is not desirable as it reduces the quality of imported wool. It is more advantageous to produce wool tops from Indian wool in admixture with nylon. Substantial quantities of yarn produced from Indian wool in admixture with nylon are now being utilised for the manufacture of hosiery knitting yarn, and the hosiery garments produced from such yarn are being accepted by the various Government Departments including the Defence.

As regards the suggestion of the Committee for developing wool of the requisite quality within the country by undertaking large scale sheep shearing, grading and marketing programme, it is understood that the Ministry of Food and Agriculture is already taking suitable steps.

Every effort will be made to ensure supply of reasonable quantities of imported wool subject to the availability of foreign exchange for the purpose.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

Recommendation (S. No. 11, paragraph 28)

A federation of woollen manufacturers represented to the Committee that there was glut in the market of hosiery yarn and that the pattern of production should be revised to 60 per cent for weaving, 20 per cent for hosiery and 20 per cent for knitting in place of the present percentage of 47.5, 32.5 and 20. The Committee have not examined the matter in detail for want of time but they feel that since the pattern of production affects intimately the whole industry the matter should receive the careful attention of the Government, who should make sure that the pattern prescribed is such that it meets equitably the requirements of all sectors of the industry.

REPLY OF GOVERNMENT

The question of revising the pattern of production is already under the consideration of the Textile Commissioner. The pattern would be revised from time to time taking into consideration the requirements of the different sectors of woollen industry and the extent to which the requirements are met from worsted yarn produced from indigenous wool.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

Recommendation (S. No. 12, paragraph 30)

The Committee are of the opinion that distribution of yarn to hand-knitting processors needs to be placed on a sound footing. Every attempt should be made by the Textile Commissioner to collect necessary data and to draw up a scheme early for equitable distribution of yarn to obviate difficulties caused to the processors.

REPLY OF GOVERNMENT

The Development Council for Woollen Industry has appointed a distribution committee to distribute the different types of worsted yarn to the consuming industries. All possible steps are taken to ensure that the hand-knitting wool processors get a reasonable supply of yarn, consistent with the overall supply position.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

Recommendation (S. No. 13, paragraph 31)

The Committee suggest that the procedure for issue of entitlements may be reviewed and streamlined and delays eliminated.

REPLY OF GOVERNMENT

The procedure for issue of entitlements under the Export Promotion Scheme is being reviewed.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

(Further information called for by the Committee)

Please furnish result of the review of the procedure for issue of entitlements under the Export Promotion Scheme for woollen goods. If the review has not been completed, it may be indicated when it is expected to be completed.

[L.S.S. O.M. No. 5/3/62-EC, dated 2-1-1963].

REPLY OF GOVERNMENT

Consequent on the introduction of a revised Export Promotion Scheme for woollen goods with effect from the 1st October, 1962, the Textile Commissioner has under consideration simplification in the procedure for the issue of import entitlement. Action in this regard is proposed to be initiated very shortly.

[Min. of C. & I. O.M. No. 17(45)-Tex(D)/61, dated 11-2-1963].

Recommendation (S. No. 14, paragraph 32)

The Committee regret that malpractices prevail in the export of woollen goods. They suggest that the scheme for introducing compulsory preshipment inspection may be examined early.

REPLY OF GOVERNMENT

A Scheme for introducing compulsory preshipment inspection has already been prepared and the question of implementation of the same is engaging attention.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

(Further information called for by the Committee)

Please intimate when the scheme for compulsory preshipment inspection is likely to be finalised and enforced.

[L.S.S. O.M. No. 5/3/62-EC, dated 2-1-1963].

REPLY OF GOVERNMENT

It is proposed to entrust the work of pre-shipment inspection to the Cotton Textile Fund Committee, Legislation to enable the Committee to undertake this work has been introduced in Parliament and the Cotton Textiles Fund Committee will thereafter be able to take over the inspection work.

[Min. of C. & I. O.M. No. 17(45)-Tex(D)/61, dated 11-2-1963].

Recommendation (S. No. 15, Paragraph 33)

The Committee feel that it has taken unduly long even to decide whether there should be a testing laboratory for wool or a full-fledged research institution. Now that a decision has been taken, the Committee hope that the Research Institution will be set up early.

REPLY OF GOVERNMENT

Necessary action for the setting up of a research institute is being taken. A Committee of the Development Council for Woollen Industry is already working out details.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT WANT TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation (S. No. 2, paragraph 10)

The Committee feel that there was no room for issuing additional licences for worsted spindles after 1958, when the foreign exchange position was known to be difficult, and supply of wool tops and raw wool could not even be assured for the existing units.

REPLY OF GOVERNMENT

After 1958 only 2 licences were issued for worsted spindles, and these were issued against applications which were pending for some time. Upto the end of 1957, wool tops was on O.G.L. Even in 1958, a ceiling of about Rs. 12 crores was available for import of raw material for the woollen industry. This was in addition to imports of yarn. At that time it was not visualised that this ceiling would be drastically cut. On the contrary, in order to achieve the target of 21 m. lbs. of worsted yarn during the Second Five Year Plan, it was expected that the foreign exchange ceiling would be raised. Had enough raw material been available for achieving the target of production, the installed and the licensed capacity would have been assured of the requirements of wool tops/raw wool. However, the foreign exchange position grew more difficult as a result of which the licensed and installed capacity could not be fully utilised. There is demand for woollen yarn and cloth but production and utilisation of capacity has been inhibited by availability of foreign exchange.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

Recommendation (S. No. 5, paragraph 18)

The Committee suggest that Government may extend to the woollen industry, if considered necessary and feasible, in due course, such facilities including loan so as to ensure that the target set out in para 14 is realised within the Third Plan period.

REPLY OF GOVERNMENT

Loan facilities could be considered for rehabilitation and modernisation, but it is doubtful whether this would in any way assist in achieving the targets laid down for the Third Five Year Plan. The achieving of the target is dependent on the availability of raw material.

So far as the question of extension of loan facilities itself is concerned, the Government has already regretted its inability to provide loan assistance facilities from the N.I.D.C. The other possible

sources are the State Financing Corporation, I.C.I.C.I. and the Banking Institutions. For loan facilities from these bodies, the mills will have to make a direct approach.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962]

Recommendation (S. No. 6 paragraph 19)

The Committee were informed that the Textile Commissioner had no statistical data regarding the quantity of rags etc. collected by the shoddy yarn spinners from within the country. There was no formal ban on export for wool waste, tailor cuttings, old garments etc. The quantity exported was likely to be inappreciable. The Committee consider that in the face of internal demand which is met largely by imports, export of wool-waste tailor cuttings, even if small, may be banned.

REPLY OF GOVERNMENT

The Committee's recommendation that exports of wool waste, tailor cuttings, etc. may be banned, is being examined.

[Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962].

(Further information called for by the Committee)

Please state the result of the examination of the suggestion of the estimates Committee that the export of wool waste, tailor cuttings etc. may be banned.

(L.S.S. O.M. No. 5/3/62-E.C. dated the 2nd January, 1963).

REPLY OF GOVERNMENT

The implications of banning the export of wool waste, etc. are under active consideration.

[Min. of C. & I. O.M. No. 17(45)-Tex(D)/61, dated 11-2-1963].

The question of banning the exports of wool waste etc. was further considered. At present what is exported as wool waste is a mixture of various things, including waste from cotton and synthetic fibres and it also contains animal hair. Whatever wool can be recovered from waste is already being utilised by the shoddy industry, and it is only the waste that can be of no use to the shoddy industry that is now being exported. The proportion of useable wool in wool waste in India is much less than what it is in foreign countries, as garments are worn for the longest possible period in India. The banning of wool waste at present would not result in a larger utilisation of this waste in this country. On the other hand, we would be losing foreign exchange of about Rs. 5 lakhs a year, which is the amount now being realised by exports of wool waste. It is, therefore, considered inadvisable to ban these exports at present. The question of imposing a ban can be considered after it has been possible to separate the really better types of wool waste.

Recommendation (S. No. 10, paragraph 25)

The Committee have not examined in detail the suggestion that the raw material for woollen industry could be ensured by exporting indigenous wool which fetched a good price in the international market and could thereby earn enough foreign exchange to import the needed finer varieties of wool. The suggestion may be gone into all its aspects by the Government.

REPLY OF GOVERNMENT

The point that raw material for the woollen industry could be ensured by earning foreign exchange for the import of finer varieties of wool by exporting Indian wool has already been examined. There are several points which need consideration in this connection. Firstly, raw wool is a traditional item of export from the country. A quota of 30 m. lbs. out of a total production of 68 m. lbs. has been earmarked for export for the current year after taking into account the extent to which such wool can be used by the indigenous industry. By exporting this quantity, not more than Rs. 7 crores in foreign exchange is estimated to be earned. As against this, the current requirement of imported wool is in the neighbourhood of about Rs. 13 to Rs. 14 crores per annum. Therefore, the export of raw wool cannot be linked up with the import of wool as in any case, some net foreign exchange has to be found for meeting the requirements of imported wool.

[*Min. of C. & I. O.M. No. 17(2) Tex(B)/62, dated 10-12-1962*].

NEW DELHI-1;

ARUN CHANDRA GUHA,

The 29th April, 1964

The 9th Vaisakha, 1886 (Saka).

Chairman,

Estimates Committee.

APPENDIX

Analysis of the action taken by Government on the recommendations contained in the 164th Report of the Estimates Committee (Second Lok Sabha)

1. Total number of recommendations	. . . . .	15
2. Recommendations that have been accepted by Government (<i>vide</i> recommendation Nos. 1, 3, 4, 7—9, 11—15 referred to in Chapter II)		
Number	. . . . .	11
Percentage to total	. . . . .	73.3%
3. Recommendations which the Committee do not want to pursue in view of Government's reply (<i>vide</i> recommendation Nos. 2, 5, 6, 10 referred to in Chapter III)		
Number	. . . . .	4
Percentage to total	. . . . .	26.7%

