

**ESTIMATES COMMITTEE**  
**(1972-73)**

**TWENTY-SEVENTH REPORT**

**(FIFTH LOK SABHA)**

**MINISTRY OF INDUSTRIAL DEVELOPMENT**  
**(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)**

**Action taken by Government on the recommendations contained in the Fifth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Industrial Development (Department of Industrial Development)—**

**Industrial Licensing.**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*February 1973/Magha 1894 (Saka)*

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## CONTENTS

	PAGE
COMPOSITION OF THE ESTIMATES COMMITTEE (1972-73) . . . . .	(iii)
COMPOSITION OF STUDY GROUP 'B' OF THE ESTIMATES COMMITTEE (1972-73). . . . .	(v)
INTRODUCTION . . . . .	(vii)
CHAPTER I . . . . . Report. . . . .	1
CHAPTER II. ] . . . . . Recommendations which have been accepted by Govern- ment. . . . .	3
CHAPTER III . . . . . Recommendation which the Committee do not desire to pursue in view of Government's replies. . . . .	30
CHAPTER IV . . . . . Recommendation in respect of which Government's replies have not been accepted by the Committee. . . . .	49
CHAPTER V . . . . . Recommendations in respect of which final replies of the Government are still awaited. . . . .	50
APPENDIX . . . . . Analysis of action taken by Government on the recom- mendations contained in the Forty-Eighth Report of the Estimates Committee (Fifth Lok Sabha.) . . . . .	53

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(ESTIMATES COMMITTEE)

1972-73

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## INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Twenty-Seventh Report of the Estimates Committee on the action taken by Government on the recommendations contained in the Nineteenth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Industrial Development (Department of Industrial Development)—Industrial Licensing.

2. The Nineteenth Report was presented to the Lok Sabha on the 26th April, 1972. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 14th December, 1972 and 17th January, 1973. The replies were examined by the Study Group 'E' of the Estimates Committee (1972-73) at their sitting held on the 1st February, 1973. The draft Report was adopted by the Estimates Committee (1972-73) on the 5th February, 1973.

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

I. Report.

II. Recommendations which have been accepted by Government.

III. Recommendation which the Committee do desire to pursue in view of Government's replies.

IV. Recommendation in respect of which Government's replies have not been accepted by the Committee.

V. Recommendations in respect of which final replies of the Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the 19th Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix. It would be observed there from that out of 77 recommendations made in the report, 48 recommendations i.e. 62 per cent have been accepted by Government and the Committee do not desire to pursue 25 recommendations i.e. 33 per cent, in view of Government's replies. The replies of Government in respect of one recommendation i.e. one per cent has not been accepted by the Committee while the Committee had not received the final replies of the Government to 3 of the recommendations i.e. 4 per cent.

NEW DELHI;

February 19, 1973

Magha 30, 1894 (S).

KAMAL NATH TEWARI,

Chairman,

Estimates Committee.

## CHAPTER I

### REPORT

#### Sr. No. 73, Para No. 5.55

The Estimates Committee (1972-73) had in Para 5.55 of their 19th Report, Fifth Lok Sabha on Industrial Licensing suggested that the instructions to the Administrative Ministries in regard to the procedures and time limits to be observed by them for disposal of the applications at various stages in the industrial licensing process should be issued after the approval of the Cabinet Committee on Economic Coordination and there should be a system of periodical reporting to the Cabinet Committee on Economic Coordination cases of delay in disposal beyond a certain period. In their reply to this recommendation furnished to the Committee on the 14th December, 1972, the Ministry of Industrial Development have stated that instructions have already been issued to the Administrative Ministries/ Sections prescribing the procedure and the time limits to be observed by them in regard to disposal of applications at various stages in the Industrial Licensing process and that the cases of delay are pursued at the level of Secretary. Government therefore feel that the existing arrangement is adequate to expedite disposal of pending cases.

2. The suggestion of the Committee was based on the fact that inspite of the procedure and the time limits having been prescribed by the Ministry of Industrial Development for disposal of licence applications at various stages, in most cases these were not being observed. On the other hand, the data furnished to the Committee indicated that inordinate delays were taking place in the disposal of licence applications at all stages of the industrial licensing process including the stage of approval of foreign collaboration and of import of capital goods.

3. The Committee had noted that under the industrial licensing procedure in force, although the Ministry of Industrial Development was primarily responsible for the industrial development of the country and for the implementation of the Industries (Development and Regulation) Act and Rules and Orders issued thereunder, the Administrative Ministries were responsible for the initial processing of licensing applications relating to subjects falling within their purview and also for taking follow-up action on the decisions of the Licensing Committee in respect of such cases. These were the stages at which most of the delay occurred. During the pendency of a licence application/case with the Administrative Ministry, the role of the Ministry of Industrial Development was confined to the issue of periodical reminders to them for expediting disposal and they had no

over-riding authority to secure the compliance to procedures or adherence to the prescribed time schedules.

The Committee had, therefore, felt that if instructions to the Administrative Ministries in regard to procedures and time limits to be observed for disposal of applications were issued after the approval of the Cabinet Committee on Economic Coordination, these would carry a greater weight and there was more likelihood of the Production Ministries observing the same.

4. Further, the Committee thought that there was a need for evolving an institutional mechanism superior to the individual Administrative Ministries which might, under a system of periodical returns and reports, go into the reasons for the delays in disposal of licence cases beyond a certain period and take remedial action. The most appropriate body for the purpose, in the opinion of the Committee, was the Cabinet Committee on Economic Coordination which was otherwise already involved in the industrial licence process. The Committee had, therefore, also recommended that cases of delay and disposal beyond a certain period should be reported to the Cabinet Committee on Economic Coordination by means of periodical returns so that the Cabinet Committee was aware of the position and if it felt an intervention necessary in a particular case, it could go into the reasons for delay and take remedial measures for facilitating early disposal.

**5. The Committee, therefore, reiterate their earlier recommendation that the instructions to the Administrative Ministries in regard to the procedures and time limits to be observed by them in regard to disposal of applications at various stages in the industrial licensing process should be issued after approval of the Cabinet Committee on Economic Coordination and there should be a system of periodical reporting to the Cabinet Committee on Economic Coordination cases of delay in disposal beyond a certain period.**



## CHAPTER II

### RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

#### **Recommendation (S. No. 1, Para 1.24)**

The Committee reiterate the recommendation made in their Ninth and Seventy-Ninth Reports (Fourth Lok Sabha) that the term 'substantial expansion' referred to in the Industries (Development and Regulation) Act, may be clearly defined in terms of percentage so as to introduce a certain amount of definiteness in the application of the relevant provisions of the Act to individual cases.

#### **Reply of Government**

Government note that the term 'substantial expansion' would admit of a clearer definition. A greater measure of definiteness in this regard will be sought to be introduced when the IDR Act is amended.

[Ministry of Industrial Development O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972]

#### **Recommendation (S. No. 2, Para 1.28)**

The Committee welcome the relaxations announced by Government on the 1st January, 1972 for fuller utilisation of installed capacities by taking advantage of rationalisation of production and modernisation of equipment in 54 specified industries. They, however, feel that unless systematic follow-up action is taken in pursuance of Government's announcement to help established units to produce upto their installed capacity without undue restrictions the rate of growth of industrial development may not come up as rapidly as desired. The Committee therefore recommend that simple and streamlined procedure and modalities may be evolved to give effect to those relaxations and decisions in individual cases may be taken swiftly, so that production is maximised in as large a number of industrial units as possible and within a short time. Since it is only when there is a climate of easy availability of basic raw materials including ferrous and non-ferrous metals that industries can be expected to get into full swing of production, the Committee would like Government to make arrangements for promptly meeting the increase raw material demand of industrial units wishing to take advantage of the new policy. The Task force appointed to process cases for expansion under

the new policy should, in this context, give immediate attention to the applications of such industrial undertakings as are engaged in the production or manufacture of materials which, in turn, are required for the manufacturing operation of other industries, more particularly the small scale industrial units.

### **Reply of Government**

The Recommendation of Estimates Committee has been noted. Government agree that subject to the overall limitations of foreign exchange, conditions for the easy availability of basic raw materials have to be created. The observations of the Committee will be borne in mind, alongside of the limitations of foreign exchange, when the import policies and procedures are revised.

[Ministry of Industrial Development O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972.]

### **Recommendation (Sl. No. 4, Para 1.37)**

The Committee recommend that, as the value of fixed assets varies with the price level, Government should from time to time, say after an interval of 3 years, review the limits of exemption from licensing provisions of the Industries (Development and Regulation) Act laid down in terms of the monetary value of fixed assets of an industrial undertaking.

### **Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972.]

### **Further Reply of Government**

The intention of Government in noting this recommendation is that while the Government accept in principle that the limits of exemption from industrial licensing would need review, the fixed interval of 3 years for this purpose may not be appropriate because the whole question will have to be viewed with reference to several emerging developments of which the price level will be one. Also, the Government have to take into account the fact that while a sufficiently high exemption limit has to be fixed in order to enable the growth of new and small entrepreneurs, the need for planned investments which can be ensured only through licensing, has to be borne in mind.

**Recommendation (Sl. No. 5, Para 1.38)**

The Committee also recommend that, in social interest, Government may consider the suggestion of excluding the value of Housing Colonies for workers from the value of assets reckoned for the purpose of exemptions from the licensing provisions of the Industries Act, so as to encourage entrepreneurs who wish to provide housing for workers to do so."

**Reply of Government**

The recommendation has been accepted by Government but mechanism to implement it so that it is not misused is under consideration.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14th December, 1972].

**Recommendation (Sl. No. 7, Para 2.19)**

Until March, 1970, Government were, in the matter of industrial licensing, following the policy of capacity restraints on the basis of indicative demand and production targets given in the Five Year Plan documents. Therefore, at least in some cases, the shortages could have due to production targets being based on a faulty assessment of the demand by the Planning Commission. To meet the situation, Government have, since March, 1970 given up the policy of applying rigidly capacity considerations in the issue of industrial licences. The Committee are, however, of the view that the new policy of freeing industrial licensing from the limitations of assessed demand and indicative production targets given in the Plan, may be justified as a short term measure to tide over the current shortages of goods but in the long run, this policy is fraught with danger in as much as it would generate undue pressure on scarce resources and may well lead to excess capacity. Besides, it would set at naught the whole concept of development through planning. They trust that assessment of demand and determination of production targets for various commodities for the Fifth Five Year Plan period would not suffer from the shortcomings noticed in respect of the current Plan.

**Reply of Government**

The liberalisation in respect of industrial licensing has not so far generated any undue pressure on scarce resources. Care is increasingly exercised in the process of licensing to avoid such undue pressure. The approach to the Fifth Plan and the priorities underlying the same are currently under consideration. A number of task Forces have been set up for making an assessment of demand and determination of capacities and production targets for different industries by the end of the Fifth Plan

period. It is Government's intention to continue to use the system of licensing in accordance with plan priorities.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

**Recommendation (Sl. No. 8, Para 2.20)**

The Committee agree that in some cases, the current shortages may be due to licensed capacity having not fructified. This underlines the need for a proper follow-up action and a contemporaneous watch being kept on the implementation of the licences issued which the Committee have commented upon later in this Report.

**Reply of Government**

Recommendation has been noted. A system of close watch over implementation of licences is being devised.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14th December, 1972].

**Recommendation (Sl. No. 9 Para No. 2.21)**

Government have admitted that if the steps taken by the Ministry of Industrial Development namely to invite applications and licence additional capacity as soon as utilisation of existing licensed capacity had reached 75 per cent, had been taken earlier the shortages would not have occurred. The Committee regret that this step was not taken by Government earlier. They recommend that, in future, this procedure should be observed invariably and suitable administrative instructions may be issued to all the Economic Ministries in this behalf.

**Reply of Government**

Suitable instructions have been issued to all the Economic Ministries in this regard.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

**Recommendation (Sl. No. 10 Para No. 2.24)**

The Committee note the statement of the Government that essential inputs are being provided to industrial undertakings in the Core Sector on a priority basis. They would however like to point out that the real test of the effectiveness of measures taken for development of Core Industries is in the rate of growth of production in the Core Industries which, the Committee find has been none too impressive. The Committee recommend

that a contemporaneous watch should be kept on the development of Core Industries so as to assess as to how for the measures already taken by Government have actually succeeded and to take such remedial action as may be necessary in the light of experience.

#### **Reply of Government**

The recommendation has been noted and necessary instructions have been issued to all concerned.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

#### **Recommendation (Sl. No. 11, Para 2.25)**

The Committee also recommend that the policy of providing essential inputs to industries in the Core Sector should be made widely known by issue of suitable administrative instructions in this behalf to all the economic Ministries and other authorities concerned.

#### **Reply of Government**

Government has already issued instructions vide its Press Note dated the 18th February, 1970 and Circular No. 5 (1970 Series) dated the 6th May 1970 about providing essential inputs to industries in the Core sector on priority basis.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

#### **(Recommendation Sl. No. 18, Para 2.63)**

The Committee note the steps proposed to be taken by Government to encourage the small scale sector and to strengthen their hands *viz-a-viz* their principal customers *i.e.* the large industries. They hope that Government would soon bring forward before Parliament a considered legislation on this subject.

#### **Reply of Government**

The Committee on Drafting Legislation on Small Scale Industries has since submitted their Report which, among other things recommends statutory provision to take care of the ancillary relationship between the large undertakings including public sector undertakings and the Small Scale units.

[Ministry of Ind. Dev. O.M. No. 23(1)|Lic. Pol.|72 dated 14th December, 1972].

**Recommendation (S. No. 20, Para 2.77)**

The Committee agree with it is too early to assess as to how the concession allowed to larger Houses and foreign companies to enter into middle or small scale sector on certain export commitments, is actually being taken advantage of. They, however, note the statement of the Government that they have a pragmatic approach in the matter and hope that the policy in this regard will be reviewed after 3 years in the light of experience.

**Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)|Lic. Pol.|72 dated 14th December, 1972.]

**Recommendation (S. No. 21, Para 2.80)**

The Committee recommend that a study should be initiated in association with the technical advisory authorities such as D.G.T.D., Textile Commissioner, etc., to broadly determine the minimum and optimum economic size for industrial units in particular industries on the basis of the prevailing cost-structure and technology. The study could serve as a guidance for examining applications from Larger Industrial Houses or foreign companies for licensing capacities in the middle sector "in the interest of cost efficiency and growth of the firm to minimum economic size.

**Reply of Government**

The recommendation has been accepted. A study of this type will be initiated.

[Ministry of Ind. Dev. O.M. No. 23(1)|Lic. Pol.|72 dated 14th December, 1972].

**Recommendation (S. No. 22, Para 3.16)**

The Committee note the contention of the Government that the fall in the rate of growth of industrial production in the organised sector from 7.1 per cent in 1969 to 2 per cent during the first eight months of 1971 cannot be attributed to the new industrial licensing policy announced by Government in February, 1970 as it is too early for the policy to show any impact on the industrial scene, and that this has been more due to other factors one being that the new investments, a very large part of

which was in the public sector covering a number of core Industries, could not fructify for various reasons; the second being under-utilisation of the industrial capacity already licensed or installed mainly on account of shortage of raw materials particularly steel and cotton; decline in orders specially in respect of railway wagons, stationery diesel engines etc.; and industrial disputes. They also note the various steps taken by Government for augmenting production in the private sector, e.g., inviting applications for setting up new capacities in areas where capacity constraint have shown up; liberalisation of import policy for capital goods and to meet the shortage of steel; rationalisation of exemptions from industrial licensing on the basis of import requirements; and the more recent liberalisation announced in January this year for fuller utilisation of installed capacity in respect of 54 important industries.

### **Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

### **Recommendation (S. No. 23, Para 3.17)**

The Committee regret that, despite the recognition in the Fourth Five Year Plan document itself that there was considerable idle industrial capacity which had to be harnessed during the early period of the Plan, Government had to wait for taking corrective action until the rate of growth of industrial production actually came down to a distressingly low level. Government's policy of capacity restraints based on unrealistic targets, which was given up only in March, 1970 might also have been, in the opinion of the Committee, another contributory factor in this regard. They consider that if corrective steps were taken by Government in good time, the country might have been saved of the recent decline in the rate of growth of production in the organised sector and also shortages developing in certain categories of goods.

### **Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14th December, 1972.]

### **Recommendation (S. No. 25, Para 3.19)**

The Committee feel that there is a tremendous upsurge of optimism, self-reliance and buoyancy in the country and if this propitious combination

of factors is put to productive use, our country can achieve a dramatic break-through in industrialisation. The Committee see no reason why it should not be possible to achieve the planned rate of 9 per cent in industrial growth in such an optimistic climate and in fact, to improve upon it appreciably.

### **Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

### **Recommendation (S. No. 26, Para 3.28)**

The Small Scale Sector is now contributing substantially to industrial production in the country and that its contribution is likely to increase with the encouragement it is receiving at all levels from Government and Government owned organisations. It is therefore imperative that a suitable methodology should be evolved for working out the rate of growth of industrial production that it reflects the composite growth, both in the large as well as small scale sectors. The Committee note that the Reserve Bank of India and the Development Commissioner of Small Scale Industries are bringing out some kind of estimates about the value of production in the Small Scale Sector but these do not find acceptance in knowledgeable quarters. The Committee also note the difficulties expressed before them by the Ministry of industrial Development of assessing the industrial production in the small scale sector in the absence of a reliable data as also the anxiety expressed by them of not burdening the small scale industry with returns. The Committee would, however, like to point out that a substantial number of small scale units have to, and in fact, seek the assistance of the various State and Central authorities and public financial institutions for allotting them scarce raw materials, financial accommodation and other facilities.

### **Reply of Government**

A proposal has been made by the Committee on Legislation for Small Scale Industries with regard to collection of statistics and when such a bill is passed, it would be possible to compile more accurate statistics of production. A copy of the Committee recommendation is also being sent to the Department of Statistics for necessary action at their end.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].



**Recommendation (Sl. No. 27, Para 3.29)**

The Committee would suggest that Government should constitute an expert study team to work out a detailed methodology for compiling reliable statistics about the volume of production in the small scale industries sector. This study team should be required to give recommendations within three months or so and Government should arrange for implementation of their decision thereon without delay so that reliable statistics become available at least from this year onwards.

**Reply of Government**

A proposal has been made by the Committee on Legislation for small scale industries that it should be made compulsory for small scale units to furnish regular returns of production. When such a legislation comes in force, an appropriate methodology will be worked out for ensuring the availability of more reliable statistics.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

**Recommendation (S. No. 28, Para 4.72)**

The Committee are impressed by the Government's concern for ensuring that the backward areas get their due share of development. The recognition of the problem in fact finds specific mention in each of the Plan documents. The problem is, however, far from simple, for industries have a natural tendency to get concentrated in areas where there is ready availability of power, water supply, transport, skilled labour and ready market for finished products. The Committee regret that, during the first three Five Year Plan periods, except for locating a few public sector projects in certain backward States, no concerted steps were taken to progressively remove disparities in the levels of development between different regions in the country. Only very recently during the Fourth Plan period, a start has been made in this direction by impressive allocation of plan funds specifically for backward areas in certain States ranging from Rs. 50 lakhs in the case of Meghalaya to Rs. 320.57 crores for Uttar Pradesh, liberal allocation of Central assistance to backward States, identification of backward areas and announcement of direct financial incentives of a Central subsidy, transport subsidy and concessional finance to encourage entrepreneurs to set up industries in backward areas. The Government are also encouraging and assisting of the States in setting up an expert planning organisation to prepare State and District Plans with a view to reduce infra-regional disparities within the State. It is too early to assess the response to, and success of, these measures. The Committee nevertheless welcome the positive start made in this direction.

### Reply of Government

The recommendation has been noted. It may, however, be pointed out that the planning Commission have been conscious of the need to remove regional imbalances from the beginning of the First Five Year Plan. As a measure to help the States in removing their backwardness the comparatively backward States have all through been given weightage in the allocation of Central assistance.

The figures of *per capita* Central assistance during the period 1951-52 to 1968-69 would amply bring this fact out.

States	Per capita Central assistance 1951-69.
Assam	201
Jammu and Kashmir	412
Kerala	160
Madhya Pradesh	164
Nagaland	673
Orissa	214
Rajasthan	202
All States	147

In the case of the two relatively backward States of Bihar and U.P., though the *per capita* Central assistance in the 18 years period was not above the overall figure for all States, Central assistance for their respective plans showed a progressive rise from one plan period to another as indicated below :—

Plan	Central assistance to the States as percentage of total Central assistance for all States	
	Bihar	Uttar Pradesh
First Five Year Plan	6.3	9.9
Second Five Year Plan	8.9	11.4
Third Five Year Plan	8.6	14.2
Annual Plans 1966-69	8.6	15.4

From the above data it would be clear that in the allocation of Central assistance the backwardness of the State was taken into consideration even prior to the Fourth Five Year Plan.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972]

**Recommendation (S. No. 29, Para 3.38)**

The potentiality of industrialisation as a means of speedy development of backward areas needs no stress. To attract industries, it is necessary that infra-structure is provided in those areas, the most important of which is the provision of road and power, development of water resources and above all to trained man power who are willing to give of their best to the industry. The provisions of infra-structure and the choice of priorities as between different regions and areas taken up for development within the State is, however, primarily the responsibility of the State. It is therefore only with the positive co-operation of the State that any substantial progress can be made in the development of backward areas, which the Committee hope, will be forthcoming in a greater measure.

**Reply of Government**

The recommendaion has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72  
dated 14-12-1972.]

**Recommendation (S. No. 30, Para 3.59)**

The Committee feel that as the problem of these backward regions is a formidable one, it is but appropriate that the Planning Commission and the Central Government should lend a helping hand to the States in formulating concrete and detailed proposals for development of these areas. Noting that the Planning Commission have already set up an Area Planning Unit to provide guidance to States in this behalf and that the State Governments are being urged to evolve their own district plans for development, the Committee stress that plans for integrated and phased development of infra-structure facilities in backward areas should be finalised within the next 12 to 18 months so that these could be implemented in real earnestness at least in the next plan period. The Committee have no doubt that Government would make available adequate financial and other resources to enable these backward areas to catch up on development.

**Reply of Government**

The desirability of preparing plans for the integrated and phased development of backward areas has been indicated to the State Governments and they have also been invited to take technical and other assistance which the Planning Commission is in a position to give in this regard. Without local initiative and involvement such plans can not be prepared in a manner which will take into account the full needs of each of the backward areas, and thus make the implementation of such plans virtually impossible. The Planning Commission has already taken the initiative in conducting studies

for evolving appropriate measures for the development of Hill areas in the North. The identification of similar areas within the Western Ghats in the western and southern parts of the country has also been suggested. The area comprised within the States which will be represented on the contemplated North Eastern Council is also likely to receive similar attention through the agency of the North Eastern Council under the active guidance of the Planning Commission. The scattered areas in each State which cannot be included under regional plans of this nature are being attended to by the State Governments; their Planning machinery is being suitably reorganised with adequate guidance and assistance from the Planning Commission. The State Governments have been advised in the past and are also being advised at the time of formulation of every Annual Plan to make adequate provision within the resources available for the plan of each State, to provide financial and other resources for the development of the backward regions.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

### **Recommendation (S. No. 31, Para 3.60)**

The Committee feel that the best method of industrialising the backward areas would be to locate suitable public undertakings there. The Committee are glad to note that Government have taken some positive action in this behalf and that as much as 77 per cent of the total investment in the public sector is being made in industries located in backward areas. While this is a welcome step, the Committee would like to stress that these public undertakings should act as catalytic agents and make determined efforts to develop ancillary and small scale industries in the neighbouring areas so that the purpose of having an industrial complex and infra-structure for future growth, are assured.

### **Reply of Government**

Government agree that public undertakings should act as catalytic agents and make determined efforts to develop ancillary and small scale industries. Government have already issued guidelines to all the public Sector Enterprises for encouraging and co-ordinating the development of ancillary industries in their region. These guidelines comprise a number of activities such as assistance to the ancillary units in the supply of raw materials, technical know-how, price preference and financial assistance, etc. Since the issue of these guidelines in February, 1971 as many as 69 new ancillary units have been set up by 10 Public Sector Enterprises upto the 31st March, 1972.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

### **Recommendation (S. No. 32, Para 3.66)**

The Committee note that although reduction of regional imbalances is one of the objective of industrial licensing and special consideration is given to application for setting up industries in the industrially backward regions, as against a total of 752 licences for new or additional industrial capacities issued during the three years 1969, 1970 and 1971, only 91 were issued for setting up capacities in backward areas. Government have not been able to furnish readily to the Committee the information as to how many of these 91 licences have actually fructified. The Committee would like to emphasise here again that the issue of industrial licences, by itself, means little and that what is important is new or additional capacities actually set up in backward areas. The Committee therefore stress that the licences issued should be systematically and closely followed up to assess realistically the impact of Government's policies and decisions on the trend of industrialisation and take measures as necessary to ensure that development of industries in the backward areas receives special impetus and encouragement.

### **Reply of Government**

The recommendation has been noted. In order to maintain a centralised watch over implementation of licences and letters of intent, it is proposed to set up a comprehensive computer based information system covering the progress of a licence application upto the stage of commencement of production. It is also proposed to constitute a Committee of Officers to periodically review such progress.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

### **Comments of the Committee**

The Committee may be informed when concrete action is taken by Government in this regard.

### **Recommendation (S. No. 34, Para 3.75)**

The Committee are driven to the conclusion that in the existing situation of scares resources, expertise, engineering and managerial skills, it is either public undertakings or well established and efficient industrial organisations of proved integrity and service which can play a constructive role in the setting up of industries in backward areas. The Committee need hardly underscore the prime need of the country at the present juncture for more production and employment opportunities for its teeming millions. The Committee have no doubt that Government would study the situation most objectively and adopt a pragmatic policy which would

make for establishment of industrial units in the backward areas without further loss of time.

### **Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

### **Recommendation (S. No. 35, Para 3.82)**

The Committee welcome the expanded role assigned to the public sector in industrial development of the country. They would, however, suggest that at the beginning of the Five Year Plan period, Government should spell out in some detail the role assigned to the public sector during the Plan period and announce the industries or new lines of production proposed to be set up in the public sector during this period. This would enable the private entrepreneurs to concentrate their time and resources only on the areas available to them. In this residual area, where at the beginning of the Plan the public sector does not show any inclination to enter the field, applications by private parties for industrial licences may be invited, examined on merits and licences given expeditiously in the interest of increasing production and making goods available at the most competitive rates to the general public.

### **Reply of Government**

The recommendation has been noted. However, a list of projects proposed to be set up in the public sector is always given in Plan documents.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

### **Recommendation (S. No. 36, Para 3.85)**

The problem of unemployment in the country and the potentiality of industry in minimising it needs no emphasis. The extent of employment by Government therefore gains urgent importance. The Committee recommend that while licensing new or additional capacities, greater emphasis should be placed on the labour-intensive nature of the schemes and their capacity to generate employment opportunities.

### **Reply of Government**

It is the accepted policy of the Government to accord preferential treatment in the matter of industrial licensing to the projects which are labour intensive. Suitable instructions have been issued to the Licensing authorities in his regard.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (S. No. 37, Para 3.88)**

The Committee note the contention of the Government that they are now not applying rigidly capacity considerations in issuing industrial licences and therefore it is unlikely that any capacity could be pre-empted by any industrial house to the detriment of the economy or the public interest.

**Reply of Government**

No action is called for.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (Sl. No. 40, Para 3.103)**

The Committee also recommend that the role and functions of the Reviewing Sub-Committee of the Central Advisory Council as also the fact that they can take up individual cases for review should be widely published so that the existence of a non-Government organisation to which an aggrieved party could make representation becomes better known and the real purpose underlying its constitution is served.

**Reply of Government**

Appropriate publicity will be given in regard to the role and functions of the Reviewing Sub-Committee as soon as orders reconstituting the Council are now issued by Government.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (S. No. 41, Para 4.5)**

The Committee recommend that the Registration and Licensing of Industrial Undertakings Rules, 1952 should be amended to provide for the new procedure in force since 1964 whereby an applicant for an industrial licence under the Industries (Development and Registration) Act is in the first instance issued a letter of intent subject to certain conditions upon the fulfilment of which it is converted into an industrial licence.

**Reply of Government**

The Recommendation is accepted in principle. The Registration and Licensing of Industrial Undertakings Rules, 1952 are already being examined for making suitable amendments.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (Sl. No. 42, Para 4.6)**

The Committee note the assurance given to them that, with the introduction of the procedure for the issue of letter of intent, the time limits laid down in Rule 15 of the Registration and Licensing of Industrial Undertakings Rules, 1952 for the disposal of licence applications are, by and large, being applied to the stage of issue of letter of intent. They, however, recommend that while amending the Registration and Licensing of Industrial Undertakings Rules, the existing procedure may be given a formal statutory basis.

**Reply of Government**

The Recommendation is accepted in principle. The Registration and Licensing of Industrial Undertakings Rules, 1952 are already being examined for making suitable amendments.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (S. No. 43, Para 4.11)**

The Committee would like to point out that the very purpose for the issue in the first instance of a letter of intent to an applicant for an industrial license namely to enable him to negotiate with foreign parties and to take preliminary steps would be lost if this stage alone takes as much time as one year or more, as has frequently been the case hitherto. Noting the assurance given to them by the Ministry that the letters of intent are now being issued fairly quickly, the Committee stress that normally it should not take Government more than two to three months to issue the letter of intent.

**Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Further Reply of Government**

Rule 15 of the Registration and Licensing of Industrial Undertakings Rules, 1952 provides for a period of 3 months from the date of receipt of the application or the date on which required additional information is furnished by the applicant, for the communication of Government's decision on the application for industrial licence. The Government's intention in noting the recommendation is that while it is the Government's endeavour to adhere to this time limit, it would like to make it clear that this limit can apply only as a normal and general yard-stick. The recommendation is accepted in principle on the basis of the above clarification.



**Recommendation (S. No. 44 Para 4.16)**

The Committee note the spurt in the receipt of licence applications during 1970 and 1971, though they understand that quite a large part of them may have been for the issue of carrying on business licences.

The Committee also note the sizeable increase in the number of industrial licences and letters of intent issued during the same period for new or additional industrial capacities. The Committee welcome this trend and hope that the highrate of disposal of applications reached in 1971 would not only be kept up but improved upon in future to clear the backlog of pending applications at the earliest possible time and to meet the current rush of licence applications.

**Reply of Government**

The recommendation has been noted.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (S. No. 45, Para 4.23)**

The Committee note the long time as much as over fortnight in some cases—being taken in the initial examination of licence applications and distribution of copies of applications supplied by applicants to concerned authorities. What surprises the Committee is that even though this was pointed out by the Industries Development Procedures Committee as early as 1964 the bottleneck should have been allowed to remain for so long. The Committee recommend that Government should take suitable measures urgently to ensure that this stage does not take more than three days in any case.

**Reply of Government**

Recommendation has been noted for compliance.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (S. No. 46, Para 4.24)**

The Committee suggests the introduction of a suitable card-index system for compilation of up to date data in respect of licence applications. This data could be used not only for finding out investment trends but also for progressing the licence applications through various stages involved until the licence issued actually fructifies.

### Reply of Government

Government are already considering the introduction of a Computer-based information system, which will, *inter-alia*, facilitate central watch and review of the progress of industrial licence applications upto the stage of commencement of production, as also investment and employment trends.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

### Recommendation (S. No. 47, Para 4.40)

The Committee are distressed to note that as on the 15th November, 1971, as many as 3104 licence applications were pending with different Ministries/Departments of Government, that 30 per cent of these were pending for more than one year and that the applications pending for over one year with the Ministry of Industrial Development alone were as many as 259. While the Committee enjoin upon all the production Ministries the need for early disposal of licence applications they stress the need for a centralised close and regular watch being kept on the stage by stage progress in respect of all licence applications by the Ministry of Industrial Development upon whom rests the ultimate responsibility for early disposal of these cases.

### Reply of Government

The Ministry of Industrial Development has been paying very close attention to the disposal of old industrial licence applications pending with it. With this object in view a periodical review of the pending cases is conducted in this Ministry and such reviews would be conducted every quarter. The Licensing Committee is also seized of the problem and comments on the cases of delay that come to its notice. This Ministry is also considering separately the introduction of a computerised information system, which will enable a centralised watch over the progress of industrial licence applications. It may be mentioned that the number of applications disposed of has been of late showing an upward trend and the number of cases pending with the Ministry of Industrial Development for over one year has been brought down from 259 to 112. Every effort is being made to clear the old pending industrial licence applications, at the same time taking care to see that more recent applications do also receive quick and adequate attention so that these are also brought before the Licensing Committee within a reasonable span of time.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

### Recommendation (S. No. 48, Para 4.41)

The Committee appreciate that early disposal of licence applications pertaining to other Ministries/Departments of Government depends largely

upon the cooperation of those Ministries/Departments. They are, however, unable to see why, as on 15-11-1971, as many as 259 applications were pending with the Ministry of Industrial Development themselves for over one year. The Committee would like the Ministry of Industrial Development to make concerted efforts to clear the backlog of pending applications and so streamline the procedures within their own Ministry that licence applications are brought before the Licensing Committee, as required under the existing procedure, within four to six weeks.

### **Reply of Government**

The Ministry of Industrial Development has been paying very close attention to the disposal of old industrial licence applications pending with it. With this object in view, a periodical review of the pending cases is conducted in this Ministry and such reviews would be conducted every quarter. The Licensing Committee is also seized of the problem and comments on the cases of delay that come to its notice.

This Ministry is also considering separately the introduction of a computerised information system, which will enable a centralised watch over the progress of industrial licence applications. It may be mentioned that the number of applications disposed of has been of late showing an upward trend and the number of pending cases with the Ministry of Industrial Development has been brought down from 259 to 112.

The question of disposing of industrial licence applications within a time limit of six weeks has been engaging the attention of this Ministry and it has come to the conclusion, after much deliberation, that prescribing a uniform time limit of six weeks for all cases of industrial licence applications within which these are to be brought before the Licensing Committee, is impracticable. It has been the past experience that disposal of applications get delayed for reasons beyond the control of the Government, as when the applicant fails to furnish complete information in the first instance and has to be addressed to be taken regarding the industry as a whole before considering the individual applications and this also taken some time, as it involves a study in depth of the industry as a whole.

Every effort is being made to clear the old pending industrial licence applications, at the same time taking care to see that more recent applications do also receive quick and adequate attention so that these are also brought before the Licensing Committee within a reasonable span of time.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation S. No. 49, Para 4.42)**

The Committee also note that one of several reasons usually pleaded by the Ministries/Departments for the delay in processing and bringing up a licence application before the Licensing Committee is the late receipt of the comments and opinion of technical authorities on the application. The Committee would like the controlling Ministries to keep a strict watch on the time taken by the various Central technical authorities in tendering comments and opinion on licence applications referred to them. They would in fact suggest prescribing of suitable returns to be submitted periodically by the technical authorities to the controlling Ministires indicating the licence applications outstanding with them together with reasons therefor. On receipt of these returns, the controlling authorities should satisfy themselves that the delay, if any, in sending the comments and opinion of the technical authorities to the Administrative Ministry/Section concerned is on account of genuine reasons beyond the control of the technical authority concerned.

**Reply of Government**

The recommendation has been noted. The statements showing the lists of pending cases for industrial licensing for more than two months, as on the 1st day of every month, are already received from the Directorate General of Technical Development by the concerned Administrative Section. Ministry of Steel and Mines have also directed the Coal Controller for sending periodical reports regarding pending licence applications. With regard to Directorate of Sugar & Vanaspati, it may be stated that processing of applications for sugar and vanaspati industries and the preparation of summaries for consideration by the Licensing Committee is being carried out by the Directorate itself after obtaining the approval of the competent authorities. Hence, in the case of these two industries, there is no separate stage involving submission of technical comments to the Administrative Ministry. With regard to other technical authorities, the matter has been taken up with the concerned Administrative Ministry for prescribing the above returns.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14-12-1972.]

**Recommendation (S. No. 50 Para 4.43)**

The Committee would like Government to examine the feasibility of introducing a procedure whereby a licence application is brought before the Licensing Committee after a specified time even though by then the opinion and comments of technical and other authorities concerned thereon are not received by the Administrative Ministry/Section concerned, leaving it to the technical and other authority, whose comments were not

received beforehand, to express them through its representative orally at the meeting of the Licensing Committee and also put on record their views in writing at the meeting. The Committee are informed that some such system has already been initiated in the Ministry of Industrial Development. The Committee hope that if this procedure being tried in the Ministry of Industrial Development is found workable, it would be made applicable to all the production Ministries/Departments concerned with the processing of applications for industrial licences.

#### **Reply of Government**

The recommendation has been noted. The matter is however one which will have to be watched closely over a period of time so as to ensure that there would be no adverse effect on the quality of consideration of cases. Upon the determination of the merits of this arrangement the question of extending the applicability of this procedure to other production Ministries/Departments concerned with the processing of applications for industrial licences would be considered.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

#### **Recommendation (Sl. No. 56 Para 4.72)**

The Committee find that preparation, approval and circulation of minutes of the Licensing Committee has been, until recently, taking an unduly long time. They note the assurance given to them that the minutes are now being issued within 7 to 10 days of the meeting of the Licensing Committee and hope that this position would be maintained in future also.

#### **Reply of Government**

The recommendation has been noted. However, the period of 7 to 10 days would be counted from the date of final approval of the Licensing Committee minutes, which sometimes has to await MRTP clearance by the Department of Company Affairs and in some cases has to be obtained at the level of the Cabinet or one of its Committees.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

#### **Recommendation (Sl. No. 57 Para 4.73)**

The Committee also find that, in cases requiring approval of the Cabinet Committee on Economic Coordination or clearance under MRTP Act the follow up action after the decision of the Licensing Committee is taking considerable time. The Committee would like the Ministry of Industrial

**Development to study the procedures** being observed in this regard and take such steps as may be necessary to minimise the time taken at this stage.

### **Reply of Government**

The recommendation is accepted. The relevant procedure are being reviewed to minimize the time taken.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

### **Recommendation (Sl. No. 58 Para 4.75)**

The Committee suggest that, as the concept of Key and Non-Key industries has now become out-dated, a new scheme of priorities as may be evolved in accordance with the new Industrial Licensing Policy announced in February, 1970 for use in taking decisions relating to licensing of industrial capacities.

### **Reply of Government**

Government agree that the concept of key and non-key industries has now become out-dated. The industrial Licensing policy announced in February 1970 does involve a classification of industries in terms of the core sector, the heavy investment sector, the middle sector and the small-sector for purposes of industrial licensing. Whether any further rationalisation of the various categories of industries is necessary will be considered by the Government in the light of actual requirements.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972.]

### **Recommendation (Sl. No. 59, Para 4.78)**

The Committee are surprised that although the issue of a letter of intent after the circulation of minutes of the Licensing Committee is a formal affairs, even this stage has been taking a considerable time, often as much as several months in certain cases noticed by the Committee. The Committee consider that this stage should not take more than 2 weeks and suggest that, with a view to ensure that this time-limit is observed, a strict centralised watch should be kept by the Ministry of Industrial Development on the follow-up action taken by the Administrative Ministries/Sections concerned on the decisions of the Licensing Committee.

### **Reply of Government**

The recommendation has been accepted in principle and every effort will be made to comply with the proposed time limits. Instructions have

already been issued in this Ministry that letters of intent should be issued invariably within seven days of the receipt of the minutes of the Licensing Committee. These instructions have now been commended for adoption by other Production Ministries as well.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic.Pol./72 dated 14th December 1972.]

### **Recommendation (Sl. No. 60 Para 4.83)**

The Committee find that after decision of the Licensing Committee in a case requiring approval of the Cabinet Committee on Economic Coordination, various processes upto the stage of circulation of minutes are, at present, taking a long time. The Committee recommend that the Ministry of Industrial Development should, in consultation with the Department of Cabinet Affairs, so streamline the procedure in respect of such cases that the minutes of the Licensing Committee in respect of such cases are finally approved and circulated within three weeks of the date of meeting of the licensing Committee.

.....

### **Reply of Government**

Government are already seized of the problem of eliminating delays in the issue of minutes of the Licensing Committee in cases requiring approval of the Cabinet Committee on Economic Coordination. A number of steps have been taken in the recent past to streamline the procedures in order to curtail delays, wherever possible. For example, it has recently been decided that the Cabinet Secretariat will communicate the final approval of the Cabinet Committee directly to the administrative Ministry for issue of letter of intent, etc. However, the volume of the agenda of the Licensing Committee; the need to draft the recommendations of the Licensing Committee very carefully, so as to cover the various angles and considerations involved in each case; and the statutory requirement of Government approval of the recommendations of the Licensing Committee, inevitably result in some interval between the Licensing Committee meeting and the finalisation of its minutes for further action. Further, the majority of cases going before the C.C.E.C. require prior clearance under the Monopolies and Restrictive Trade Practices Act. The need has also been felt, in some cases to secure additional information, after they have been considered by the Licensing Committee, for suitable presentation to the Cabinet Committee. Some little time will also be needed to obtain and convey the approval of the Cabinet Committee. Under these circumstances, it may not be possible in all cases to adhere to a fixed time schedule of three weeks. However, every effort will be made to streamline the

procedure further and to ensure that the least possible time is taken in communicating the final approval of Government in such cases.

[Ministry of Ind. Dev. D.O. letter No. 23(6)/Lic. Pol./72, dated 17th January, 1973.]

### **Recommendation (Sl. No. 62 Para 4.110)**

The Committee would also like the Ministry of Industrial Development to identify and cut out pockets of avoidable delays in the existing procedures and processes in that Ministry in regard to licensing applications requiring clearance under the MRTP Act, especially the procedure whereby, after the decision of the Licensing Committee, the Licensing Committee Section of that Ministry forwards the case to the Administrative Ministry/Section concerned requesting them to ask the parties to obtain either a clearance under the MRTP Act, or a certificate of non-applicability of that Act in regard to the case, from the Department of Company Affairs, which necessarily takes time.

### **Reply of Government**

The recommendation has been noted. The existing procedures and processes in the Ministry are continuously reviewed with a view to cut out pockets of avoidable delays.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

### **Recommendation (Sl. No. 63 Para No. 5.9)**

The Committee note that the Foreign Investment Board was set up precisely for the purpose of minimizing procedural delays and expeditious disposal of foreign collaboration cases, that time limits have been laid down for different stages in the disposal of application, that there is a procedure whereby an application must be brought up before the F.I.B. or its sub-Committee at the expiry of the period of two months from the date of its receipt, and that every effort is made to give final decision on an application within 90 days of its receipt, and that every effort is made to give final decision on an application with 90 days of its receipt. The Committee are, however, unhappy to find that despite all these measures considerable delays continue to take place in the disposal of applications for foreign investment and collaboration. Of the applications disposed of during 1971, as many as 60 per cent took more than 6 months for disposal while 40 per cent of the cases pending on 1st January, 1972 were more than six months old. The Committee would like Government to reappraise the system to find out why and where the delays are taking place in the disposal of these applications and take such remedial measures as may be necessary



for the disposal of applications in three months time, including the introduction of an effective system of centralised watch being kept over the step by step progress of disposal of applications.

### **Reply of Government**

The recommendation has been noted. It may be stated that all proposals for foreign collaboration are centrally received in the Secretariat of the F.I.B, which forwards them to the administrative Ministry/Section concerned for processing, also puts up the summaries received to the FIB and issues the minutes. The FIB Secretariat have been reviewing the position of pending foreign collaboration cases frequently and issuing demi-official reminders at senior level to ensure early disposal of pending foreign collaboration applications. On occasions Minister of Industrial Development and Secretary Industrial Development have also reviewed the pendency in this Ministry.

Frequent reviews of the policies and procedures are being conducted as to how the delays could be cut down. The National Committee on Science and Technology has also appointed a Committee recently to go into the Foreign Collaboration Guidelines and report to the appropriate authorities.

The Committee's observations about the delays have also been circulated to the Administrative Ministries for information and necessary action.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

### **Recommendation (SI, No. 64 Para 5.12)**

The Committee welcome the idea of simultaneous consideration of licence application by the Licensing Committee and the application for foreign collaboration by the Foreign Investment Board in cases where the party is ready with both the applications and submits them together. The Committee would like Government to publicise this procedure for general information so that parties wishing to take advantage of this procedure may submit both the applications together and avoid the delay involved in the consecutive processing and consideration of these applications.

### **Reply of Government**

Government agree with the recommendation of the Estimates Committee and a press note on the subject is under issue.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

### **Recommendation (Sl. No. 67 Para 5.30)**

The Committee consider that the procedure for simultaneous consideration of licence application and the application for clearance relating to import of capital goods would avoid delay inherent in their consecutive processing and consideration. It should, however, not be compulsory for all the applicants for the issue of an industrial licence to submit simultaneously an application for the clearance relating to import of capital goods also. The procedure could be observed only in cases where the party is ready with both the applications and submits them together. The Committee would, therefore, recommend that the procedure for simultaneous consideration of licence application and the application for clearance relating to import of capital goods at the option of the party may be introduced and publicised for general information so that the parties wishing to take advantage of the option available under this procedure, may submit both the applications together.

### **Reply of Government**

The Government agree that where the party is ready with his application for foreign collaboration and for import of capital goods, it should be possible to consider all the applications simultaneously. It may be useful, as suggested by the Committee, to lay down a procedure and publicise it. In as much as simultaneous consideration will be possible only when the entrepreneurs themselves are prepared, such arrangement will have to be initially on an experimental basis and will need to be reviewed from time to time. The Government are examining the exact form of the arrangement which may be introduced.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

### **Comments of the Committee**

The Committee may be informed when the arrangement is finalised.

### **Recommendation (Sl. No. 68 Para 5.36)**

The Committee note that delays are taking place in the issue of clearance for the issue of capital under the Capital Issues (Control) Act. The Committee have been informed that Government propose to print guidelines as an Appendix to the application form so that the applicant may furnish complete information in the first instance. They have also been informed that the procedure has been recently rationalised. The Committee hope that as a result of these measures clearance would be forth-coming in lesser time.

### **Reply of Government**

The application form for issue of Capital has since been revised.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

### **Recommendation (Sl. No. 71 Para 5.53)**

The Committee note that at present no centralised record is being maintained on the implementation of the industrial licences issued and it is left to the administrative Ministries etc., to see that the party takes 'effective steps' for setting up the licensed capacity in six months time and actually sets up the capacity within 12 months of the issue of the licence. The first extension, limit of which is not clearly specified, can also be granted by the administrative Ministries etc., without reference to the Licensing Committee. In the absence of a centralised record, Government have not been able to furnish data on the implementation of licence issued. The Committee are, therefore, unable to assess the progress made in the implementation of the licences or to see as to what extent the non-implementation is on account of reasons that are genuine. Since what is of substance is the actual setting up of the industrial capacity and not the issue of an industrial licence, the Committee recommend that Government should expedite the setting up of a central agency, already under their consideration, which should not only maintain a record, but also keep a strict watch and actively progress the licence applications from the time of their receipt to the stage of actual setting up of the capacities licensed for.

### **Reply of Government**

An implementation Committee is being set up shortly which would not only maintain a record, but also keep a strict watch over the progress of licence applications from the time of their receipt to the stage of actual setting up of the capacities licensed.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972].

### CHAPTER III

## RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

### **Recommendation (Sl. No. 3 Para 1.34)**

The Committee agree that while unforeseen circumstances or sudden developments in the economic field may call for temporary modifications of the Industrial Licensing Policy, they are driven to the conclusion that for sustained industrial growth it is imperative that industrial licensing procedures and policy should generally hold good for a reasonably long period say a minimum of 5 years coinciding with the Plan period. The Committee therefore, suggest that the Central Government should formulate and announce the Industrial Licensing Policy for the next Plan period well before the commencement of the Plan so as to attract most competitive applications for issue of licences on merit. The Committee need hardly underline the fact that if procedures and policy are clearly and unambiguously announced it would make for keener competition on merits and help to dispel any suspicion of policy being stained to favour any individual firm or party.

### **Reply of Government**

While the recommendation will be kept in view, industrial licensing policy will have to take note of the change in thinking in our socio-economic objectives and the needs of the country in general.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December 1972]

### **Recommendation (Sl. No. 6, Para 2.15)**

"The Committee are unhappy to note that although Government took a decision in February, 1970 that the detailed industry plans should be prepared in respect of the industries included in the Core sector for the Fourth Five Year Plan and entrusted this task to the Planning Commission, until January, 1972, i.e. after a lapse of two years, the Planning Commission were still at the stage of devising a suitable machinery for undertaking the task systematically. The Committee are also distressed to note the admission of the Planning Commission as well as of the Secretary, Ministry of Industrial Development that the detailed industry plans would not be available for use in licensing undertaking in the Core sector during the Fourth Plan period and that, as hitherto, licensing decisions during the Plan period would

continue to be based on the data, indicative targets and projections given in the Plan document. They also note with alarm the submission of the Planning Commission that the task of preparing the detailed industry plans, even in respect of what are deemed to be basic, strategic and critical industries constituting the Core sector, is such as "gigantic task" that the planning Commission would not be able to do it "by itself" and that "quite a part of this work will have to be done in the Ministries, the various public sector undertakings, consultancy firms, etc." they further note that the Commission have laid down the target for the completion of this work as "before March, 1973".

The Committee agree with the ILPIC (Dutt Committee) that the indicative targets cannot, by themselves, provide an adequate basis if the system of industrial licensing is to be effectively used as a positive instrument for co-ordinated, and planned economic development. They, therefore, recommended that the detailed industry plans should be prepared expeditiously, at least for the Core Industries, as recommended by the Dutt Committee which has been accepted by Government. Since the Fourth Plan period, is likely to be over before the detailed industry plans could be ready for use in industrial licensing, the industry plans would necessarily have to be for the Fifth Five Year Plan period but keeping in view, the projections for the Five Years thereafter. The Committee urge that the Planning Commission and the Government should apply themselves seriously to the task and try to complete this work well before the target date of March, 1973 fixed by the Planning Commission."

#### **Reply of the Government**

The recommendation has been noted. It may be mentioned that a considerable amount of detailed work with respect to industries included in the 'Core' sector for the Fourth Five Year Plan has already been carried out, particularly in such industries where the projects are largely in the public sector or where the number of projects is relatively small. The targets have been split up between the public and private sectors and the individual projects aggregating to the projected level of capacity have been indentified for most industries. The estimates of investment required for the execution of these projects and the foreign exchange requirements, have also worked out. These are further reviewed at the time of the formulation of the Annual Plans.

In relation to the Fifth Plan, a number of Steering Groups and Task Forces have been set up by the Planning Commission to formulate the development programme for all important industries. The Ministries have also been advised to prepare a shelf of projects for consideration for inclusion in the Plan. These will serve as the basis for detailed planning for these industries.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972]

**Recommendation (Sl. No. 12, Para 2.31)**

The Committee note that some industries like milk food, malted food, roller flour milling, oil seed crushing, vanaspati etc., listed in Schedule I of Notifications of 19th and 28th February and 18th July, 1970 laying down the new industrial licensing policy of Government, are subject to special restrictions in the matter of licensing and that these restrictions are continuing since 1964. They also note that at present there is no system of periodical review to see whether the special restrictions in respect of these industries are still required. The Committee recommend that Government should annually review the state of these industries to see whether the special restrictions in respect of any of these industries could be dispensed with in view of a change in the circumstances or conditions in the industry.

**Reply of Government**

Six of the Industries in Schedule I of Notifications 19th and 28th February and 18th July, 1970 were put into that schedule since the Planning Commission felt at that time that these were industries which were considerably wide-spread in the rural areas and it was therefore felt that in order to protect the cottage industries functioning in the country in these fields, it would be desirable to regulate the growth of these organised manufacturing industries. The item Milk and Malted Food was added recently at the instance of the Ministry of Food as they wanted to encourage a greater amount of regulation over the dairy industry in view of the operation flood programme.

The industries are however not such that annual reviews are necessary. Essentially the purpose is to ensure that the decentralised and cottage industries do not suffer. The position is not likely to materially change from year to year. Such reviews are, however proposed to be taken up at the beginning of each Five Year Plans, beginning from the 5th Five Year Plan.

[Ministry of Ind. Dev. O.M. No. 23(1) Lic. Pol./72, dated 14th December, 1972.]

**Recommendation (Sl. No. 13, Para 2.41)**

The Committee note that as per present procedure a copy of every application for industrial licence is sent to the Development Commissioner, Small Scale Industries, who examines it to see whether it is feasible to undertake the manufacture of the item in the small scale sector. The committee understand that some applications for issue of industrial licences for industries other than those reserved for the Small Scale Sector have been turned down, merely on the plea that it is feasible to undertake the manufacture of the item in the small scale sector. The Committee would like Government to examine the matter in depth before turning down an appli-

cation on this ground only. Where an application is so turned down, Government should make sure that there is a concrete time bound scheme for developing manufacture of that item in requisite numbers and equally to meet the demand in full. In fact the Committee would suggest that the progress made in this behalf should be reviewed once in six months and in case it is found that the scheme is not materialising in the small scale sector there should be no objection to its manufacture in the large scale in public interest.

### **Reply of Government**

Applications for industrial licence for such products as are not reserved for the small scale sector for exclusive manufacture are not generally turned down in the Licensing Committee merely on the plea that it is feasible to undertake the manufacture of these items in the small scale sector but after consideration of all aspects. Whenever the Small Scale Industries Development Organisation objects in the Licensing Committee to the issue of industrial licence for a particular end product, it supports its contention with available data and other relevant information; only such items are being objected to the production of which by the small scale sector has been proved beyond doubt in terms of competence both from the angle of quantity as well as quality and also the capability to meet country's requirements.

It is felt that a period of six months is too short a period to review the position, as it may take longer even to arrange for the necessary inputs including procurement of machinery and installation, power connection and start up of actual production. It would be better that such a review is made after a period ranging from one to two years as normally this is the gestation period for putting a small scale unit into actual production.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

### **Recommendation (Sl. No. 14, Para 2.49)**

The Industrial Licensing Policy in force has reserved a large number of items exclusively for the Small Scale Sector. It is therefore the responsibility of Government to ensure that the Small Scale Sector actually delivers the goods in the field exclusively reserved for it, that the consumers' interest is safe-guarded in the matter of quality and price of goods produced in that sector and that there are no shortages. The Committee note that the responsibility in this regard is cast on the Development Commissioner Small Scale Industries who it is said would draw up production programmes, keep a close watch and hold consultations with State Governments. The Committee feel that this is not enough and suggest that a suitable mechanism should be devised for methodically assessing the demand in respect of each of the reserved items during the next 5 years, drawing up an annual production programme seeing that it is actually implemented and for taking remedial

action in case of short falls in production to obviate possible shortages. The Committee would also like Government to provide adequate facilities for quality testing of goods produced in the small scale sector at cheap rates and introduce quality control of finished goods, where feasible and necessary.

### **Reply of Government**

Government agree with the views of the Estimates Committee that for reserved items, consumers' interest has to be safeguarded in the matter of quality and price and that there are no shortages. The Small Scale Industries Development Organisation is contemplating the setting up of sub-groups in each group of product lines to assess the current consumption as also to draw up future production programmes on the lines of the observations made by the Estimates Committee.

Government are also taking steps in consultation with the Small Scale Industries Development Organisation to make a methodical assessment of demand in respect of each reserved item during the next five years. It is also proposed to draw up an annual production programme and to take remedial action in case of shortfalls production.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].

### **Recommendation (Sl. No. 15, Para 2.51)**

The Committee consider that the reservation of certain industries for development exclusively by the small scale sector should be accompanied by positive measures to see that, with proper technical guidance and the development of financial and marketing facilities, units in this sector are able to stand on their own. They also consider it necessary that an independent review is undertaken in regard to each of the reserved industries periodically, say after an interval of 3 years, to assess the progress made in this direction and for taking such action as may be considered necessary in the interest of the consumer.

### **Reply of Government**

The Government agree that the reservation of certain industries for development exclusively by the small-scale sector should be accompanied by positive measures for their rapid development. While no rigid time limits may be stipulated, the Government would agree that the progress made in this regard should be reviewed periodically at least once in five years.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72 dated 14th December, 1972].



**Recommendation (Sl. No. 16, Para 2.53)**

The Committee note with concern that quite a few parties may be taking advantage of inadequate resources of the State Directors of Industries for keeping an effective watch over the production or even the existence, of Small Scale Units registered with them. The Committee suggest that Government should devise a scheme of periodical survey to find out the correct position in respect of the Small Scale Units registered with the State Directors of Industries.

**Reply of Government**

Government is currently studying a proposal to conduct a census of small scale industries and in this exercise the State Governments will be equally involved. The results of this study will reveal the correct position in respect of small scale units registered with the State Directors of Industries. The Bhatt Committee has also suggested legislation on Small Scale Industries which would have a provision for compulsory collection of statistics from small scale units.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Comments of the Committee**

The Committee may be informed of the results of the study when available.

**Recommendation (Sl. No. 17, Para 2.57)**

The Committee consider that just as Government have taken the responsibility for provision of essential inputs for industries in the core sector on a priority basis, similarly for industries which are reserved exclusively for small scale sector, Government may provide requisite inputs such as finance, scarce raw materials, foreign exchange etc. on a priority basis in the interest of assuring that production is sustained and that products of reasonably good quality become available to the consumer at most competitive prices.

**Reply of Government**

Government have already accepted in principle the basic recommendation made by the Balachandran Committee that raw materials should be allocated to the small scale units on the basis of capacity and on par with large scale units in the same industry. The implementation of this decision coupled with the facilities that are now available with the improved technology, as also enhanced financial assistance, will achieve the desired

results. The implementation of their recommendation of the Balachandran Committee fully would, however, depend upon the final decision of the Ministry of Finance in the matter of allocation of foreign exchange considering the resources available and competing demands on those resources. [Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

### Recommendation (Sl. No. 24, Para 3.18)

As regards the constraints in the new Licensing Policy in regard to Larger Industrial Houses and Foreign Companies, the Committee appreciate that in attempting to broad base entrepreneurship and reducing concentration of economic power, there could be an interregnum when the growth of industrial production may not be as much as it could be otherwise. The Committee expect Government to keep a continuous watch on the impact of the Industrial Licensing Policy on industrial growth and production in the interest of assuring adequate supplies of goods to meet the raising demands of the people and above all to generate employment opportunities to absorb gainfully the ever growing working force.

### Reply of Government

The recommendation has been noted. It may be pointed out that as the factors affecting industrial growth are manifold, it is difficult to assess the impact of just one factor *i.e.* licensing policy, thereon. However, there has been a spurt in the number of units registered with D. G. T. D. due to raising of the exemption limit to Rs. 1 crore; at the same time, the number of applications for industrial licences received and letters of intent and industrial licences issued has also increased considerably after the new licensing policy announced by Government in February, 1970, as would be evident from the following figures:—

Year	No. of Units registered with D.G.T.D.	No. of applications received	No. of letters of intent issued	No. of licences issued.
1968	55	905	154	221
1969	66	1420	334	221
1970	139	3033	438	240 (excluding COB licences)
1971	376	2939	1015	317 (excluding COB licences).

These statistics indicate that entrepreneurial interest has increased and widened as a result of the liberalised industrial licensing policy of Government. The gestation period between conception and actual coming up of an industrial undertaking in the country being of the order of 2 to 3 years, the impact of these measures on industrial growth can be expected to become evident in the coming years.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

### **Recommendation (Sl. No. 33, Para 3.67)**

The Committee are greatly disappointed to note that in spite of the professed concern for encouraging establishment of industries in the backward areas, only four licences (two for new undertakings and two for substantial expansion) could be granted in the last three years for a populous and most backward State like that of U.P. The Committee find that States which are relatively more advanced in industry continue to attract more licences even for establishment of industry in their backward areas. It is, therefore, obvious that the present measures and policy have not succeeded in making any great impact on the scene. The Committee feel that Government should analyse closely the reasons why there is such a dearth of entrepreneurs for setting up industries in backward areas so that redoubled and intensified efforts could be made to make good the shortcomings and provide positive incentives to attract at least some industries to these backward areas and provide some relief to the crushing problem of unemployment and poverty in these areas.

### **Reply of Government**

Industrial licensing control only enables Government to exercise a check on establishment of industries in more developed areas but it cannot by itself compel a private entrepreneur to establish an industry in a particular area if he does not consider its location in that area economically viable. Other measures considered necessary for attracting entrepreneurs for setting up industries in backward areas are continuously devised. Announcement of financial assistance on concessional terms by the Public Financial Institutions for setting up industries in backward districts, the 10 per cent Central subsidy scheme and announcement of Transport subsidy scheme, are steps in this direction. A continuous review is being undertaken of policy measures necessary to accelerate the development of backward areas.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 38, Para 3.94)**

The Central Advisory Council, besides being a useful forum for a purposeful dialogue between Government and private industry aimed at understanding the problems of industry and explaining Government's policies and view points, has an advisory role to play under the Industries (Development and Regulation) Act. The Committee would like to emphasise the advisory role of the Council in the matter of regulation of industries under the Industries Act and suggest that meetings of the Central Advisory Council should be called at least twice a year, if not oftener. The object of the meetings should not be merely to have a "general exchange of views" or a discussion on the "review of the general economic situation of the country", as seems to be the case at present. Instead, members should feel free to bring up specific problems concerning various regulatory measures taken by Government under the Industries (Development and Regulation) Act and offer concrete suggestions for resolving them in the interest of increased production.

**Reply of Government**

The Government has taken note of the recommendation which will be implemented as far as it is practicable.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 39, Para 3.102)**

The Committee note that hitherto the meetings of the Reviewing Sub-Committee of the Central Advisory Committee have been few and far between. They also note that it is the intention of the Government to hold meetings of the Sub-Committee bi-annually in future. Considering that the Reviewing Sub-Committee is the only non-Government forum at which individual or collective grievances relating to industrial licensing can be represented for redressal, and in view of the fact that the number of applications on which decisions are taken by the Government now run into several thousands during a year, the Committee recommend that the meetings of the Reviewing Sub-Committee should be held at least once in every two months so that the Sub-Committee can effectively apply itself to the task of reviewing the licences, revised, varied, amended or revoked during the period under review.

**Reply of Government**

Government have noted the observations of the Committee. Though every effort is made to hold the meetings of the Reviewing Sub-Committee

at quick intervals, some time-lag has to be allowed between any two successive meetings because of the considerable amount of work involved in the collection of statistical data from the various licensing authorities and compilation of a large number of appendices based thereon for being forwarded to the members before the meeting. After the meeting also, a lot of work has to be done like preparation and circulation of the Record Summary of the proceedings of the meeting; follow up action on the recommendations made at the meeting and so on. Having regard to these facts and as a working arrangement, Government hope that the Sub-Committee would be meeting after every four months in future.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

#### **Recommendation (S. No. 51, Para 4.44)**

The Committee have been given the impression that one of the reasons coming in the way of expeditious decision-making is the wide spread fear amongst the officers that even a bonafide decision may later on become the subject of endless enquiries and criticism. The Committee would like Government to exercise every care in putting officers of the highest integrity in such key positions and inspire in them a feeling of confidence so as to make for expeditious decision-making.

#### **Reply of Government**

As pointed out by the Committee, expeditious decision-making requires, among other things, a psychological climate in which officers can, on the one hand, function without fear of criticism and on the other, are conscious of the need to maintain the highest standards of integrity. The essential elements in the situation are not only that Government should take all possible care in putting officers of the highest integrity in key positions but also that such officers are able to function without apprehensions about their bonafides being doubted. Government's policy has been not to penalise any one for an honest mistake so long as one's motives are above suspicion. This is generally understood by Government servants. At the same time, when allegations are levelled against them in forums before which they cannot defend themselves, it is not un-natural that the officers are reluctant to take decisions which might even indirectly put them to this predicament. In such circumstances, it will be necessary and useful to develop healthy conventions in such forums as the press, political discussions and legislative debates so that officers are not condemned without a proper investigation in which they have also an opportunity to defend themselves.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 52, Para 4.48)**

The Committee are unhappy to note that of the 933 licence applications pending with Government on 15th November, 1971 for over one year, as many as 236 or nearly 25 per cent were pending with the Department of Chemicals. The plea advanced by the Ministry of Petroleum & Chemicals that licensing in the field of petro-chemicals is a difficult exercise because of certain special aspects and features (*e.g.* availability of raw materials, evaluation of technology etc.) which have to be adequately taken care of, seems untenable to the Committee as every industry of product has its own special features and aspects. The importance of petro-chemical industry at this stage of economic development of the country cannot be ever emphasised as industry in this field not only produces a variety of consumer goods but also certain raw materials for use by other industries. It is, therefore, imperative in the interest of industrial development that applications for industrial licences in the field of petro-chemicals are processed most expeditiously. The Committee would, therefore, like the Ministry of Petroleum & Chemicals to make special efforts to accelerate the process of examination of licence applications pending with the Department of Chemicals so as to clear the back-log within the next three months. The Committee would also like the Ministry to evolve a suitable procedure within the Ministry under which licence applications are processed and brought before the Licensing Committee within four to six weeks of their receipt.

**Reply of Government**

The observations of the Committee have been brought to the notice of the Ministry of Petroleum & Chemicals for necessary compliance. As on 30th October, 1972 there were 36 applications over one year pending at various stages of consideration. Every effort is being made by the Ministry of Petroleum & Chemicals to dispose of these applications expeditiously.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 54, Para 4.56)**

The Committee find that electronics is another field where licence applications are considerably delayed. As on 15th November, 1971 there were as many as 154 applications pending with the Department of Electronics for more than one year. The Committee consider that electronics industry, being labour intensive, has considerable employment potential as also a developing domestic and export market. It is a nascent industry in our country and at this stage undue restrictions and inordinate

licensing delays in this field may frustrate if not arrest its development. The Committee would, therefore, recommend that the Department of Electronics should dispose of all pending licence applications within next 3 months and so streamline the procedure within the Department as to make possible licence applications being brought before the Licensing Committee within the prescribed time limit of 4 to 6 weeks from the date of receipt of the application.

### **Reply of Government**

The Department of Electronics is making all possible efforts to place the pending applications before the licensing committee at the earliest possible time, and the procedure within the Department has been streamlined so as to reduce any avoidable delay. A number of items have had to be kept pending for want of reports from special committee constituted for certain product lines.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

### **Recommendation (S. No. 55, Para 4.60)**

Since clubbing of licence applications and their omnibus examination irrespective of their receipt in point of time not only causes delay in bringing applications before the Licensing Committee but generally affects the time schedule for the disposal of applications. The Committee recommend that the Ministry of Industrial Development may carefully examine the matter and issue necessary instructions to the Administrative Ministries/Sections concerned in this regard.

### **Reply of Government**

While Government fully share the anxiety to dispose of the applications for industrial licences within the prescribed period, for the attainment of Government's certain well defined policy objectives like the development of backward areas, greater emphasis on employment intensive projects, need for ensuring the most efficient use of limited national resources in a planned economy and development of new enterprises as a countervailing force to the concentration of economic power, it may at times become necessary to take a decision after taking into account all the applications together.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 65, Para 5.17)**

The Committee note that guidelines have been issued in 1969 to the Administrative Ministries/Departments for the consideration of applications for foreign Collaboration. They recommend that suitable public notices may also be issued for general information so that prospective entrepreneurs know beforehand what type of proposals for foreign collaboration would be acceptable to Government.

**Reply of Government**

At the time of the establishment of the F.I.B., this Ministry had issued a Press Note on the 26th November, 1968 indicating the lists of Industries where foreign collaboration was/was not considered necessary. Later on this Ministry had also issued a Press Note on 20th July, 1970 wherein an illustrative list of 121 industries was published where significant technological gaps existed and where there could be scope for foreign collaboration. There has been no major change in these lists since then, which may have warranted a fresh issue of these lists. The Indian Investment Centre has also issued, as a priced publication, the Government Guidelines on foreign collaboration alongwith the lists of industries where foreign collaboration is allowed or not allowed. Thus prospective entrepreneurs are provided with the required guidance beforehand as to what types of proposals would normally be acceptable.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 66, Para 5.25)**

Long delays have been observed by the Committee in the disposal of applications for clearance relating to import of capital goods also. The Committee have found that, in spite of definite time limits fixed for various stages involved in disposal of these applications, in no less than 90 per cent of the cases disposed of during 1971, the clearance for import of capital goods took more than 6 months. The Committee have, in paras 2.39 and 2.40 of their Seventeenth Report (Fourth Lok Sabha) on D.G.T.D., also pointed out the delays in the disposal of applications for Capital Goods Clearance and have made certain suggestions. The Committee would here again point out that Capital Goods Clearance being one of the conditions precedent for the conversion of the letter of intent into an industrial licence, any delay in Capital Goods Clearance ultimately affects the time taken in the issue of an industrial licence and the actual setting up of the industrial capacity. The Committee would, therefore, like Government to review the procedures at present being observed for differ-



ent stages involved in the consideration and disposal of these cases so as to ensure that this clearance is given to the party within two months. The Committee would, in particular, commend for adoption a procedure where by the application must be brought before the Capital Goods Committee at the expiry of a certain period whether the comments of the administrative or other authorities concerned have been received or not, and the introduction of an effective system of centralised watch being kept over the step by step progress of disposal of applications.

### **Reply of Government**

The Government agree that delays in the disposal of applications for import of capital goods should be eliminated and the existing procedures reviewing with this en din view, The whole question of streamling and rationalising the procedures relating to indigenous clearance is engaging the attention of a Study Group of Officers and consultants, which has already been set up.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

### **Recommendation (S. No. 69, Para 5.42)**

The Committee recommend that instructions should be issued to all concerned that when an application for conversion of a letter of intent into an industrial licence is received after complying with the conditions prescribed the party should be issued the licence, or informed of the reasons why it cannot be issued, within a period of not more than three weeks of the receipt of the application. The Committee also recommend that all applications for conversion of a letter of intent into an industrial licence should be routed centrally through the Ministry of Industrial Development who should be responsible for progressing of such applications and for strict observance by the administrative Ministries/Sections of the time limit laid down.

### **Reply of Government**

It is felt that routing of applications for conversion of letters of intent into licences, through the Ministry of Industrial Development may result in avoidable delay without perhaps a corresponding gain. At the stage of conversion, the parties know which Administrative Section should be addressed and copies do not need to be sent to other authorities. Applicants may not therefore derive any special benefit by routing their applications through a Central Agency. The need for expeditious conversion of all letters of intent into licences within a period of three weeks of re-

ceipt of such a request is however recognized. Suitable instructions are being issued to the Administrative Sections/Ministries for strict observance of such a time limit.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 70, Para 5.46)**

The Committee recommend that all applications for the revalidation of letters of intent should be routed centrally through the Ministry of Industrial Development. Copies of communications by administrative Ministries etc. to parties informing them of the final decision of Government on such applications and indicating the reasons in case of rejection, should also be endorsed to the Ministry of Industrial Development. The Committee also recommend that the Ministry of Industrial Development should issue instructions to all concerned as regards the time limits to be observed for the disposal of such applications both where the Ministries are empowered to finally take a decision on the application as also for the disposal of cases which are required to be brought before the Licensing Committee, and keep a strict watch on its observance.

**Reply of Government**

It is felt that routing of applications for revalidation of letters of intent through the Ministry of Industrial Development may result in avoidable delay without perhaps a corresponding gain. At the stage of extension the parties know which administrative section should be addressed and copies do not need to be sent to other authorities. Applicants may not derive any special benefit by routing their applications through a central agency. The need for a central watch over the quick disposal of such requests is however recognized. Suitable arrangements are being devised to streamline and systematise the watch over the implementation process as a whole. Further instructions are being issued to the Administrative Sections/Ministries as regards the time limits to be observed for disposal of applications for revalidation and for endorsing copies of their decision in this regard to the CLP Section of this Ministry.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 72, Para 5.54)**

The Committee also recommend that all applications for revalidation of industrial licences should be routed centrally through the Ministry of Industrial Development and copies of communications to parties indicating the final decision on those applications should also be endorsed to that Ministry. The Ministry of Industrial Development should also issue

instructions to all concerned as regards the time limits to be observed for disposal of such applications and keep a strict watch on its observance.

### **Reply of Government**

It is felt that routing of applications for revalidation of industrial licences through the Ministry of Industrial Development may result in avoidable delay without perhaps a corresponding gain. At the stage of extension the parties know which administrative section should be addressed and copies do not need to be sent to other authorities. Applicant may not derive any special benefit by routing their applications through a central agency. The need for a central watch over the quick disposal of such requests is however recognised. Suitable arrangements are being devised to streamline and systematise the watch over the implementation process as a whole. Further instructions have been issued to the Administrative Sections/Ministries as regards the time limits to be observed for disposal of applications for revalidation and for endorsing copies of their decisions in this regard to the CLP Section of this Ministry.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

### **Recommendation (S. No. 74, Para 5.58)**

The Committee note that at present if it is proposed to reject an application for issue of letter of intent/industrial licence or to revoke a licence already issued, the party is afforded an opportunity to represent his case before final decision is taken. They also note that no system of appeal has been provided for as the decisions in the matter of executive decisions taken at the highest level and there is a Reviewing Sub-Committee consisting of non-official which has the power to review all licences issued, refused, varied, amended or revoked from time to time. The Committee have earlier in this report already recommended giving adequate publicity to the existence and role of this not so widely known non-official body. At this stage they would only recommend that if it is proposed to take an adverse decision at any stage of industrial licensing process, in order to reassure the party that the decision is fair and impartial, a show cause notice should invariably be issued to the party and a final view in the matter taken after due consideration of the representation received, if any, at the highest level.

party has any representation to make on the subject, he should make it within a period specified therein. It is only after considering any representation which the party submits within the time allowed that a final decision on the application is taken. It will thus be seen that in regard to the issue of a letter of intent or industrial licence, there is already a provision in our procedure for intimating our provisional views to the party and giving him an opportunity to represent before a final decision is taken.

In regard to applications for foreign collaboration or import of Capital Goods, while no such specific procedure exists, the fact of the matter is that after a decision is communicated to a party, if he feels that justice has not been done to him, he can always represent. In fact, a number of cases in which a party represents in this manner have been dealt with from time to time and in some cases the earlier decisions have also been revised in the light of such representations.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

#### **Recommendation (S. No. 75, Para 6.9)**

The Committee observe that long delays are taking place in the disposal of applications for issue of Carrying on-Business Licences in respect of industrial undertakings which have been brought under licence under the new industrial licensing policy announced in February, 1970 and that more than half of the 417 applications pending on 1st January, 1972 were pending for over one year. Since without a COB licence the existing undertakings cannot get allocations and quota of scarce raw materials as also import licences, it is necessary that applications for such licences are disposed of quickly, at least within the time limit of 60 days prescribed therefor. The Committee note the assurance given to them that Government would try to speed up the clearance of these applications and try to dispose of all the pending applications in about four months time i.e. by about the end of April, this year, and hope that the industry will no long have any cause for complaint in this regard.

#### **Reply of Government**

Out of 417 applications for c.o.b. licences pending on 1st January, 1972, the position of pendency as on 1st August, 1972 was 309. The pendency of applications for more than one year as on 1st January, 1972 has now come down to 174 as on 1st August, 1972. Instructions have been issued for expeditious disposal of these cases.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 76, Para 6.14)**

The declared aim of registration of units not required to take out an industrial licence under the Industrial Licensing Policy in force is only to organise the flow of adequate statistical information necessary for Government as well as for entrepreneurs in taking decisions relevant to investment and industrial growth. The Committee, therefore, recommend that Government should see that in the case of such industrial units, the returns required to be submitted are kept to the minimum necessary for statistical purposes. The Committee would, in particular, like Government to examine whether it would serve the purpose if the registered units already in production are required to furnish to the central to technical authorities concerned 'production returns' on a six-monthly or quarterly basis instead of every month.

**Reply of Government**

Monthly Production Returns are essential for the construction of 'General Index of Industrial Production'. This index is the only available measure of industrial production. Monthly production returns are also necessary for keeping a watch over the trends in production not only of various industries but also of individual units so as to enable the Government to take corrective action where necessary, from time to time. It is, therefore, felt that monthly production returns may not be dispensed with in favour of quarterly or half yearly returns.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

**Recommendation (S. No. 77, Para 6.18)**

The Committee emphasise that the Public Relations and Complaints Cell of the Ministry of Industrial Development should be manned by experienced and knowledgeable persons well versed in the industrial licensing system and Government's latest policy on various aspects of it, so that the Cell could really be of help to parties who choose to seek its advice in these matters. The Committee also suggest that this Cell should be integrated with the Central Record Agency recommended by them earlier in the report so that information in regard to the progress of a licence application is readily available, through it, to the applicants.

**Reply of Government**

Government agree that the Public Relations and Complaints Cell of the Ministry of Industrial Development should be manned by experienced and knowledgeable persons well versed in the industrial licensing system

and Government's latest policy on various aspects of industrial licensing. It may not however, be desirable to integrate the Public Relations and Complaints Cell with the Central Record Agency, as this Cell has to perform certain distinct functions, which would not come within the purview of the Central Record Agency. Besides, the present arrangements for dealing with Public inquiries are also working satisfactorily.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

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## CHAPTER IV

### RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### **Recommendation (S. No. 73, Para 5.55)**

The Committee would suggest that the instructions to the administrative ministries in regard to the procedures and time limits to be observed by them in regard to disposal of applications at various stages in the industrial licensing process should be issued after approval of the Cabinet Committee on Economic Coordination and there should be a system of periodically reporting to the Cabinet Committee on Economic Coordination cases of delay in disposal beyond a certain period.

#### **Reply of Government**

Instructions have already been issued to the administrative Ministries/ Sections prescribing the procedure and time limits to be observed by them in regard to disposal of applications at various stages in the industrial licensing process. The cases of delay are pursued at the level of Secretary. It is felt that the existing arrangement is adequate to expedite disposal of pending cases.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

#### **Comments of the Committee**

Please see comments in Chapter I.

## CHAPTER V

### RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

#### Recommendation (S. No. 19, Para 2.70)

The Committee would like to point out that classification of an Industrial House as 'Larger Industrial House' made on the basis of the sum total of the value of its assets together with that of its inter-connected undertakings exceeding Rs. 85 crores at a given time, could not be a static classification. In course of time, there are bound to be changes in the composition of an Industrial House and in the value of its total assets resulting in some Houses crossing the limit of Rs. 35 crores while some others, though classified earlier as 'Larger Houses', going out of the group. The existing classification of Larger Industrial Houses was made by the Industrial Licensing Policy Inquiry Committee (Dutt Committee) on the basis of data compiled more than 5 years ago and it will be out of date in several cases. The Committee note that the Ministry of Industrial Development have initiated an inquiry with a view to see which other Industrial Houses could be brought under the classification of Larger Industrial Houses. However, an Industrial House at present classified as Larger Industrial House but which may now be having total assets of less than Rs. 35 crores or an industrial undertaking which may no longer be connected with a Larger Industrial House is required to apply for removal from the list of Larger Industrial Houses and the onus of proof of the changed situation is laid on the party itself.

The Committee consider that it should not be difficult for the Government to keep the list of Larger Industrial Houses under constant review on the basis of data available under Company Law. They, therefore, recommend that, for examining applications from Larger Industrial Houses on a realistic basis, Government should take urgent steps to bring the list of Larger Industrial Houses uptodate by adding to it Houses which now qualify for designation as such and deleting such of the Houses as have ceased to so qualify, and to keep the list under constant review on the basis of data available with them, without waiting for an initiative in this regard from the Industrial Houses themselves.



### Reply of Government

Examination of these and other allied questions is going on and the observation of the Committee will be borne in mind on evolving further policies and procedures in this regard.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

#### Recommendation (S. No. 53, Para 4.49)

The Committee recommend that the Ministry of Petroleum and Chemicals should give wide publicity to the availability of basic raw materials which are available, or are expected to become available for processing during the next three to five years, so as to attract most competitive applications for issue of industrial licences therefor. The Committee stress the need for most expeditious examination of these applications for issue of licences so that the raw materials can be put to industrial use without avoidable delay.

### Reply of Government

The Ministry of Petroleum and Chemicals have noted the observations of the Committee. Publicity to the availability of the basic raw materials could be given once the 5th Five Year Plan is formulated. The Ministry of Petroleum and Chemicals are also considering various alternatives as to the manner in which publicity in this regard should be given.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

#### Recommendation (S. No. 61, Para 4.109)

The Committee note that so far Government have been unable to give clearance under the MRTP Act in respect of only 4 applicants. They are, however, distressed to find credence in the complaints made to them of considerable delays taking place in the disposal of applications for clearance under the Act, L. 110 cases disposed off by the Department of Company Affairs by 15th November, 1971 without reference to the MRTP Commission, only 18 cases were disposed off within the statutory time-limit of 90 days, while roughly 50 per cent of the cases took more than 6 months for disposal. 5 out of 6 cases disposed off after reference to the Commission took between 8 to 10 months for final disposal by the Department of Company Affairs. The Committee also note that of the 61 cases pending with the Department of Company Affairs on 15th November 1971 23 were pending for more than 6 months. Similarly MRTP Commission has also exceeded the statutory time limit of 90 days in respect of all the 12 cases pending with them on 15th November, 1971.

Thus the statutory time limits for disposal of applications for clearance under the MRTP Act are generally not being adhered to either by the Department of Company Affairs or by the MRTP Commission. The Committee are unable to appreciate the reason adduced by the Department of Company Affairs that the various process to be undergone under the provisions of the MRTP Act take time, as they believe that these factors must have been taken into account while laying down the statutory time limits. The Committee would like the Department of Company Affairs as well as the MRTP Commission to seriously try to compress their inquiries, investigations and processes within the statutory time-limits and see that cases which are not disposed of within those time-limits are an exception and not the rule as happens to be case at present.

### Reply of Government

The recommendation has been brought to the notice of the Department of Company Affairs, who have initiated necessary action for expediting the disposal of applications for clearance under the MRTP Act.

[Ministry of Ind. Dev. O.M. No. 23(1)/Lic. Pol./72, dated 14-12-1972].

KAMAL NATH TEWARI,

Chairman,

Estimates Committee.

NEW DELHI;

February 19, 1973

Magha 30, 1894 (S).

## APPENDIX

(Vide Introduction)

*Analysis of the action taken by Government on the 19th Report of the Estimates Committee  
(Fifth Lok Sabha).*

I.	Total number of Recommendations. . . . .	77
II.	Recommendations which have been accepted by Government ( <i>Vide</i> recommendations at Sr. Nos. 1,2,4,5,7-11, 18,20-23, 25-31, 32, 34-37 40-50, 56-60, 62-64, 67, 68, 71).	
	Number . . . . .	49
	Percentage to total. . . . .	62 %
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies. ( <i>vide</i> recommendations at sr. Nos. 3, 6, 12-15 16, 17, 24,33, 38, 39, 51, 52, 54, 55, 65, 66, 69, 70, 72, 74-77).	
	Number . . . . .	25
	Percentage to total . . . . .	33%
IV.	Recommendation in respect of which replies of Government has not been accepted by the Committee ( <i>Vide</i> recommendation at Sr. No. 73)	
	Number . . . . .	1
	Percentage to total. . . . .	1%
V.	Recommendations in respect of which replies received from Government are of interim nature. ( <i>vide</i> recommendation at Sr. Nos. 19, 53 and 61).	
	Number . . . . .	3
	Percentage to total. . . . .	4%