E.C. No. 584

ESTIMATES COMMITTEE (1968-69)

(FOURTH LOK SABHA)

SEVENTY-NINTH REPORT

MINISTRY OF INDUSTRIAL DEVELOPMENT & COMPANY AFFAIRS

(Department of Industrial Development)

[Action taken by Government on the recommendations contained in the Ninth Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Industrial Development & Company Affairs (Department of Industrial Development)—Industrial Licensing.]

LOK SABHA SECRETARIAT
NEW DELHI

April, 1969/*Vaisakha*, 1891 (*Saka*)

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INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Seventy-ninth Report of the Estimates Committee on the action taken by Government on the recommendations contained in the Ninth Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Industrial Development and Company Affairs (Department of Industrial Development)—Industrial Licensing.

2. The Ninth Report was presented to the Lok Sabha on the 25th July, 1967. Government furnished their replies indicating the action taken on the recommendations contained in this Report between 20th January, 1968 and 6th December, 1968. The replies were examined by the Study Group 'E' of the Estimates Committee at their sitting held on the 18th March, 1969. The draft Report was adopted by the Estimates Committee on the 26th April, 1969.

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

I. Report.

II. Recommendations which have been accepted by the Government.

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

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

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

4. An analysis of the action taken by the Government on the recommendations contained in the Ninth Report of the Estimates Committee (Fourth Lok Sabha) is given in Appendix II. It would be observed therefrom that out of 85 recommendations in the Report, 66 recommendations *i.e.*, 78%, have been accepted by Government; the Committee do not desire to pursue 8 recommendations, *i.e.*, 9.5%, in view of Government's reply; replies of Government in respect of 7 recommendations *i.e.* 8.5% have not been accepted by the Committee; while final replies of Government are still awaited in respect of the remaining 4 recommendations *i.e.*, 4.5%.

NEW DELHI;
28th April, 1969

8th Vaisakha, 1891 (*Saka*)

P. VENKATASUBBAIAH,
Chairman,
Estimates Committee

CHAPTER I

REPORT

DUPLICATION AND OVERLAPPING OF CERTAIN PROVISIONS IN INDUSTRIES (DEVELOPMENT & REGULATION) ACT, 1951 AND ESSENTIAL COMMODITIES ACT, 1955.

(Serial No. 3, para 2.24)

The Committee had observed that in spite of the fact that Government were aware of the duplication and overlapping of certain provisions in the Industrial (Development & Regulation) Act, 1951, and in certain other regulatory measures such as Essential Commodities Act, 1955, no action had been taken to remove these anomalies. Having considered that such a state of affairs tended to cause avoidable inconvenience and harassment to industrialists and was likely to stand in the way of effective implementation of the relevant provisions of the Acts, concerned, the Committee urged the Government to examine this aspect urgently and take necessary remedial measures.

2. Government have in their reply stated that the provisions of the Industries (Development & Regulation) Act, 1951 were intended primarily to provide for the development and regulation of certain specified industries whereas the provisions of the Essential Commodities Act were meant primarily for ensuring the supplies or distribution of what were classed as essential commodities. The purpose of the two enactments being different, it could not be said that they covered the same field. Nevertheless, there was in fact a certain amount of overlapping in regard to the actual measures of control exercisable over commodities which came under the purview of both the Acts. Section 18-G of the Industries (Development & Regulation) Act, 1951, empowered the Central Government to control the distribution and the availability at fair prices of any articles or class of articles relatable to any industry specified in the first schedule to the Act. The very same power was available in respect of essential commodities under Section 3 of the Essential Commodities Act. There were a few commodities like textile, cement and drugs, which came under the purview of both the Acts. Orders could be passed, for example, to control the availability at fair prices of say, textiles, under Section 18-G of the Industries (Development & Regulation) Act, 1951, as well as the Textile Control Order issued under the Essential Commodities Act. To this extent there was overlapping. In actual practice, however, a conflict was avoided by the Ministry of Industrial Development & Company Affairs in consultation with the Ministry of Commerce, whenever any order under Section 18-G relating to essential commodities which was also relatable to a scheduled industry was contemplated. There were, however very many items which came under the Industries (Development & Regulation) Act, which did not come under the Essential Commodities Act. The powers available under Section 18-G were necessary in respect of those items because the Essential Commodities Act could not be used for that purpose. From this point of view there was, therefore, no overlapping. Appropriate steps were, however, being taken to ensure that there was adequate liaison between the Ministry of Industrial

Development & Company Affairs and the Ministry of Commerce or any other appropriate Ministry concerned, so that no inconvenience was caused to the public owing to the slight overlapping in the two statutes.

3. The Committee do not consider that adequate liaison between the Ministries concerned would help in removing the anomalies in both the Acts as such a procedure will not only entail delay but would also increase secretarial work. The Committee would, therefore, reiterate that provisions of both the Industries (Development & Regulation) Act, 1951 and the Essential Commodities Act may be reviewed in consultation with the Ministry of Law.

INDUSTRIES (DEVELOPMENT & REGULATION) ACT, 1951

(Serial No. 52, para 3.156)

The Committee had suggested that the term substantial expansion as appearing in Section 13 of the Industries (Development & Regulation) Act, might be clearly defined in terms of percentage so that a unit need only apply for permission, if its expansion programme was likely to cross the licensed capacity by more than the permissible percentage.

2. Government have, in their reply stated that substantial expansion as defined in the explanation under Section 13 of the Industries (Development & Regulation) Act, 1951 had come to be fairly well understood. Government was of the view that any effort to define "Substantial Expansion" in more precise terms was likely to lead to practical difficulties.

3. The Committee are unable to agree with the Government's view and reiterate their earlier recommendation that the term substantial expansion as appearing in Section 13 of the Industries (Development & Regulation) Act, may be clearly defined in terms of percentage so that a unit need only apply for permission, if its expansion programme is likely to cross the licensed capacity by more than the permissible percentage.

LONG DELAY IN FURNISHING OF REPLIES

The Committee are constrained to observe that Government have not furnished final replies to four recommendations *viz*. Nos. 39, 40, 48 and 77 though this Report was presented to the Lok Sabha in July, 1967, *i.e.* more than twenty months ago.

These recommendations have been included in Chapter V of the Report.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2, Para 2.16)

The Committee agree that in the context of planned development, Government cannot wholly dispense with the authority to regulate industrial licensing. The Committee note that Government have been reviewing the procedure of Industrial licensing and that as a result of the recommendations of the Swaminathan Committee in 1963 and 1965, the licensing procedures have been rationalised and liberalised in certain directions. In particular, the Committee note that Government have recently allowed the existing industrial undertakings to diversify their production without a licence up to 25 per cent of the total production as also to increase their production up to 25 per cent of the registered/licensed capacity. They, however, feel that the time has come when the procedures for industrial regulation should be used as an instrument of development rather than of restraint. This should not, however, result in relaxing in any way vigilance in checking the terms of foreign collaboration, or the time schedule for achieving self-sufficiency at the earliest or for producing goods at most competitive prices. The machinery available under the Industrial (Development & Regulation) Act should be used to establish closer liaison between the public and private sector in the interest of larger and cheaper production. The Committee need hardly emphasise that in exercising the regulatory powers under the Act, weightage should be given to economic considerations as far as possible. The Committee suggest that the high-powered Industries Commission recommended earlier in para 1.38 may undertake a thorough review of the provisions of the Industries Development and Regulation Act so that it can serve as an effective instrument for accelerating the industrial development of the country on sound economic lines.

Reply of Government

The recommendation has been noted.

Government have already taken a decision that the licensing policy and procedures should be reviewed by an Expert Committee under the Chairmanship of *Prof. Thacker. Simultaneously it has been decided that the overall economic and industrial policies of Government should also be reviewed by a Committee of the Cabinet to see how far the objectives for which they were framed have been achieved and whether any modifications etc. are needed in the policies.

2. Further action on this recommendation will be taken after the reports of the Expert Committee and the views of the Cabinet Committee become available.

3. As regards the proposed high-powered Industries Commission, Government's views have been indicated separately.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated 26th April,* 1968].

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*At the time of factual verification, the Ministry has stated as follows :—

"Prof. Thacker resigned from the Chairmanship of the Committee on 22-4-1968 and Shri S. Dutt was appointed as Chairman of the Committee from May, 1968."

Recommendation (Serial No. 4, Para 2.28)

The Committee consider that the State Governments have to play an important role in the setting up of new industrial units in their respective areas as it is their primary responsibility to provide for the infra-structure facilities required in the initial stage for the setting up of such units. The Committee would, therefore, emphasise that there should be close coordination and consultations between the Central and State Governments concerned in the administration of the Industries Act. They suggest that Ministry of Industrial Development and Company Affairs should convene meetings, at regular intervals—say once in 6 months—of representatives of State Governments and thrash out at such meetings all problems and pending cases concerning industries, besides holding discussions on matters of mutual interest for stepping up industrial production in the country.

Reply of Government

Importance of the role of the State Governments in the administration of the Industries (D&R) Act, 1951 has always been recognised. State Governments are, therefore, associated in the scrutiny and processing of the applications for grant of licences under the Industries Act from the very initial stages. As soon as an application is received, a copy is forwarded to the State Director of Industries for the State Government's views on the proposal. The views of the State Government are incorporated in the Summary of the proposal for the Licensing Committee (Sub-Committee) which consists of the representatives of various Central Ministries, including the Department of Economic Affairs, Department of Company Affairs, Ministry of Railways, C.W.P.C., and the Planning Commission. The views of the State Governments are given due consideration by the Sub-Committee. Agenda notes and the minutes of the Licensing Committee are also sent to the State Governments.

Representations, if any, of the State Governments against the decisions of the Licensing Committee (Sub-Committee) are carefully considered. State Governments are further provided opportunity to bring up, for reconsideration, any particular cases on which decisions have been taken at the Sub-Committee Meetings of the Licensing Committee, at the Full Licensing Committee Meetings to which Industries Secretaries/Director of Industries of all the States are invited. These meetings are held at intervals of about 3 months.

2. Apart from the meetings of the Full Licensing Committee, matters particularly relating to small-scale industries are discussed at the meetings of the State Directors of Industries with the Development Commissioner, Small-Scale Industries, which are normally held on the day following the meetings of the Full Licensing Committee. State Directors of Industries are invited to suggest items/matters for discussion at these meetings.

3. It will be observed, therefore, that the recommendation of the Committee is already being implemented fully.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968]

Recommendation (Serial No. 5, Para 2.47)

The Committee agree that one of the basic objectives of planned economic and social development in the country is to ensure balanced growth of the different regions. They feel that industrial licensing can be one of the instruments to subserve that objective, to the extent possible. In the opinion of the Committee, however, the real key to the development of the backward areas lies in strengthening of their agricultural sector as also in building of infra-structure for development of industries. Experience has demonstrated that the soundest basis for building up industrialisation of under-developed and backward areas is to provide infra-structure, such as power, transport and communications, raw materials, trained technical personnel etc. The truth of this has been amply demonstrated by the progress made in industrialisation since independence in the States of Madras and Maharashtra. The obvious course for authorities, who are anxious to attract industrial units to their States is to make concerted efforts to develop the infra-structure facilities in their areas. The Committee would urge the Central Government to give every possible assistance to the under-developed States to develop infra-structure facilities such as power, communications, raw materials, trained technical personnel etc. The importance of trained technical personnel needs special mention for the man behind the machine is apt to be overlooked. In a country like India the richest resource, even in the most under-developed or backward areas is manpower. It is therefore of utmost importance to develop this human source by a sound system of education, industrial training and by ensuring that the rule of law and order prevails. This atmosphere of purposefulness and productivity which the State can to a large extent help to create cannot be underrated for it is pre-requisite for the successful functioning of industrial units.

While the Committee whole-heartedly favour the development of the under-developed and backward areas, they feel that the realities of the situation require that the operation of the economic factors in the interests of maximising production at the most competitive rates for the common man, should not be over-looked.

Reply of Government

The recommendations have been noted. Government fully appreciate the importance of the development of infra-structure facilities, particularly in underdeveloped areas and also of technical training. It has been the policy of Government to assist to the fullest extent measures aimed at securing this objective. As regards the location of industries, particularly of public sector projects, while due consideration is given to the need for development of backward areas by the location of industrial units there, techno-economic considerations must necessarily play the dominant role in determining the location.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th April*, 1968]

Recommendation (Serial No. 6, Para 2.48)

The Committee suggest that intensive studies of the economic structure of the backward areas, their deficiencies and problems of growth and the available natural resources should be undertaken by competent teams so that well-conceived and integrated development plans for the industrial and agricultural development for those areas could be formulated. The Committee need hardly stress that in the interest of sound economic development, the problem of industrialisation of under-developed areas should be approached in a rational and pragmatic manner.

Reply of Government

Balanced development of the different parts of the country is one of the important objectives of the planned economic development. An important requisite for formulating integrated development plans for backward areas is the identification of such areas. This has recently been completed in consultation with the State Governments, who will now be requested to take up intensive studies of these areas.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 9*th February*, 1968].

Comments of the Committee

Government may communicate the specific steps taken in the matter in due course.

Recommendation (Serial No. 7, Para 2.59)

The Committee regret to note that there have been persistent shortfalls in production in some of the basic industries for example, Cement, Fertilizers, etc. during the successive plan periods. It is a matter of concern that while the targets of investment including the foreign exchange component envisaged in Plans, have been largely achieved and in fact exceeded during the Third Plan, the production targets in the industrial sector have lagged behind. In some cases, even the licences issued are below the plan production targets. Even the capacity which has been installed, was not put to full use in many cases. Large number of licences have been issued which remained infructuous. All this would appear to indicate the deficiencies in planning and industrial licensing. The reasons for the shortfall in achieving the production targets, given by the Ministry *viz.* inter-linkage of industries, less rate of growth of national income, shortage of raw materials, lack of adequate foreign exchange, and less profitability of certain industries, would underline the need for basic change in the drawing up of industrial programme for the Plan period.

As regards industries, particularly those catering for non-essential consumer goods, the targets of capacity and production may be indicative so that these could be rolled forward or backward in the light of development and achievement.

Reply of Government

The recommendation has been noted.

It may be mentioned that appropriate modifications in the drawing up of industrial programmes and target-setting are currently under consideration in the Planning Commission in connection with the formulation of the 4th Five Year Plan. While final decisions will be reached only at the time of the finalisation of the 4th Plan, the current thinking on this matter has been spelled out in the document entitled "Approach to the Fourth

Five Year Plan" recently circulated by the Planning Commission. Broadly it is envisaged that the formulation of the Industrial programmes should be on the following lines:—

(i) For Industries falling within the key sectors, a programme of action in the public and private sector will be drawn up. This will be broken down into individual projects formulated after detailed examination with full provision made for finance, supplies and other facilities. For industries included in these categories, the targets of performance during the Plan will be worked out in detail and will be sought to be achieved.

(ii) For the remaining Industries, the Planning Commission will endeavour to project possible major developments as related to the overall strategy of industrialisation. This exercise will be undertaken in close collaboration with industry. However, the results of this exercise will be treated in the main as being indicative. Otherwise, industrial activity in the private sector may be left free to develop within the general frame-work of policy.

As regards the shortfall in production in cement and fertilizer industries, to which specific reference has been made, by the Committee, it may be mentioned that there is no persistent shortfall in the Cement production. Data regarding percentage utilisation of capacity for the years 1955-56 to 1966-67 indicate that the average percentage utilisation of capacity for all these years works out at about 90.8%, which is satisfactory in comparison with the percentage utilisation figure of technically developed countries. As against the Second Plan target of 10 million tonnes, 9.3 million tonnes capacity was set up. During the 3rd Plan the target was 15.2 million tonnes, and a capacity of 13.2 million tonnes was set up.

The licences issued were not below the Plan targets. In some cases however, the Licences were surrendered by the parties due to lack of suitable raw materials.

In so far as fertiliser industry is concerned, the targets are being fixed on the basis of the demand of fertilizers. All possible steps are being taken to meet the targets of capacity and production during the 4th Plan period. It is envisaged that on the basis of present projections of demand, self-sufficiency will be reached by 1972-73.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 17*th June,* 1968].

Comments of the Committee

Government may communicate in due course the steps taken to utilise the idle capacity in the existing industries and the measures adopted to ensure that the idle capacity does not crop up in the new projects.

Recommendation (Serial No. 9, Para 2.69)

The Committee are constrained to note that in 1965-66 the capacity in some industries remained un-utilised to the extent of 80-90 per cent. Even in some priority industries the under-utilisation has been as high as 40 per cent. The Committee note that the installed capacity of certain industries particularly in the cases of Sheet Glass and Refractories where under-utilisation has progressively increased from year to year remained under-utilised due to over-licensing. In this connection, the views of a Member of the Planning Commission that 'The absurdity and the economic waste of allowing a lot of capacity, a good deal of it installed with imported machineries and incurring loan servicing liabilities payable in foreign exchange, to remain idle have not been sufficiently appreciated' are very pertinent.

While the Committee appreciate the recent decision of Government to include certain industries in the priority list of meeting their full requirements of foreign exchange, they hope that a careful watch would be kept over the progress of these industries, particularly in respect of those which have been working below capacity due to non-availability of foreign exchange.

It is well known that Indian manufactured goods are generally high priced which stands in the way of their exports. Since one of the reasons for the high price is the under-utilisation of the installed capacity, because the products have to bear all the overheads, incidentals, depreciation, interest and other things, the Committee hope that with the fuller utilisation of capacities in these industries, the cost of production would be reduced.

The problems of raw materials and foreign exchange are no doubt widespread and deserve to be tackled in right earnest, but due attention required to be paid to the trend that has lately emerged in the shape of growing imbalance between production and demand resulting in accumulation of stocks and under-utilisation of capacity in several sectors of the industrial economy. The Committee would urge that the causes of under-utilisation of the installed capacity may be gone into thoroughly with a view to see as to how far the idle capacity can be utilised for import substitution.

Reply of Government

Government fully realise and appreciate the importance of the maximum possible utilisation of installed capacity and all practicable steps are being taken to assist in this. It is expected that the liberalised raw material licensing policy and the gradual recovery from the effects of recession will help the fuller utilisation of installed capacity. Measures to utilise idle capacity for promoting import substitution are also continuously under consideration.

2. A specific reference has been made to over-licensing of capacity in the sheet-glass and refractory industries. As regards sheet-glass, production in the first-half of 1967 was about 73% of installed capacity.

As regards the Refractory industry, it may be explained that the industry was at one time asked to gear up its production to a steel capacity of 20 million tonnes. In any scheme of planning, installation of capacity for making refractories should precede the steel expansion programme. On that basis, the capacity of the refractory industry was increased from a little over 800,000 tonnes in 1963 to over 1300,000 tonnes in the beginning of 1967. During this period the steel target was drastically pruned with the result that there is today surplus capacity in the refractory industry. The industry now is in the "banned" list because of adequate capacity already available for steel targets upto 20 million tonnes per annum and it is being diversified to meet improved specifications proposed to be adopted by Bokaro and other Steel Plants. Imports of balancing equipment for preparation of raw materials and high pressure pressing of bricks have been allowed in suitable cases. This expansion of the refractory industry has had redeeming advantages in the curtailment of imports which have fallen from Rs. 2.44 crores during 1964-65 to 40 lakhs during the first ten months of 1966-67.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 1st May,* 1968].

Comments of the Committee

Government may communicate in due course the steps taken to utilise the idle capacity in existing industries.

Recommendation (Serial No. 10, Para 2.70)

The Committee would also suggest that there should be effective coordination between the two wings of the Ministry of Industrial Development and Company Affairs dealing with scheduled industries and small scale sector so as to ensure optimum utilisation of resources in both the sectors.

Reply of Government

There is already effective coordination between the two wings of the Ministry dealing with the scheduled industries and the small scale industries. Before the issue of a licence under the Industries (D&R) Act, 1951, is approved, the Licensing Committee, to whom all applications for licences are referred for consideration, takes into account the small scale angle. In fact a number of industries have been exclusively reserved for development in the small scale sector and industrial licences are not granted to units in the large scale sector for the setting up or expansion of those industries.

Copies of all applications for industrial licences are referred to the Development Commissioner, Small Scale Industries to ascertain his views with reference to the Small Scale angle before they are put up to the Licensing Committee. A representative of the Development Commissioner, Small Scale Industries is always associated with the Meetings of the Licensing Committee. In the announcement of the liberlised policy in respect of diversification by manufacture of new articles in existing undertakings and increased production up to 25% without a licence, due attention has been paid to the small scale sector and it has been stipulated that the liberalised policy will not be applicable to specified industries in which the small scale are substantially interested. However, further steps to secure greater coordination are being continuously explored.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 9th February,* 1968].

Recommendation (Serial No. 11, Para 2.75)

The Committee note that a number of Cooperative factories have been set up in sugar and cotton textiles. The progress of the cooperative sector in other industries has not however, been quite satisfactory. The causes for this state of affairs may be examined and effective measures taken by Government to ensure their proper working and growth.

Reply of Government

The Estimates Committee has desired that the causes for the comparatively slow development of the cooperative sector in industries other than sugar and cotton textiles should be examined and effective measures taken by the Government to ensure their proper working and growth. The development of the cooperative sector in the large and medium scale industries is a continuous process and the progress can be achieved only over a period of time. Up to the end of October, 1968 166 cooperatives have been set up in industries that are/were covered under the I(D&R) Act. The break up is as follows:—

Industry	No. of Cooperative Factories
TEXTILES :	
Cotton	65
Woollen	2
Jute	1
FOOD PROCESSING :	
Sugar	78
Vegetables & Vanaspati	6
Milk Products	3
Other Food Processing	3
OTHER INDUSTRIES :	
Industrial Alcohol	3
Fertilizers	1
Safety Matches	1
Abrasives	1
Paints, Varnishes & Enamels	1
Glass	1
TOTAL	166

Besides the above, letters of intent have been issued to (i) the Indian Farmers Fertilizers Cooperative Ltd., for manufacture of ammonia, urea and complex fertilizers with the total annual capacity of nearly one million tonnes at Kandla in the State of Gujarat, and (ii) Surat District Cooperative Milk Producers Ltd., Gujarat, for the manufacture of milk products. Besides, another unit has been permitted to effect substantial expansion for the manufacture of baby food. It is also proposed to establish 25 solvent extraction/vanaspati units in the cooperative sector during the period ending 1971-72.

2. It may be pointed out that the rapid development of the cooperative sector in the sugar industry is the result of a deliberate Government policy specifically oriented towards that end. Similarly spinning mills were organised by handloom weavers cooperative societies as a measure of meeting the raw-material requirements (yarn) and recently by growers of cotton as a secondary stage of processing, after having been well-established in the preliminary processing *viz.*, cotton, ginning and processing.

3. It is also relevant to mention here that the cooperative movement was hitherto limited to the village and small industries sector. It is only recently that attention has been given to the development of cooperative industries in the medium and large scale sector. The availability of adequate finances, satisfactory arrangements for procurement of raw materials, as well as organised marketing have also an important bearing on the development of cooperatives in the medium and large scale sector. Finance from coopera-

tive financing institutions was available mostly to the cotton textiles and sugar industries and very little was available to the cooperatives in other industries.

4. There is another limiting factor for the formation of cooperatives in fields where a high degree of technology involving foreign collaboration is necessary; for example in the case of the machine tool industry which is capital intensive requiring a high degree of technical know-how, the gestation period is long and the return on capital outlay is small because of which there is little chance of interesting or developing the cooperative sector in this industry. On the other hand, cooperatives have been by and large coming up in labour intensive industries. Development of necessary infrastructure is also essential for the organisation of industries in the cooperative sector. Such development is bound to take time.

5. A number of measures have been taken for expediting implementation of the processing programme and facilitate early installation of the processing units. These include :—

(a) Establishment of State-level Boards to attend to the problems of planning and installation;

(b) Formation of technical cells at the levels of national and state marketing societies for giving technical guidance to the processing units;

(c) Formation of model blue prints;

(d) Introduction of centralised arrangements in certain states for procurement of plant and machinery and construction materials and where necessary, for installation;

(e) Release of assistance to the processing units according to the progress of implementation and installation; and

(f) Introduction of scheme for creation of pool of key personnel in the apex marketing societies for the processing marketing units.

6. A Federation of Industrial Cooperatives called the "National Federation of Industrial Cooperatives" has been set up at the national level for assisting the development of cooperative societies in industrial sector to purchase, store and sell the raw materials, components parts and equipment for use of industrial cooperatives and to undertake the marketing of their products.

7. Although, certain industries where cooperative can be developed *e.g.* solvent extraction, oil industry, glass industry, alcohol etc., have been delicensed, fresh avenues for establishment of industrial cooperatives are open in fields like agro-based industries. The canning of fruits and vegetables, dehydration of onions and potatoes, rice bran oil mills, pesticides units, processing of tapioca and other vegetables can be cited as examples. In fact, letters of intent have already been issued for some of these items.

8. It will take some time before the actual progress made in the setting up of industrial cooperatives in fields other than cotton textile and sugar is visible. But it is hoped that the measures already taken will give a stimulus

to more speedy development of industrial cooperatives in fields other than sugar and cotton textiles.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 6th December*, 1968].

Recommendation (Serial No. 13, Para 2.70)

Government should also ensure that evaluation of the Plan achievements is done annually and is presented to Parliament regularly to enable Members to have more informed discussions and offer constructive suggestions, which would no doubt, prove a great value to Planning Commission/Government in finalising the contents and strategy of the plan for the following year.

Reply of Government

The Planning Commission have agreed to this suggestion. In this connection it may be mentioned that a critical review of the Annual Plan for 1966-67 is proposed to be brought out shortly.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 9th February*, 1968].

Recommendation (Serial No. 14, Para 2.85)

The Committee find that full particulars of industrial capacities available in various industries in different regions of the country are not being adequately publicised. They regret to note that even the provisions made in the Registration and Licensing of Industrial Undertakings Rules 1952, for inviting applications for the grant of licences for establishing new industrial undertakings by means of a notice published in the Gazette of India are not being implemented.

The Committee consider that Government should invariably give full and extensive publicity through all available media including the Gazette of India to the capacity that is to be licensed for various industries during the year/specified period particularly for industries falling in the group of key/basic industries. This would stimulate competition among the intending entrepreneurs and thereby enable Government to select the most economical and competitive proposal, *i.e.*, a proposal which would involve least capital cost, lowest foreign exchange for capital and maintenance imports, and would make for the lowest unit cost and sale price. The Committee would also suggest that suitable arrangement should be made, in the existing set-up, to make readily available essential data such as capacities licensed and developed so far, the estimated demand for the commodity, the international price etc. to intending entrepreneurs. This would also ensure that the emphasis would be shifted from mere chronological receipts of application to their competitiveness based on merits, contents and potential contribution to the economy of the country.

Reply of Government

Government accept the recommendation that information relating to targetted capacity, the capacity already licensed and capacity already installed should be published for the benefit of prospective entrepreneurs.

It is propopsed to give effect to this recommendation at the time of publication of "banned" list, "merit" list etc. in 1968.

2. It is also proposed that, in preference to the existing practice of examination of applications for industrial licences as and when they are received, applications in respect of at least the more important industries should be considered at intervals of 3 months or 6 months, or after inviting applications before a specified date and considering all the applications together. A final decision in regard to this will be taken after receipt of the report of the Industrial Licensing Policy Enquiry Committee which is currently examining some of the major issues relating to industrial licensing.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 13*th February* 1968].

Recommendation (Serial No. 15, Para 2.114)

The Committee consider that the most important issues requiring consideration in machinery manufacturing programme are the quality and design of machinery, the capital and maintenance cost, production capacity etc. *vis-a-vis* the quality and price of machinery available in the international market. It is evident that the quality and cost of these "mother machines" would determine to a large extent whether the cost of end product would be competitive in the international market or not. It is well known that Indian economy suffers from high cost of production. The Committee feel that concerted efforts should be made by Government in conjunction with the industry (both public and private sectors) to improve the quality and design of machinery and make them in every way competitive in quality and price with the best that is available in the international market.

Regarding the industries specifically discussed in Chapter II, the Committee consider that as far as machine tools industry is concerned, it is faced with the twin problem of imports of more than 50 per cent of supplies and stock accumulation of unsold machine tools by the leading public undertaking: H.M.T. The Committee suggest that Government should examine the reasons for accumulation of unsold stock with the machine-building industry, particularly the HMT and determine whether the accumulation is ascribable to any deficiency in after-sales service or non-availability of spare parts or inability to meet customers, modifications or due to lack of diversification of products.

They would also like H.M.T. to carefully analyse the imports with a view to see which additional machineries which are at present being imported in large numbers could be taken up for manufacture indigenously in the context of the development programme for the Plan.

Reply of Government

The accumulation of stocks with machine tool factories, both in the public and private sectors, has been solely due to the recession in the industry. Machine industry is dependent on the fortunes of other industries and is the first to be affected by slow-down or depression in other industries especially engineering industries. It is hoped that with the prospective improvement in the economy as a whole, the fortunes of the machine tool industry will also improve.

Government is aware that import of machine tools is continuing on a substantial scale. Part of the import is on account of licences issued quite some time back but on which shipments are taking place only now and the other part is on account of machines which are not being manufactured indigenously. At present the import statistics are not being compiled in a sufficiently accurate form to judge readily the detailed specifications of the various machines being imported. This has been examined at length and a revised procedure is being evolved for compiling the import statistics accurately. Once this procedure is implemented, it is proposed to undertake a detailed scrutiny of the imports with a view to determining the future lines of development of the industry, in the public and the private sectors. However, a beginning has been made by H.M.T. which has recently taken up the manufacture of single and multi-spindle bar and chucking automatics, copying lathes, multi-tool lathes, horizontal boring machines, drum type turrets, surface grinders, broaching machines and gear hobbers which were so far being imported.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Comments of the Committee

Government may communicate the progress made by H.M.T. in diversification of their production programme in a year's time.

Recommendation (S. No. 16, Para 2.115)

The Committee would also like to stress the need for developing drawing and designing facilities for machinery manufacturing industries. They would like Government and the industries in the public sector and private sector to formulate a scheme for co-operative research so that the machinery manufactured in the country can keep abreast of developments in the world and maintain their competitive position in efficiency, production and cost.

Reply of Government

The recommendation has been noted.

There already exists a scheme for formation of cooperative Research Associations by the Industry. Under this Scheme, the Council of Scientific and Industrial Research renders assistance to industry which are desirous of forming Research Associations by way of technical advice, preparing plans, framing rules and regulations and bye-laws, etc. The Council also provides financial assistance towards both capital and recurring expenditure to such associations to the extent of 50%.

Engineering industry is a complex of different specialised industries and it is difficult to bring into one fold the different industries. The Automobile industry has shown some interest and has formed a Research Association called Automotive Research Association of India. Steps are also afoot for formation of such Research Associations by Electronics industry, cable, etc.

As regards development of Drawing and Designing facilities for machinery manufacturing industries, the Central Mechanical Engineering Research Institute, Durgapur and the Central Design and Engineering Organisation are able to provide some facilities in this direction for the industries.

The services of National Design Institute, Ahmedabad, are also available to manufacturers for designs for machinery manufacturing industries and on receipt of specific enquiries it extends all help to interested parties.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 9*th February,* 1968].

Recommendation (Sl. No. 17, Para 2.126)

The Committee are constrained to observe that no progress was made to establish additional capacity for manufacture of alloy or special steels in the Second Five Year Plan. The Committee further regret to note that in the Third Plan a capacity for manufacture of 45,000 tonnes of special steel was developed in the private sector only though licences for 4,34,000 tonnes were issued to private sector and for 1,37,000 to Public Sector. The Committee consider it regrettable that the public sector, which should be a pace-setter, lagged behind. The Committee also regret to note that licences issued to four private companies for 6,000 tonnes, 5,400 tonnes, 3,600 tonnes and 3,000 tonnes each had subsequently to be revoked and that the licence for manufacture of 49,000 tonnes of special steel issued in favour of TISCO had to be cancelled as the company could not fulfil the condition of finding a foreign collaborator who would subscribe the whole of the foreign exchange component. The Committee cannot help concluding that enough care was not taken in processing the applications, for installation of manufacturing capacity for special steels and alloys. The Committee would like Government to keep a very close watch on the licensed units which are stated to be implementing a programme for manufacture of 38,600 tonnes and on licencees who have been given licences for setting up capacity for another 1,59,000 tonnes. The Committee would also like Govt. to keep close watch on the parties concerned after the issue of Letters of Intent for 2,17,400 tonnes so as to make sure that they take effective action to tie up collaboration arrangements and place orders for machinery and equipment. The Committee need hardly add that where effective action is not being taken by the parties concerned, it may be advisable to take firm action.

Keeping in view the specialised nature of the industry and the need for maintaining, competitive prices in this basic sector, the Committee would suggest that wide publicity should be given to the capacity still remaining to be licenced so as to attract applications on competitive basis. The applications may be examined strictly on the basis of economy in capital costs, including foreign exchange components, and unit cost of production, based on the techno-economic feasibility reports enclosed with the applications so as to license the most competitive and sound unit for production.

Reply of Government

The recommendation has been noted.

The suggestion about the publicity to be given to the capacity still remaining has also been noted. It may, however, be mentioned that a review of the demand for alloy steels is being conducted by the National Council for Applied Economic Research and further licensing will be taken up after the receipt of the Report from the National Council for Applied Economic Research.

There are certain errors in the factual information reproduced in paras 2.118, 2.121 and 2.124. These are as under:—

(a) *para* 2.118 : Some units of the Alloy Steel Plant, Durgapur have already gone into production, and the remaining units are likely to be commissioned in early 1968 instead of all the units going into production by the middle of 1967 as planned earlier.

(b) *Para* 2.121 : The capacity of Guest, Keen & Williams in the first stage should be 16,000 ingot tonnes and 31,000 ingot tonnes in the second stage.
The date 31st June, 1966 given under column 2 against Mahindra Ugine should be in column 3.

The word "years" in column 3 should be substituted by the word "stages".

The words "being extended" shown against "V. Pandurangiah" should be shown against "Man Industrial Corporation".

(c) *Para* 2.124 : Demand for electrical steel sheets is 1,80,000 tonnes and not 1,50,000 tonnes.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated 26th March,* 1968].

Recommendation (Serial No. 18, Para 2.159)

It is well known that the development of non-ferrous metals is of vital importance to the various industries and the growth of national economy as these metals are extensively used in several basic industries. According to United Nations Report on Science and Technology for Development: "For every ton of steel, 40 lbs. of copper and similar quantity of lead and zinc would be necessary". The Committee are concerned to note that no serious attempt was made for the development of non-ferrous metals in the country during the first two Plan periods. Except Aluminium, no targets of production were fixed for any other non-ferrous metals till the Third Plan. Even during the Third Plan when targets of production were fixed in respect of these metals, there have been heavy shortfalls in achieving them. The result has been that large amounts in foreign exchange had to be spent in importing these metals during each Plan period, causing heavy drain on the scarce foreign exchange resources of the country. The value of imports of four principal non-ferrous metals during Third Plan period was as under :

	Value
Aluminium	38.44 crores
Copper	132.50 "
Zinc	41.22 "
Lead	18.96 "

The Committee note that effective steps were not taken by some of the licensees in the Second and Third Plans to set up manufacturing units for Aluminium. As the Fourth Plan target implies more than 400% increase in production (*i.e.* from 81,000 tons to 3,30,000 tons), Government should keep a close watch on the progress being made by licensees to set up new units or expand the existing ones, so that remedial measures may be taken without delay to obviate any shortfall in the achievement of target. The Committee also feel that the public undertaking set up for manufacture of Aluminium should set the pace by taking expeditious action to develop the capacity at most competitive international rates. The Committee need hardly stress that as Aluminium is a basic important material it is imperative that its cost and sale price are kept at level competitive with international price. The Committee have no doubt that the Ministry of Industrial Development & Company Affairs and the Directorate General of Technical Development would pay special attention to the aspect.

The Committee would also urge that effective steps are taken to ensure that the raw materials *viz.* anthracite, cryolite and aluminium fluoride, etc. required in the production of aluminium which are at present imported, are also produced indigenously as early as possible.

Reply of Government

(A) **Development of aluminium industry:**

The development of the aluminium industry is of great importance to our national economy as this is the only non-ferrous metal for the development of which adequate ore reserves, *viz.* bauxite, are available in India. Because of its versatile qualities, aluminium is a good substitute for copper, zinc, etc. for which the country has to depend mainly on imports. In 1947, there were only two small aluminium smelters with a total capacity of about 7,000 tonnes per annum. One of these was at Alwaye (Kerala) and the other at Asansol (West Bengal). For a decade after independence, the capacity for aluminium remained almost stationery. It was in 1957 that proposals for expansion were made as it was found that demand for aluminium was increasing. In view of the long period of gestation, only one project materialised during the Second Plan period, namely, 10,000 tonnes per annum new smelter at Hirakud (Orissa) bringing the total installed capacity to about 18,000 tonnes per annum by the end of the Second Plan. The Third Plan initially envisaged a capacity of 88,500 tonnes and production of 81,000 tonnes by 1965-66. Installed capacity for aluminium went up to 88,300 tonnes per annum by the end of the Third Plan. During 1966-67, a further capacity of 25,000 tonnes per annum was added bringing installed capacity to 1,13,300 tonnes per annum. Production of aluminium metal during 1967-68 is expected to be of the order of 1,00,000 tonnes as against 83,209 tonnes during 1966-67.

The demand for aluminium has been increasing at a rapid rate and the estimated demand of 1,80,000 tonnes per annum during 1967-68 is expected to go up to 3,30,000 tonnes per annum (including 30,000 tonnes per annum for export) by 1970-71 or early during the Fifth Plan period. With a view to achieving self-sufficiency and to obviate imports of aluminium metal by the end of the Fourth Plan, the following schemes are under consideration/implementation :—

Private Sector	Tonnes per annum	
1. Existing installed capaciy	1,13,300	
2. Renukoot (U.P.) aluminium smelter—expansion.	60,000	Expansion licensed—likely to be completed by the end of the Fourth Plan.
3. Belgaum (Mysore) aluminium smelter—new (i)	30,000	Licensed—likely to be completed by mid-1969.
(ii)	70,000	Letters of Intent issued for the expansion to be realised in two stages by the end of the Fourth Plan/early in the Fifth Plan.
4. Mettur (Madras) Aluminium smelter—expansion.	15,000	First stage of 2,500 tonnes per annum likely to be ready during 1967-68 and remaining 12,500 tonnes per annum by end of 1969.
Public Sector		
5. Koyna (Maharashtra) aluminium project—new.	50,000	Likely to be ready in 1971.
6. Korba (M.P.) aluminium project new ..	1,00,000	Likely to be commissioned in 1971.

(B) Supply of raw materials :

The Government has constituted a Study Group in April, 1967, who will examine and report on the following :—

(i) Growth of aluminium industry in India during the Fourth and Fifth Plan periods;

(ii) requirements of the various raw materials (other than bauxite) for the industry during the two Plan periods;

(iii) present availability of the raw materials from indigenous sources and import requirements;

(iv) possibilities of augmenting supplies from indigenous sources—their present cost structure and investment (including foreign exchange) required for new development schemes; and

(v) the organisational set-up for distribution of raw materials and for assigning priorities for the same.

The report of the Study Group is expected shortly.

It will be observed from the above that all possible steps are being taken to increase production of aluminium metal and to achieve self-sufficiency by the end of the Fourth Five Year Plan. A close watch is being kept on the progress being made by the licensees to set up new units or expand the existing ones, so that remedial measures may be taken without delay to obviate any shortfall in the achievement of the target.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January*, 1968].

Recommendation (Serial No. 19, Para 2.160)

The Committee are greatly concerned about the production prospects of other non-ferrous metals like copper, lead and zinc. It is a sad irony that Government all these years left the development of zinc and lead, so useful for the country, to a private company (Metal Corporation of India). This company was allowed to send zinc concentrates to Japan and get it back refined as zinc sheets from Japan. No arrangements for smelting the concentrates were made within the country, with the result that there was huge drain on our foreign exchange.

With the growth of industrialisation, the need for these metals as also their alloys, is likely to grow considerably. The capacity and production targets for these metals for the Fourth Plan are far short of the estimated demand as will be seen from the following table:

	Estimated Demand	Production Target
Copper	1,80,000 tons	37,500 tons
Zinc	1,17,000 tons	38,000 tons
Lead	1,26,000 tons	4,300 tons

It would be evident that even at the end of the Fourth Plan the country will have to depend upon large imports of these basic metals which would involve a heavy drain on the foreign exchange resources of the country. Further the dependence on imports for these vital metals would tend to create uncertainty in regard to the availability of these raw materials which are stated to be in short supply all over the World. It is imperative that Government should lose no time to push through the schemes already in hand and also expedite geological surveys, etc. to locate deposits of non-ferrous metals in the country. The Committee would also suggest that close coordination should be maintained between Government departments and the industry for maximising the production of these metals.

Reply of Government

(A) **Copper:**

Requirement :—The requirements of copper in 1970-71 were estimated earlier at 2,50,000 tonnes. In view of the very high prices of copper combined with the difficult supply position, more concentrated efforts are envisaged towards its substitution and the demand is now estimated at about 1,80,000 tonnes by 1970-71.

Schemes and steps to increase the production of copper in the country are briefly indicated below:

I. **Indian Copper Corporation (Private Sector):**

At present there is only one unit in the country engaged in the production of copper; it is I.C.C. at Ghatsila, Distt. Singhbhum (Bihar). Their production during 1966 was 9333 tonnes. The Company has been issued a licence in January, 1964 to set up a new Flash Smelter with a capacity of 16,560 tonnes of Blister copper metal per annum. In terms of the licence issued to the firm in January, 1964 the plant was to be completed within a period of 24 months. Due to difficulties in arranging foreign exchange requirements of the project, the date for completion of the plant has been extended upto 31st December, 1969. They have been asked to take steps to complete the project by that time.

II. The Government have prepared the following schemes for the production of copper in the Public Sector:—

(i) Khetri Copper Project:—The Government have now approved the development and exploitation of the Khetri copper deposits in Rajashan in the Public Sector. This project was assigned to the N.M.D.C. in March, 1961. The enlarged scope of the project envisages production of 31,000 tonnes of electrolytic grade of copper (21,000 tonnes from Khetri and 10,000 tonnes from Kolihan). The plant is expected to go into production in 1970.

It is esimated that by the end of the Fourth Five Year Plan period the availability of copper will be about 37,500 tonnes (21,000 tonnes from Khetri and 16,500 tonnes from I.C.C.) metal against an estimated demand of 1,80,000 tonnes.

(ii) Rakha Copper Project:—National Mineral Development Corporation has prepared a scheme for the exploitation of Rakha copper deposits in Distt. Singhbhum in Bihar. It will take about 30 months to set up this mine and plant from the date of sanctioning of the project. It will produce concentrates which will yield 3,500 tonnes of copper per annum. The scheme is under consideration of Government.

(iii) Daribo Copper Project:—National Mineral Development Corporation has also prepared a scheme for development of Daribo copper mines in Rajasthan. It will produce concentrates which will yield about 1,400 tonnes of copper per annum. The scheme is under consideration of Government.

(iv) Agnigundala Copper Deposits in Andhra Pradesh:—The Geological Survey of India has located promising copper lead deposits in Agnigundala in Andhra Pradesh. Indications are that it may turn out to be a major deposit of copper and lead.

The National Mineral Development Corporation is preparing a feasibility study for the systematic development and exploitation of the deposits. Steps to take up commercial exploitation of the deposits with foreign participation is also under consideration of Government.

(B) **Zinc:**

The Metal Corporation of India obtained in 1944 a mining lease for the lead-zinc deposit in Zawar area in Rajasthan, which was and continues to be the only commercially workable lead-zinc deposit in the country.

By about 1953, the Corporation was producing about 200 tonnes of ore per day from the Zawar Deposits. In that year they also established a lead smelter at Tundoo in Bihar for smelting the lead concentrates produced from the Zawar deposits. The zinc concentrates produced by the Corporation used to be sent to Japan for smelting on a toll basis. Government have been insisting from as early as 1953 that the Corporation should establish a zinc smelter in the country to smelt zinc concentrates produced by it. In August, 1957, the Corporation came up with a proposal for the setting up of a zinc smelter of 15,000 tonnes capacity. The necessary approvals were given towards the end of 1957 after obtaining Cabinet's approval. A formal industrial licence was granted on 6-1-1960 for the setting up of this smelter with 15,000 tonnes capacity and the recovery of corresponding by-products. The planned capacity of the smelter was subsequently increased to 18,000 tonnes per annum with corresponding by-products.

Due to its financial difficulties, the Corporation could not complete the project it had undertaken. In view of this, and as lead and zinc are strategic metals of vital importance to the national economy, Government of India had to acquire the undertaking of the Metal Corporation of India so as to secure full development of the deposits and expeditious completion of the construction of the zinc smelter. After the acquisition in October, 1965, a Government Company, called Hindustan Zinc Ltd., was formed on 10-1-1966, to own and manage the undertaking.

Subsequent to the take over, energetic steps were taken to complete the project which was left half-completed. The construction of the zinc smelter is complete and trial production has commenced in December, 1967. The rated capacity of 18,000 tonnes is expected to be attained in 1970-71.

Simultaneously, steps are also being taken to prove additional ore reserves in the area so as to increase the zinc metal production to about 40,000—50,000 tonnes per annum. The additional production may materialise by the middle of the Fifth Plan.

Intensive exploration for location of new deposits of zinc has also been undertaken. In the Fourth Plan period, it is proposed to take up 73 lead, zinc prospects for detailed investigation under a crash programme by the Geological Survey of India. It is too early to say whether these investigations will lead to discovery of sizeable mineral deposits for production of additional zinc metal. In any case, the additional production from these new deposits can be expected only towards the end of the Fifth Plan period.

In the private sector Messrs. Cominco Binani Zinc Ltd. have established a zinc smelter at Alwaye in Kerala of 20,000 tonnes capacity per annum. This smelter is based on imported zinc concentrates, till indigenous zinc concentrates become available. The trial production started in January, 1967 and the licensed capacity is expected to be reached in the latter half of 1968. The company has applied for expanding the smelting capacity from 20,000 tonnes to 60,000 tonnes per annum in two stages of 20,000 tonnes each. This is under consideration of the Government.

Even taking into account the expanded production of the Hindustan Zinc Limited and that of Messrs. Cominco Binani Zinc Ltd. smelter, there will still be a shortfall as compared to the requirements of the country. In this context, a proposal to set up a new zinc smelter of a capacity of 30,000 tonnes per annum, based on the imported zinc concentrates, is under consideration. A decision in this respect is likely to be taken shortly.

(C) **Lead :**

There is only one lead smelter in the country at Tundoo near Dhanbad in Bihar. This was previously under the management of the Metal Corporation of India and has now been taken over and is being managed by the Hindustan Zinc Limited. This is a very old plant and its capacity is about 5,400 tonnes per annum. This smelter is fed by the lead concentrates from Zawar mines. The present production is only about 2,600 tonnes, which is below the rated capacity. The shortfalls in production are attributed to the falling lead content of the ore extracted at Zawar. Efforts are being made to increase the production from the present level and bring upto the target of 5,400 tonnes from this smelter at the end of the Fourth Plan by importing lead concentrates, if possible. Depending on proving of further deposits in the Zawar area, the expansion of the smelter will be taken up at a later stage.

It will be observed from the above that all possible efforts are being made to develop the known deposits of copper, lead and zinc in the country. With a view to accelerating the search for base metal deposits in the country, both ground and air surveys are being undertaken, the details of which have been indicated in reply to recommendation No. 20.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Recommendation (Serial No. 20, Para 2.161)

The Committee regret to note that high priority was not given for the exploration, prospecting for the non-ferrous metals in the past. No sustained efforts appear to have been made in locating and exploiting metal bearing belts in the country. The Committee however note that Government have recently decided to carry out detailed and intensive surveys for finding out deposits of these ores in collaboration with foreign countries. They would like to emphasise that no time should be lost in putting the schemes into operation and maximising efforts for the exploration of these vital metals particularly copper. It would be necessary to assess and exploit the natural resources of the country and to develop them expeditiously to meet the requirements of the industries in the country. Apart from this, greater attention should be paid to widen the scope of substitution of these scarce non-ferrous metals. In this connection, the Committee would also stress that every effort should be made to outline the vast potential field of application of aluminium in substitution for scarce non-ferrous metals *e.g.*, copper, zinc, etc.

The Committee note that some progress has already been made in this direction. However, in view of the scarcity of foreign exchange which is likely to continue for quite a long time, the Committee would stress that greater emphasis should be placed on substituting imported metals by aluminium where technically feasible. For this purpose continuous studies should be made in collaboration with CSIR and other research institutions. The policy of substitution should however, be coordinated and phased with the expansion in the production of aluminium so as to avoid any difficulties in the supply of aluminium itself.

Reply of Government

(A) *Location and exploitation of metal bearing belts in the country* :

With a view to accelerating the search for base metal deposits in the country, a programme of Airborne Surveys over a few selected regions of the country considered to be of promise, was drawn up with the assistance of the US AID. The scheme, *inter alia,* contemplates introduction of modern techniques of aerial geophysical surveys for the first time in India to be followed by a quick geological and geophysical works on the ground and subsequent diamond drilling. This integrated programme is expected to provide valuable data on the mineral potential of the selected areas within a short period of 30 months and incidentally bring about a break-through in our traditional and time-consuming methods of exploration. Under this programme a modern and well-equipped metallurgical, ore-dressing and chemical laboratory will also be built up which would go a long way in the successful utilisation of the vast mineral resources of the country.

The first phase of the programme envisages carrying out Air Borne Mineral Surveys covering about 90,000 line kms. in the following areas :

(i) Eastern Cuddapah Region in Andhra;

(ii) Aravalli Region in Rajasthan; and

(iii) Bihar Mica Belt and Ranchi Plateau in Bihar.

The total cost of the project is estimated about Rs. 4.5 crores including a foreign exchange component of Rs. 2.5 crores which will be met out of the US AID loan of the same amount for which an agreement has already been signed by the Government of India.

M/s. Parsons Corporation of Los Angles together with their associates *viz.*, Aero Service Corporation, were selected as the Prime Contractor and sub-Contractor mainly on account of the superior instrumentation of Aero Service Corporation. The contract for undertaking this work by Parsons Corporation was signed on 4th February, 1967. The flying operation was started on 19th July 1967 in Andhra Pradesh. The aerial survey is now in progress in Cuddapah region and already a little over 6,000 line Kms. have been covered following a flight line interval of 1 km. This represents roughly 30% of the total geophysical flying to be carried out in that area. A number of interesting anomalies have been brought to notice which, no doubt, will have to be studied with the help of ground surveys before any conclusions could be arrived at about their potentialities.

In addition to the above programme, the scheme for intensifying investigations for base metals, envisaging geological work on 234 prospects carrying out detailed exploration including drilling of 3,80,000 ms. and mining 50,850 ms. as recommended by a Panel of Experts is also being processed. The total expenditure on this scheme is estimated at Rs. 12 crores with foreign exchange component of Rs. 3 crores. Meanwhile, the Director General, Geological Survey of India has deployed about 100 drills on base metal investigations from within the existing capacity. The scheme is expected to be put into full operation after the receipt of equipment from Canada under Canadian Development Loan Agreement.

(B) *Substitution of non-ferrous metals by aluminium* :

The programme of substitution of non-ferrous metals by aluminium was initiated during 1962-63 and a substantial progress has been achieved particularly in the cable industry and other fields. The details of the substitution so far achieved are given below :—

I. *Substitution of copper by aluminium in the electrical industry* :

(a) *Cable and wire industry* :

(i) All high and low tension overhead lines are now of ACSR and all aluminium conductor and no copper is being used at all for this purpose.

(ii) Since April, 1962, all underground cables and VIR and PVC cables of sizes 7/044" and above have been substituted by aluminium.

(iii) All the sizes of VIR and PVC cables have been substituted by aluminium with effect from 1st January, 1965. There would, however, be special types of cables such as flexible, control cables, mining cables and switch-board wires, which will continue to be manufactured in copper, as substitution by aluminium in these types is not yet considered technically feasible.

(iv) In the case of railway signalling cables, the Railway Board have been experimenting to replace copper by aluminium. The experiments, however, are not yet successful. They will, therefore, continue with copper as conductor material till substitution by aluminium is found technically feasible. However, the use of load on these cables would be minimised by adopting aluminium screening over the copper cables.

(v) All sizes of cables including the smaller sizes are now made with aluminium only. A ban on the use of copper has been enforced by endorsing the import licences.

(b) *Electric motor industry* :

A number of motor manufacturers have already started using die-cast aluminium rotors in place of roters with copper strips. Aluminium die-cast rotors are now restricted to motors of smaller ranges only. The manufacturers are in the process of extending the changeover to higher ranges.

(c) *Lamp caps and bus bars industry* :

(i) *Lamp Caps* : No copper is being allowed for the manufacture of lamp caps and these are now manufactured from aluminium strips of indigenous origin.

(ii) *Bus bars* : Substitution of copper on bus bars have been achieved to a considerable extent. A considerable amount of copper was used for making bus bars for aluminium industry. This has been completely changed over to aluminium. The bus bars in the switch gear industry have also now changed over to aluminium.

II. *Substitution of copper, tin and nickel in the coinage and other industries*:

(i) The Government mints have switched over to aluminium alloy for minting 1 paise, 2 paisa, 3 paisa and 5 paisa coins in place of copper and cupro-nickel which have been imported so far. During 1966-67 the amount of aluminium allocated to mints have been estimated at 3,000 tonnes of aluminium for minting the above coins and a provision has already been made to supply the above quantity of indigenous aluminium to the mints.

(ii) Efforts are also being made to develop aluminium base bearings alloys suitable to replace bronze (copper and tin) bearing metals. Messrs. Eyre Smelting Pvt. Ltd. have been able to develop such alloys and these have now been offered to various engineering industries for commercial trials.

(iii) Experiments are also being made to replace bronze bearings by S. G. iron castings, and the Railways are already experimenting on this.

III. *Substitution of copper used for hardware fittings for buldings, construction etc.*

(i) Government had restricted import of copper and zinc in favour of firm engaged in the manufacture of doors, windows and other hardwares since 1962. The allocation of copper to these units has been completely stopped since April 1964.

(ii) *Substitution of copper in the utensil industry* : No allocation of copper or zinc is being made to the utensil industry.

IV. *Substitution of lead by PVC for sheathing of power cables* :

A Sub Committee of the Development Council for Heavy Electrical Industries has studied the problem of substituting lead sheathing of power cables by PVC sheathing. The PVC sheathing in place of lead has been enforced up to 1.1. KV cables with effect from 1967-68 period and the Government have considered to extend the change over to cables for higher voltages also and a target date has been fixed for the change over up to 11 KV in PVC with effect from July, 1969. This change over will result into a saving of Rs. 8 crores of lead per year.

V. *Substitution of zinc* :

(i) *Aluminising of ACSR core wire* : The Development Council for Non-Ferrous Metals and Alloys had studied the problem of aluminising ACSR core wire instead of galvanising. It has been recommended by the Council that aluminising of ACSR core wire is technically feasible and economically adoptable. The aluminising of steel wire and sheets is also being undertaken.

(ii) *Aluminising of buckets and other hardware and furnace components* :

The National Metallurgical Laboratory have developed a process for aluminising of buckets instead of galvanising. The industry however has not taken to this process due to various difficulties. The foreign exchange allowed for import of zinc for manufacture of buckets is very much restricted.

VI. *Substitution in other fields* :

The possibilities of substitution of copper and brass in other fields like air conditioning, refrigeration and fastener industry are being examined. In the drug industry, the use of pure tin metal for collapsible tubes has been discontinued by most of the manufacturers and aluminium is being used in its place.

It will be observed from the above that every possible effort is being made to explore the potential field of application of aluminium in substitution for scarce non-ferrous metals *e.g.*, copper, zinc, etc.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Recommendation (Serial No. 21, Para 2.162)

The Committee would like Government to keep Parliament informed every six months about the progress made in the exploration, prospecting, development and production of non-ferrous metals in the country.

Reply of Government

The recommendation of the Committee has been noted. The progress so far made in the exploration, prospecting, development and production of non-ferrous metals has been indicated in the notes submitted for the Committee in reply to their recommendations Nos. 18, 19 and 20.

As desired by the Committee, six-monthly progress reports will hereafter be submitted for the information of Parliament.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Recommendation (Serial No. 22, Para 2.198)

The Committee are greatly perturbed at the successive shortfalls in the production of fertilizers as compared to the targets laid down in the three Plans. While production during the First Plan was about 80 pescent of the target fixed, it dropped down to 34 per cent during the Second Plan and further came down to only 29 per cent of the target during the Third Plan. The non-fulfilment of the targets during the Second Plan and Third Plan was due to the failure of both the public and private sectors in not progresssing with the implementation of the schemes satisfactorily. It is regretable that while the private sector was expected to create capacity for the production of 6.35 lakh tons of nitrogen at the end of the Third Plan on one of the projects, approved for it, made any headway during that period. Out of the 10 schemes, 5 schemes aggregating to as much as 2.82 lakhs tonnes were dropped either by the parties concerned or their licences were revoked after period ranging from one to four years. No work appears to have been started on the other two schemes, aggregating 1.161 lakh tonnes. In respect of the other two projects, with a capacity of 1.76 lakh tonnes, only construction work was started and the projects are expected to be completed during the Fourth Plan.

Apart from the non-fulfilment of the targets, what is more regrettable is that even the installed capacity, both during the Second Plan and Third Plan periods on which heavy capital expenditure including considerable foreign exchange had been incurred, remained largely unutilised. as production amounted to about 40 per cent of the installed capacity. The underutilisation of capacity arose, *inter alia,* on account of non availability of raw materials and feedstocks during both the Plan period. The shortage of electric power and the non-availability of good quality coal which affected the production of FACT and Sindri Plan respectively during the Second Plan period, continued to persist during the Third Plan period also. Further the production at Rourkela Plant is much below its installed capacity and has ranged between 25 to 40 per cent of capacity mainly on account of non-availability of coke over gas. The Trombay factory which was commissioned in November, 1965 has also not yet attained its rated capacity and is experiencing serious troubles mostly on account of the defects in the equipment designed and supplied by Chemical and Industrial Corporation of United States for the nitro-phosphate section of the plant on, a turn-key basis. The production at the Nangal Factory also suffered due to shortage of electric power. All these indicate defective planning and failure to take adequate timely measures to ensure supply of raw material and feed-stock to these factories. The shortfalls in production of fertilizers resulted not only in heavy imports of fertilizers during the three Plan periods, but also heavy imports of food amounting to Rs. 2,300 crores during the same period, whose production in the country could have been considerably stepped up by making chemicals fertilizers available to the agriculturists and farmers. Viewed against the background of the statement made by the Minister of Petroleum and Chemicals in the Rajya Sabha in August, 1965 that "What we spend in one year on the import of fertilizers is enough for putting up 3 fertilizer plants in the country each with a capacity of 2 lakhs tonnes" and that by investing Rs. 13 crores in a fertilizer plant, we can save every year foreign exchange of Rs. 26 crores in terms of imported fertilizers or Rs. 78 crores in terms of imported foodgrains", it is obvious that the urgency of setting up fertilizer plants in the country which has been beset with recurring food shortages and growing population, was not fully realised. Even if a part of the foreign exchange which was spent in importing foodgrains and fertilizers had been spared for setting up the fertilizer-plants, it would have been possible to achieve the targets.

The Committee also consider that as fertilizer industry is regulating by industrial licensing, it was for Government to ensure that all those who are issued the licences take effective measures in time to set up the capacity for manufacture of fertilizer and to reach targetted production. It is a matter of deep regret that the public sector which should have given a lead in this matter, has itself lagged behind in production and that the private sector made little headway in setting up fertilizer plants. The Committee note that Government have now set up a high-powered committee of Secretaries to process all matters pertaining to the setting up of fertilizer plants so as to ensure expeditious clearance and implementation. The Committee feel that if these measures had been taken in the Second Plan or even in the beginning of the Third Five Year Plan, the critical position reached in the matter of availability of fertilizers could have been largely obviated. They have no doubt that the high-powered committee of Secretaries must have made a detailed case study of the various factors which had impeded the setting up of the fertilizer plants as per plan targets and licences issued so as to ensure that these handicaps do not hold up the progress of the new ventures.

In view of the fact that the target for the Fourth Plan constitutes 240 percent increase over the capacity installed in the Third Plan, the Committee would stress that no time should be lost in finalising and executing the schemes for achieving the additional production.

The Committee note that the last date for the finalisation of applications for the foreign collaboration on liberalised terms has now been extended upto 31st December, 1967. The Committee have no doubt that Government would carefully examine the question of foreign collaborations having regard to the State of development of engineering and design organisations of Fertilizers Corporation of India and FACT the need for achieving self-sufficiency in fertilizers at an early date to meet the agricultural requirement and the imperative necessity of producing the fertilizers at economic and competitive prices so as to encourage their use on a wide scale in the interest of larger production.

Reply of Government

The Committee had recommended *inter-alia* that no time should be lost in finalising and executing schemes for achieving the additional production for reaching the target of production for the Fourth Plan. The recommendations of the Committee has been noted and Government of India have taken the following steps to increase production of fertilizers in the Fouth Plan period.

With the commissioning of the Namrup fertilizer project, now under way, the installed capacity of nitrogen production in the country, will go upto 894,000 tonnes of nitrogen.

Five other projects, namely Durgapur, Cochin, Kota, FACT—4th Stage Expansion and Gujarat Expansion all in various stages of construction will together add a further capacity of 576,000 tonnes of nitrogen in 1969-70.

With the Madras and Kanpur plants having an installed capacity of 190,000 tonnes and 200,000 tonnes respectively and with the completion of the Namrup Expansion (152,000) and Barauni fertilizer projects for which orders for supply for plant and machinery have already been placed, the further installed capacity by 1970-71 will be 694,000 tonnes.

This makes a total of 2,164,000 tonnes in all firmly under implementation.

In addition, licence/letters of intent have been issued for the establishment of fertilizer projects in the following locations :

(i)	Goa	..	160,000 tonnes of N.
(ii)	Maharashtra	..	90,000 ,,
(iii)	Kandla	..	215,000 ,,
(iv)	Expansion of Vizag.	..	155,000 ,,
(v)	Ghaziabad	..	160,000 ,,
(vi)	Mirzapur	..	160,000 ,,

The expansion of the Trombay Fertilizer Factory for an additional capacity of 229,000 tonnes of nitrogen has also been approved. The above will add a further capacity of 1.169 million tonnes of nitrogen.

It is expected that the country would be self-sufficient in fertilizer production by 1972-73.

The Committee had also recommended that the Government should carefully examine the question of foreign collaborations having regard to the state of development of engineering and design organisations of fertilizer Corporation of FACT, the need for achieving self-sufficiency in fertilizers at an early date to meet the agricultural requirements and the imperative necessity of producing fertilizers at economic and competitive prices so as to encourage their use on a wide scale in the interest of larger production.

Government is already fully utilising the Engineering and Designing facilities available in Fertilizer Corporation of India and Fertilizers and Chemicals Travancore Ltd. The Cochin, Durgapur, Barauni and Namrup Expansion Schemes are being implemented with the designing and engineering facilities available with Fertilizer Corporation of India and Fertilizers and Chemicals Travancore Limited.

Government is aware of the need to produce fertilizers at economic and competitive prices. In fact, the new fertilizer plants that are under construction are based on the latest technology, and are using naphtha as raw materials as a low investment cost. The large size of the plants and the production of urea which is a high nutrient fertilizer will also reduce the costs. As a result of these measures it should be possible to bring about a reduction in the prices of fertilizers.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Comments of the Committee

Government may communicate in due course the steps taken to utilise the idle capacity in the fertiliser plants.

Recommendation (Serial No. 23, Para 2.199)

The Committee need hardly stress that urgent and effective measures should be taken by Government to arrange the availability of raw material and feedstock to the existing fertilizer plants so as to ensure that the capacity for the production of fertilizers installed in the country is fully utilised. They would, however, like to emphasise that before granting licences for the setting up of new units for production of fertilizers, Government should satisfy itself that the raw material and feed-stock required for that particular unit would be fully made available so that the present situation in which the installed capacity has remained largely un-utilised for want of them does not arise in future.

Reply of Government

The recommendation has been noted.

In licensing new schemes, Government always ensure whether the raw material required for the project is available in adequate quantities. Wherever there is likely to be a shortage of raw material, imports are being allowed. An example is the import of liquid ammonia for production of fertilizers in view of the aprehended shortage of naphtha after some years.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Comments of the Committee

The Committee may be informed of the utilisation of capacity in the new fertilizer plants in due course.

Recommendation (Serial No. 24, Para 2.206)

The Committee are concerned at the high cost of production of urea at the older plants, *viz.*, Sindri and Trombay. While some of this may be due to the old technology used in these plants, the Committee feel that the non-utilisation of the full capacity of these plants is also partly responsible for it. The Committee are glad that in the new factories at Durgapur and Cochin the cost of production will come down substantially due to the larger capacity of these plants as well as the adoption of the latest technology. The Committee cannot over-emphasise the need for bringing down the cost of production in this industry which is vital to food producion. They would urge that constant efforts should be made to bring down the cost of production in the country at par with the cost of production in other countries. They would like to point out that in comparing international costs, at least the f.o.b. cost should be taken into account and not the c.i.f. price.

Reply of Government

The recommendation has been noted.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Comments of the Committee

Government may communicate the steps taken to reduce costs in due course.

Recommendation (Serial No. 26, Para 2.211)

The Committee are glad to note that the know-how developed indigenously in the matter of fertilizer technology is now being utilised by Government. They have no doubt that with the experience gained as a result of designing and erecting the two plants at Durgapur and Cochin, the Planning and Designing Organisations of the Fertilizer Corporation of India and the FACT, would play a greater role and would be able to take over the entire responsibility of designing and engineering at least two fertilizer plants a year with the know-how developed by them or acquired and purchased from foreign countries. The Committee would like to emphasise that the Government should plan their fertilizer programme in such a way that these organisations are given work on a continuous basis. Since the process design and engineering sections of these organisations will be comparatively free from the first quarter of 1967, Government should ensure that the capabilities developed by these technical organisations are fully utilised thereafter in putting up fertilizer plants in the country based on modern technology. It hardly needs to be stressed that the utilisation of the indigenous know-how in this vital sector would not only save considerable foreign exchange on design, engineering and know-how expenses, but would also result in maximum utilisation of the indigenous fabrication facilities for equipment. It would provide the much needed encouragement to the indigenous talent and would also conserve and fructify the valuable experience that the Indian experts would gain by shouldering the responsibility of designing, planning and engineering the fertiliser projects. In this connection the Committee would also like to point out that in allowing foreign collaboration agreements for the setting up of fertilizer plants in the country, due consideration should be given to the utilisation of capabilities of these organisations as otherwise the indigenous know-how developed so assiduously by them in this vital industry would remain unutilised. The Committee have no doubt that the Design Organisations of the FACT and Fertilizer Corporation of India would in course of time become fully self-reliant for providing consultancy services for fertilizer plants not only for the country but for other neighbouring countries also.

Reply of Government

Government is at present fully utilising the Design and Engineering Organisations, of FCI and FACT. Four schemes/projects *viz.,* Durgapur, Cochin, Barauni and Namrup Expansion are being executed with the assistance of these organisations. Wherever possible, both the organisations are encouraged to provide consultancy services in India as well as abroad. Generally speaking, foreign collaboration cases are approved only where the entire foreign exchange required is arrenged by the foreign collaborator.

The recommendation of the Committee will be kept in view in examining the foreign collaboration proposals.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Recommendation (Serial No. 27, Para 2.224)

The Committee are greatly perturbed at the shortfalls in the production of automobiles as compared to the targets laid down in the Plans. They note that the production of cars and commercial vehicles during the First and Second Plans was about 77% and 91% respectively of the targets fixed in the respective Plans. The position however, worsened during the Third Plan when the production of cars, commercial vehicles and jeeps dropped to about 63% of the target laid down in the Plan. The reasons for these shortfalls are stated to be the shortage of foreign exchange for both the import of the required capital machinery and the import of components. The Committee suggest that a phased programme should be prescribed for achieving cent percent indigenous content of each type of vehicle so that the licensed/installed capacity is utilised to the full at the earliest.

Reply of Government

With the intensive efforts being made by the automobile manufacturers and the rapid development of the automobile ancillary industry, the indigenous content of the vehicles manufactured in the country is progressively going up. The indigenous content of the various types of vehicles manufactured in the country is as follows :—

(a) *Cars*	*Present indigenous content*
(i) Ambassador	95.00
(ii) Fiat	97.54
(iii) Standard	88.85

(b) *Jeeps*	92.93
(c) *Commercial Vehicles*	
(i) Tata Mercedes Benz Truck	93.00
(ii) Leyland 'Comet' Truck	89.05
(iii) Dodge Truck	94.09
(iv) Bedford Truck	84.00
(v) Standard 1 ton Truck	84.00
(vi) Tempo 3-wheeler	92.00
(vii) Viking 4-wheeler	78.70
(viii) Jeep truck	78.20

Generally speaking, almost all the major items such as engines, gear boxes, transmission, chassis members, body panels, electrical items, wheels, pistons, clutches, brakes, etc. are now manufactured indigenously. The items which are still being imported include special bearings, steering gears, special fasteners, axle tubes, carburettors, fuel pumps, bundy tubings, thermostats, etc. Manufacturing capacity has already been licensed for these items also.

Government are continuously keeping a close watch on the performance of the automobile manufacturers in achieving 100% indigenous content. With this object in view, meetings are held periodically, under the aegis of this Ministry, with the main automobile manufacturers and the automobile ancillary manufacturers. At these meetings the main manufacturers are brought face to face with the ancillary manufacturers so that any impediments in the way of rapid import substitution are removed on the spot, if possible. It is expected that, with the efforts being made by the Government and the industry, it may be possible to attain almost 100% indigenous content in vehicles under production in the country by the end of the IVth Five Year Plan.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Recommendation (Serial No. 29, Para 2.229)

The Committee understand that Government are taking steps for the manufacture of small car in the country and in that connection are holding exploratory talks with various parties. The Committee hope that Government would expeditiously examine this question and come to an early decision.

Reply of Government

Government are vigorously pursuing the question of establishment of an additional unit in the country for the manufacture of a low cost car. Parties who had shown interest in this project have been requested to furnish complete details of their schemes as per a proforma questionnaire sent to them. The matter will be pursued further after all the replies to the questionnaire have come in. Government hope to take a final decision in the matter in the course of next 3 to 4 months.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Comments of the Committee

Government may communicate the final decision taken in the matter in due course.

Recommendation (Sl. No. 32, Para 3.22)

The Committee attach greatest importance to the maintenance of proper records by the Coordination and Licencing Progress Section and see no reason why it should not be possible for this section to prepare a comprehensive statement showing details of the pending cases and the reasons therefor. The Licensing Committee should carefully scrutinise this statement and give specific directions as necessary to expedite processing of the pending application. The Committee need hardly stress that time is the essence of the matter and the Government procedure should be imbued with a sense of urgency and purpose so as to inspire confidence in the applicants and dispel widespread belief that it is necessary to have contact men to watch their brief or follow up their applications.

Reply of Government

The recommendation has been noted and is accepted. Arrangements are being made to strengthen the Co-ordination and Licensing Progress Section, if necessary, and to ensure that the records are properly maintained and put up to the Licensing Committee, as envisaged in the relevant orders already in existence.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968].

Recommendation (Serial No. 34, Para 3.35)

The Committee hope that the decision of Government to review industrial policy at intervals of one year instead of six months would enable the entrepreneurs to plan and programme their schemes/projects better. The Committee would, however, like the Government to keep in view the recommendation of the Study Team on D.G.T.D. that "This should not, however, preclude a review of the policy every six months or in strategic industries even more frequently, the changes, if any, arising out of such reviews being made known through a public notice. It is also our considered view that such changes during the currency of the licensing policy enunciated for a particular year should be more an exception than the rule".

Reply of Government

The Government have noted the recommendation.

As regards the recommendation that annual review should not preclude a review of the policy every six months or in strategic industries even more frequently, it may be pointed out that this is already being done as and when considered necessary. Any change in the policy is given wide publicity through the Press and the State Governments.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January*, 1968].

Recommendation (Serial No. 35, Para 3.38)

The Committee would urge that full use should be made of the opportunity provided by the annual review to evaluate not only the progress made in issuing licences on paper but to relate them specifically to the progress made in the field by various units to reach production, their interlinkage and effect on other sectors and above all the general health and growth of national economy. The Committee need hardly stress that industrial licensing should be used as an effective instrument for channelising scarce resources of investment and foreign exchange into directions which would help to meet the challenge of the developing economy instead of merely keeping the sights glued to the targets laid down in the Plan.

Reply of Government

The recommendation has been noted and it is proposed to make the annual review of licensing more purposeful.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 9*th February* 1968]

Recommendation (Sl. No. 36, Para 3.43)

The Committee consider that the categorisation of industries in the merit/banned lists should *inter-alia* take into consideration the production targets laid down in the Five Year Plan, total capacity licensed and the existing installed capacity. They agree with the views of the Study Team on D.G.T.D. that "the only possible way of taking care of the situation would be to pay particular attention at the time of the periodical review of the policy to those industries where there is already under-utilisation due to paucity of foreign exchange or shortage of raw material; the aim should be to ensure that ordinarily no new capacity is encouraged in these industries unless the existing capacities are utilised up to an optimum level to be determined for each industry on the basis of the forecast of resources that would become available at a future date and the gestation period for the setting up of new capacities".

The Committee would also urge that there should be no delay in the issue of banned list which should be published just before the beginning of the period to which it pertains.

Reply of Government

Government have noted the recommendation.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March*, 1968].

Recommendation (Sl. No. 37, Para 3.52)

The Committee welcome the simplification and rationalisation of registration procedure announced by the Government recently.

The Committee suggest that registration of all industrial undertakings irrespective of the fact that they fall in the small or large scale sectors, or they are scheduled or non-scheduled industries, should be strictly adhered to by the appropriate authorities as such a measure would provide ready and reliable data for working out the requirements of foreign exchange and scarce raw materials/maintenance goods as also their allocation according to their needs and availability. The Committee have already recommended in their 105th Report (Third Lok Sabha) for the compulsory registration of small scale units and have desired that "That procedure for registration should be shorn of all un-necessary formalities and made simple and business-like so that the units do not feel any difficulty or hesitation in complying with the requirements."

Reply of Government

In the large scale sector, industrial units engaged in the industries included in the First Schedule to the Industries (Development and Regulation) Act, 1951, and having fixed assets above Rs. 25 lakhs are governed by the licensing provisions of the said Act. Those with fixed assets up to Rs. 25 lakhs have been exempted from the licensing provisions of the Act but are required to be registered with the appropriate Central Government agency unless they are small scale units. This registration is essential for those requiring foreign exchange and/or raw materials subject to distribution control. Unless such units are registered, no assistance is extended to them and in their own interest, when they feel that they need such assistance, they register themselves readily and voluntarily. But this pressure for getting themselves registered is absent in the case of those who do not require any Government assistance.

In the non-scheduled sector also, all units which are not classified as small scale units are required to be registered with the Central Government agencies. Here again, the pressure for registration is present only in those cases where foreign exchange expenditure or scarce raw material allocation are needed. Those who do not need such assistance do not worry about getting themselves registered.

From the above facts, it would be seen that, in so far as large scale or the medium scale sectors are concerned, the registration procedure is adequate for the purpose of providing ready and reliable data for working out the requirements of foreign exchange and scarce raw materials/maintenance goods as also their allocation according to their needs and availability.

As regards compulsory registration of small scale industrial units, it may be mentioned that they get themselves registered with the State Directors of Industries if they need raw material or any other assistance. But if they do not need any such assistance from the Government, there is no compulsion for them to get themselves registered. Under the Factories Act, 1948, however, all small scale units employing 10 or more workers with power and 20 or more workers without power are registered with the Chief Inspector of Factories. A proposal for collecting statistics from the sector of industrial units not registered under the Factories Act on a statutory basis, by an amendment of Collection of Statistics Act, 1953, is also under consideration of Government.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 27*th May*, 1968].

Comments of the Committee

Government may communicate the final decision taken in the matter in due course.

Recommendation (Sl. No. 41, Para 3.74)

While the Committee note that as a result of the implementation of the recommendations of the Industries Development Procedure Committee the time taken in the processing of applications for industrial licensing has come down from over 6 months i.e. 180 days to nearly 145 days; they, however, consider that even the period of 145 days in still on the high side. The Committee cannot but strongly urge that constant endeavours should be made to bring down the period at least to the level of the time table (70 days in the case of more simple cases and about 100 days in others) suggested by the Study Team on D.G.T.D. as a result of their case study. They have a feeling that if the records are kept properly and upto date and the movement of the applications is closely watched, it should not be difficult to achieve the desired results.

Reply of Government

The recommendation has been noted. Every effort will be made to speed up the disposal of applications.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March*, 1968].

Comments of the Committee

Government may communicate the specific steps taken to reduce the time-lag in the processing of applications for industrial licences in due course.

Recommendation (Serial No. 42, Para No. 3.82)

The Committee are concerned to note that there have been considerable delays in the licensees taking effective steps to start production after the grant of industrial licence. They particularly note that delays over 9 months have occurred in a very large number of cases i.e. 988 cases in 1965 and 711 cases in 1966 (upto October, 1966). The Committee consider that the time taken in establishing production is the essence of the matter, as time lag or shortfall in production in one sector is apt to have adverse inter-sectorial impact on targets and production in other related sectors. The Committee therefore, stress that Government should keep a careful watch to ensure that effective steps *viz.* placing a firm order for supply of substantial part of the plant and machinery required for the undertaking, are taken by licensee well in time after the grant of licences. Government may also consider as to what measures can be taken to facilitate the task of a licensee in getting power, scarce building materails like steel, cement etc. for setting up the industrial unit. The Committee also commend the suggestion made by the Study Team of D.G.T.D. that registration of units should be done only after the licensee has opened a letter of credit for a substantial portion of the machinery to be imported on Capital Goods Licence.

Reply of Government

The recommendation has been noted by Government.

The Industries Development Procedure Committee had also in its Report observed that in a large number of cases, licences remained unimplemented for unduly long periods. A number of factors are responsible for this delay *viz.*, negotiation of collaboration terms in cases where foreign collaboration is envisaged, finalisation of the list of imported capital goods etc. However, steps have been taken by the Government to ensure that implementation of the licences is effected as expeditiously as possible. Instructions have been issued to all concerned that they should be more strict in granting extensions of the validity period of licences or letters of intent. It has been impressed upon them that such extensions should be given only in exceptional cases, where these may be justified in the circumstances and merits of the case. On their part, Government also provide all possible assistance to the entrepreneurs in getting power, scarce building materials, etc., wherever any Governmental assistance is required.

The recommendation of the Study Team on D.G.T.D. that registration of units should be done only after the applicant firm has opened a letter of credit for a substantial portion of the machinery to be imported on capital goods licence, has been accepted by the Government and necessary follow up action is being taken.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 24*th September,* 1968].

Recommendation (Serial No. 43, Para 3.86)

The Committee note that the number of applications received for licences for new industrial undertakings and for effecting substantial expansion during the period June to October, 1966 has been much smaller than that received during the corresponding periods in the years 1964 and 1965. They are distressed to note that out of the applications received during 1966 (June to October), only one application for new industrial undertaking and one for effecting substantial expansion was accepted and licence issued therefor till October 1966. They are surprised that out of 183 applications received for new industrial undertakings and 105 for substantial expansion as many as 169 and 94 respectively were pending.

The Committee cannot too strongly depricate the abnormal time taken in the disposal of applications particularly when there has been so much stress on streamlining the procedures by the Industrial Development Procedures Committee and Study Team on D.G.T.D. They recommend that the reasons for these delays may be gone into by Government and remedial measures taken with a view to speedy clearance of applications in future.

Reply of Government

Government have noted the recommendation.

Though efforts have been made to streamline the procedures, the speed of disposal of applications has not been entirely satisfactory and further efforts are continuously being made to improve the position in this regard. As regards the particular figures cited in the above recommendation, it may kindly be noted that out of the 288 applications referred to, as many as 161 were received during the three months of August-October, 1966 and could not ordinarily be expected to have been disposed of before October, 1966. 100 out of the 288 applications were disposed of by December, 1966 and 171 by June, 1967. In some of these cases undue delays have taken place due to delay in finalisation of Fourth Plan targets or formulation of policies relating to certain industries and in some other cases, on account of failure of the applicants to furnish promptly additional information asked for from them.

As indicated above, every effort is being made to devise remedial measures to avoid delays and to dispose of applications as expeditiously as practicable.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 27*th May,* 1968].

Comments of the Committee

Government may communicate the remedial measures taken in this regard in due course.

Recommendation (Sl. No. 45, Para 3.95)

The Committee note that Government have drawn up a list of 59 priority industries which have been issued their full import requirements. Since the intention behind liberalising the policy of imports in respect of these industries was to secure higher levels of production and encourage utilisation of their full production capacity, the Committee would emphasise that careful watch should be kept on the progress actually made by these industries in achieving the producing targets.

Reply of Government

The progress of priority industries in achieving the production targets is reviewed periodically and a careful watch is maintained on the progress made.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 1*st May,* 1968].

Recommendation (Sl. No. 46, Para 3.106)

The Committee agree with the observations made by the Swaminathan Committee that "the possibility of a public sector coming into existence in the distant future should not ordinarily be a ground for rejecting other applications for licences where these units can be expected to come into production earlier and save foreign exchange".........

The Committee would also like to stress that where an industry has been reserved for licensing in the public sector, every effort should be made to establish the manufacturing capacity without delay so as to obviate imports and the consequent strain on the scarce foreign exchange resources.

Reply of Government

Government have noted this recommendation.

The Swaminathan Committee's recommendation is kept in view by the Licensing Committee while considering applications for industrial licences.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 9th February,* 1968].

Recommendation (Serial No. 49, Para 3.133)

The Committee welcome the exemptions/relaxations granted by Government from the Industries (Development and Regulation) Act, 1951 in pursuance of the recommendations of the Industries Development Procedures Committee (1965). The Committee suggest that Government may review the position in the light of experience gained of working of these industries, after the grant of exemption/relaxation from the provisions of the Industries (Development and Regulation) Act, 1951 and decide what further relaxation/exemptions can be granted in order to give fuller play to economic forces in the industrial field.

Reply of Government

Government have taken note of this recommendation and suitable action is already in hand.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 20th January,* 1968].

Recommendation (Serial No. 50, Para 3.144)

The Committee are constrained to note that out of 686 cases where letters of intent were issued since February, 1964, industrial licences were issued substantially subsequently in no more than 79 cases, by 31st October, 1966. They further note that out of 369 letters of intent issued in 1964 Government had yet to review cases in respect of 275 letters of intent —183 over six months old, 18 over nine months old and 74 over one year old. The Committee are further concerned to note that out of the 369 letters of Intent issued in 1964 the validity period had been extended for one or more terms in at least 304 cases. The Committee need hardly stress that if Government do not follow up cases or are too liberal in extending the validity period, after issue of intent, the central idea underlying the procedure would get defeated and it would be difficult to dispel the impression that Government machinery lacks the will to enforce its own decisions strictly. The Committee suggest that where a letter of intent is not followed up by suitable concrete steps to obtain licence or finalise collaboration agreement etc. there should be provision for automatic lapsing so that the capacity for the industry does not unnecessarily remain blocked. Government, may, however, permit sufficient time in the very first instance in cases where the complexity of the industry so demands.

Reply of Government

In a 'Letter of Intent' it is clearly stipulated that if the conditions mentioned in the 'Letter of Intent', are not satisfied within the specified period, which is generally six months, the 'Letter of Intent' *would be deemed to have automatically lapsed.* Instructions have also been issued to all concerned that a more strict view should be taken in regard to requests for extension of the validity of 'Letters of Intent' and that extension, if any, should be given only in cases where they may be justified in the circumstances and merits of each case.

Instructions have also been issued that while fixing the initial validity period of a 'Letter of Intent', a realistic appraisal of the time likely to be taken in its implementation, having regard to the magnitude and complexity of the scheme, should be made and the period should be fixed at 6 months, 12 months or even more as may be warranted in each case.

Instructions have also been issued to all concerned that where a 'Letter of Intent' has lapsed on account of the parties not having made satisfactory progress during the validity period, or on account of failure on their part to apply for extension before the expiry of validity period the 'Letter of Intent' would be deemed to have automatically lapsed and should not be revalidated.

Ever though it is stated in the 'Letter of Intent' that it would be deemed to have automatically lapsed, if satisfactory progress is not made within its validity period, a formal letter cancelling the 'Letter of Intent' is also invariably sent to the party in such cases, with endorsements to authorities concerned, for their information.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 26th March*, 1968].

Recommendation (Serial No. 51, Para 3.152)

The Committee have already commented at length in para 3.144 on the need for follow up action after the issue of letters of intent. They cannot too strongly stress the need for keeping a watch on the effective steps taken by the applicant to set up the industry and establish production in accordance with the time schedule laid down in the industrial licence.

The Committee would also like Government to consider the suggestion by the Study Team on D.G.T.D. that there should be provision for automatic revocation of licence if the licensee fails to take effective steps during the stipulated time to set up the industrial unit.

Reply of Government

Government have already issued instructions to the licensing authorities to be more strict in granting extensions of the validity period of licences/letters-of-intent issued under the Industries (Development and Regulation) Act, 1951. It has been stressed that such extensions should be given only in exceptional cases where an extension may be justified in the circumstances and merits of the case.

As regards the recommendation of the Study Team on D.G.T.D. for making a provision for automatic revocation of licences, if 'effective steps' are not taken within the prescribed time-limit and the applicant also does not apply for an extension of this time-limit in time, it may be mentioned that the recommendation has already been accepted by the Government. However, since the recommendation involves an amendment of the Industries (Development and Regulation) Act, 1951, this will be taken up along with other amendments to the Act which are under consideration of Government.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 17*th June,* 1968].

Recommendation (Serial No. 53, Para No. 3.158)

The Committee are happy to note that Government do not desire to restrict the increase in production in registered/licensed industrial undertakings by minor technical improvements or by utilisation of indigenous raw materials or components. They hope that the undertakings would make full use of this facility to increase production to meet growing demand for goods.

Reply of Government

The recommendation has been noted.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 24*th September,* 1968]

Recommendation (Serial No. 55, Para 3.168)

The Committee are glad that Government have recently allowed the existing industrial units to diversify production up to 25 per cent of their total production, without the formality of taking out a further licence for it. Now that the demand of the industrial units for diversification has been conceded by Government, the Committee would like the units to maximise production of goods needed by the people for their every day use and to pass on to the consumer the benefit of the reduction in cost of production, accruing from economies of scale. The Committee would like Government to keep a close watch on the position and to provide necessary facilities to industrial units which want to diversify their production in the interest of either export, import substitution or to meet the requirements of defence and other Government organisations or to meet the needs of agricultural production.

Reply of Government

The recommendation has been noted.

Government are keeping under constant review the policy and procedures in this regard. As a result, a further relaxation has been recently announced under which, for diversification in industries classified as "priority industries" for the purposes of raw material licensing, imports of raw materials would also be allowed. Applications for import of minor balancing equipment for the diversification would also be given special priority.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968]

Recommendation (Serial No. 56, Para 3.180)

The Committee consider that at the present stage of development of the country, the need for bringing about reduction in prices of goods is of paramount importance. The interests of the country, as a whole, would be best served if the location or relocation of an industry is decided by the logic of economic factors. As already mentioned by the Committee earlier in para 2.47 of the Report, the best method of attracting the industries to under-developed areas is to improve the infra-structure facilities such as power, transport, communications, etc. if necessary on a priority basis by the Government rather than to force the location of industries by any arbitrary or administrative fiats.

Reply of Government

The Government have noted the recommendation.

It may be mentioned that under the Industries (Development & Regulation) Act, 1951 there are no powers available with the Government by which an entrepreneur may be compelled to put up an undertaking at a place considered suitable by the Government. The only power that may be exercised is to refuse the licence if the location is not considered suitable. However, economic factors are given due importance in the matter of location of industries consistent with the need for development of backward areas.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968]

Recommendation (Serial No. 57, Para 3.181)

The Committee would also stress that early decision should be taken on the pending applications for relocation of industries, 14 out of which are stated to have been pending for more than two years and 35 for more than one year.

Reply of Government

The recommendation has been noted.

Steps are being taken to finalise as early as possible decisions on all pending applications for relocation of Industries. Generally, these applications are considered and decisions taken at meetings of the Full Licensing Committee, in which the representatives of the State Governments are also present, held at intervals of about three months. Of the 14 and 35 pending applications specifically mentioned by the Committee, the present pendency is 2 and 1 respectively. These three cases are being energetically followed up.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 27*th May,* 1968]

Recommendation (Serial No. 58, Para No. 4.10)

The Committee are glad to note that the Directorate General of Technical Development has recently been merged with the Ministry of Industrial Development and Company Affairs. They hope that this merger would not only result in greater degree of liaison with the Ministry but would also help in promoting the pace of industrialisation and attaining self-reliance at the earliest.

Reply of Government

The recommendation has been noted.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 24*th September,* 1968].

Recommendation (Serial No. 59, Para 4.19)

The Committee note that the information furnished by the Ministry in regard to the achievement of self-sufficiency by manufacturing units is not comprehensive. It indicates that no regular watch is kept on the manufacturing units to see that they achieve the targets of self-sufficiency within the specified time. It is also significant that no penalty attaches to any unit in case of default in this important matter.

It is well known that India is a major importer of technical know-how. Most of the industries are dependent on imported components/parts. The maintenance imports have risen from year to year. It is, therefore, important that there should not only be a well conceived and definite programme for achieving self-sufficiency in imported components and parts by each manufacturing unit but a careful watch should also be kept by Government that the programme is actually adhered to.

Recommendation (Serial No. 60, Para 4.20)

The Committee would, also like Government to intensify the review of the existing foreign collaboration agreements both in the public and private sector with a view to accelerate the achievement of cent per cent indigenous content.

The Committee would, however, like to emphasise that in developing the import substitution industry, it should be borne in mind that once the teething troubles are over, the indigenous unit would be able to supply the goods at internationally competitive prices and would not need the crutches of import controls permanently.

Reply of Government

Government have been attaching the greatest importance to the minimising the import of components and to this end, even at the licensing stage, the phased manufacturing programme is submitted to detailed scrutiny with a view to ensuring that cent per cent indigenous content is achieved at the earliest possible occasion. The importance of cost reduction is also kept in view.

Government would continue to lay special stress on the above aspects stressed by the Committee. The recommendation is being brought to the notice of all concerned.

[*Ministry of Industrial Development & Company Affairs (Department Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 13*th February,* 1968]

Recommendation (Serial No. 61, Para 4.25)

The Committee understand that Government have constituted a High Powered Committee to make recommendations about development of designing facilities and to accord recognition to reputable consultants and designing firms in the country. Having developed a huge complex of basic industries ranging from Heavy Foundry to Heavy Fabrication and large capacities for machinery manufacture, chemicals etc., the country is now well placed for developing self-reliance in designing work. The Committee need hardly stress that the high powered Committee's recommendations on this matter of crucial importance should be expedited and that Government should extend every encouragement to make the country self-reliant in designing work, in major industries.

Reply of Government

The Government have noted the recommendation. It may be mentioned that the Report of the Technical Consultative Committee is likely to be finalised very shortly.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March,* 1968]

Recommendation (Sl. No. 62, Para 4.28)

The Committee would like to recall the recommendations made by them in para 156 of their 48th Report (Third Lok Sabha) on the erstwhile Ministry of International Trade to the effect that Handbooks containing up-to-date information about indigenous manufacture of various industrial goods and machinery should be brought out annually by the Directorate General of Technical Development. The Committee hope that Government would ensure that every effort would be made to bring out these publications annually and to continuously improve their contents in the light of changing requirements of the industry; care being taken to ensure that the information incorporated therein is accurate and up-to-date.

Reply of Government

The Study Team set up to look into the working of the D.G.T.D. had, *inter alia*, recommended that the Directorate General of Technical Development's publications 'Handbooks of Indigenous Manufacturers' should be brought out normally at the same time as the C.C.I. & E's Red Bood and also kept up-to-date by issuing quarterly supplements. The Study Team also recommended the strengthening of the Publication Unit of the D.G.T.D. with adequate editorial staff. Proposals for strengthening this unit with a view to implementing the recommendation are under examination.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 1*st May,* 1968]

Comments of the Committee

Government may inform the Committee in due course about the steps taken in the matter.

Recomendation (Serial No. 63, Para 4.35)

The Committee feel that Government should take early decision regarding the scrutiny and systematic organisation of data and information for the use of Director General of Technical Development so that he can act truly as a Technical Adviser to both the Ministry of Industry for processing of the application for industrial licence and to the Ministry of Commerce for processing of applications for allocation of foreign exchange for import of capital goods, maintenance goods and raw material for industry.

Reply of Government

The question of re-orienting and streamlining the information gathering system in the D.G.T.D. is already under active consideration. Sometime back at the suggestion of the World Bank, a team of foreign consultants was engaged to recommend a suitable information-gathering system for the D.G.T.D. Since the submission of the report by the consultants, there have been some important developments, like the policy of liberalised imports, delicensing of certain industries and the need to tie-up the studies on materials planning with the proposed system, which required some changes in the system recommended by the consultants. Action is now underway to take the implementation of the recommended system with such modifications as may be deemed necessary to take care of the above changes. It is proposed to entrust the implementation of the recommended system to a team of suitable consultants.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC/67, dated 1st May,* 1968]

Comments of the Committee

Government may inform the Committee about the concrete action taken in the matter in due course.

Recommendation (Sl. No. 64, Para 4.41)

The Committee are concerned to note that the 'G' Returns, which provides concrete information about the progress made by various Licensed Units to achieve production, does not receive careful and detailed consideration which it deserves and that in a substantial number of cases, the return is being disposed of in a routine manner at lower level. The Committee would like Government to ensure that the 'G' Return is subjected to a most critical examination at a sufficiently senior level, so that the cases of excessive delay in establishing the industrial unit and achieving licensed production receive close attention and direction.

Reply of Government

The recommendation has been noted.

In accordance with the existing procedure the progressing Authorities such as D.G.T.D., Textile Commissioner, etc. are required to progress actively the Licences till the stage of production has been reached and to initiate action to revoke licences where the licensees have failed to observe the condition incorporated in the licences. Suitable instructions have been issued to all the progressing authorities to ensure that the 'G' Returns are subjected to a more critical examination at a sufficiently senior level.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th April*, 1968]

Recommendation (Sl. No. 65, Para 4.45)

The Committee are of the view that calling of multiple returns or endorsement of copies to Departments/Ministries/Authorities which make little practical use of them, involves infructuous work and unnecessarily burdens productive organisations with avoidable paper work. The Committee need hardly stress, that Government should take early decision regarding the supply of 'G' return by manufacturers to Central Authorities other than D.G.T.D. who make little practical use of it. It may be advisable to have an inbuilt machinery in each Department/Ministry dealing with manufacturers to ensure that infructuous/multiple returns which serve little practical purpose are not called from manufacturing units.

Reply of Government

The recommendation has been noted.

Under the Industries (Development and Regulation) Act, 1951, the only return that is called for from the licensees is the progress return in Form 'G' and this return is required to be submitted up to the stage of implementation of the licences. The licensees are required to submit the returns to only one central Progressing Authority, *viz.*, D.G.T.D., Textile Commissioner, etc., as the case may be.

As regards the usefulness of endorsing the copies of 'G' returns by the D.G.T.D., to other Central authorities such as the Planning Commission, the Economic Adviser, etc., the views of the authorities receiving the returns are generally that they are useful to them for watching the progress of the Licenced units and should, therefore, continue to be sent to them.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 27*th May*, 1968].

Recommendation (Sl. No. 66, Para 5.17)

The Committee are glad to note that some measures have been taken in recent years to effect close co-ordination between the C.S.I.R., D.G.T.D. and the Licensing Committee in order to make sure that foreign collaboration is not allowed in cases, where indigenous know-how is available. The Committee, however, are constrained to note that the Joint Standing Committee for Scientific Research and Industry and the Joint Committee for utilisation of Research Results and Co-ordination have not been functioning effectively. In fact, only one meeting of the Joint Standing Committee for Scientific Research and Industry and one meeting of the Joint Committee for Utilisation of Research Results and Co-ordination have been held on the 31st July, 1965 and 13th March, 1964 respectively. The Committee feel that these Joint Committees should be made more effective. These Committees should meet at least once in six months, if not once a quarter and that there should be a regular follow-up of the decisions taken at these meetings. The Committee see no reasons why the Council of Scientific and Industrial Research, which is the convener for these two important Committees, should not show sustained interest in holding these meetings.

Recommendation (Sl. No. 67, Para 5.18)

The Committee would suggest that careful assessment should be made at periodical intervals, say once a year, of the practical use to which the know-how developed by the national laboratories is put so as to remove all impediments in the exploitation of these processes, as also re-orientate research programme in the light of actual requirements of the industry.

Reply of Government

The recommendations/conclusions of the Estimates Committee have been noted. The Joint Standing Committee for Scientific Research and Industry has been recently reconstituted under the Chairmanship of the Minister for Industrial Development and Company Affairs to put greater vigour into the working of the Committee.

As regards the Committee on "Utilisation of Research Results and Co-ordination with the Department of Technical Development", this was appointed by the Working Group for Scientific Research in the C.S.I.R. while formulating the Fourth Five Year Plan proposals of the C.S.I.R. at its meeting held on 13-1-1964 to bring about a working arrangement of mutual consultation and co-ordination between the C.S.I.R. and the D.G.T.D. The Committee was appointed for this specific purpose. It met on 13th March, 1964 and chalked out various measures. This would be now taken care of by the Joint Standing Committee for Scientific Research and Industry.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th April,* 1968].

Recommendation (Sl. No. 69, Para 6.13)

The Committee have no doubt that Government would also afford necessary facilities to reputable Indian firms to establish manufacturing units in underdeveloped areas particularly in Africa, South East Asia, Middle East etc. so that Indian technology, know-how and experience can be put to be effective use in the interest of development of economies of other countries as also to earn valuable foreign exchange.

Reply of Government

The recommendation has been noted.

Government is already affording facilities to Indian entrepreneurs to establish factories not only in Africa, South-East Asia, Middle East, etc. but also in countries like Canada and Columbia.

Countries where such ventures have been approved so far are :—

(1) Nigeria
(2) Ethopia
(3) Uganda
(4) Zambia
(5) Kenya
(6) Libya
(7) Ghana (Accra)
(8) Iran

(9) Iraq (Baghdad)
(10) Ceylon
(11) Saudi Arabia
(12) Lebanon (Beirut)
(13) Malaysia
(14) Singapore
(15) N. Ireland
(16) Ireland
(17) U.K.
(18) Canada
(19) Columbia

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 9th February* 1968]

Recommendation (Sl. No. 70, Para 6.18)

The Committee note that the Council of Industrial and Scientific Research which has up-to-date information on the development of indigenous know-how is not represented on the Foreign Agreements Committee. They also note that the Secretary of the Department of Atomic Energy, who is a member of the Foreign Agreements Committee has not attended any meetings of that Committee during the last two years. The Committee would suggest that the composition of the Foreign Agreements Committee may be reviewed to ensure that only those members are appointed whose continuous and actual participation would help in the deliberations of the Committee. Representatives of other Ministries/Organisations may be invited to attend the meetings of the Foreign Agreements Committee as and when particular subjects of their concern come up for discussion.

Reply of Government

The recommendation has been noted.

So far as the Council of Scientific & Industrial Research is concerned, their representative has been invited to and has actually been attending meetings of the Foreign Agreements Committee with effect from the 25th September, 1964. The Department of Atomic Energy have indicated that they would like to continue to be represented on the Foreign Agreements Committee. It has been stated that the Secretary, Department of Atomic Energy will attend the meetings as far as possible, but in case he cannot, he will be represented by a senior administrative or technical officer at an appropriate level.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 20th March,* 1968]

Recommendation (S. No. 71, Para 6.23)

The Committee regret to note that there is considerable delay in finalising applications for foreign collaborations As many as 42 per cent applications in 1965 and 30 per cent in 1966 remained undecided after 6 months of their receipt. Out of these, over 12 per cent in 1965 and over 16 per cent in 1966 were decided after more than a year. It would appear that strict watch is not being kept over the time taken in the disposal of these applications. As delays in the disposal of applications for foreign collaborations are likely to create uncertainity and hesitancy in the minds of prospective investors, the Committee would urge that the whole procedure for securing consent of Government to investment and foreign collaboration may be gone into with a view to make it simplified and less time-consuming.

Reply of Government

Government have already accepted a recommendation made by the Mudaliar Committee on Foreign Collaboration that a Central Co-ordinating Unit be set up in the Ministry of Industrial Development & Company Affairs to watch the progress of the disposal of applications for foreign collaborations, and that cases remaining undisposed of for 3 months should be promptly brought up for consideration by the Foreign Agreement Committee even if they fall within the purview of the delegated powers of Ministries.

A proposal for setting up a Foreign Investment Board and giving detailed guide-lines to the administrative Ministries for dealing with foreign collaboration proposals with a view to cutting down procedural delays is also under consideration.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 13*th February,* 1968]

Recommendation (Sl. No. 72, Para 6.26)

The Committee cannot too strongly stress that the use of foreign brand names particularly in consumer goods should not be generally allowed as it is apt to adversely affect the indigenous industry.

Reply of Government

It is already Government's policy not to allow the use of foreign brand names, particularly in consumer goods, if this is likely to affect adversely the small scale sector or the indigenous industry. The use of foreign brand names is, however, allowed on products which are to be exported.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 9*th February,* 1968]

Recommendation (Sl. No. 73, Para 7.12)

The Committee note that it is mostly textile and sugar mills of which direct management has been taken over by Government. It would seem that the machinery in these mills is old and needs replacement and rationalisation for some time. While the Committee agree that the defaulting industrial undertakings should be taken over by Government in accordance with the provisions of the Industries (Development & Regulation) Act in the public interest, they would emphasise that before taking over, Government should probe thoroughly and expeditiously into their working with a view to afford all facilities, including financial assistance by way of loans, if necessary, to such units as are defaulting or have become uneconomical due to obsolete machinery/equipment, high cost of imported components, non-availability of scarce raw materials etc.

Reply of Government

The recommendation has been noted.

A full and complete investigation is of course an essential pre-requisite under Sec. 15 of the Industries (Development & Regulation) Act before an undertaking is taken over under Sec. 18A.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC/67, dated 26th April,* 1968]

Recommendation (S. No. 74, Para 7.13)

In order that the units taken over are reorganised and run on sound and economic lines, the Committee would like to be ensured that only such personnel as have adequate knowledge and experience of the working of the units concerned are appointed. This, the Committee feel, would hasten the handing over of the units concerned back, after rehabilitation, to the existing or alternate management of the shareholders within the prescribed period. The Committee further suggest that in the interest of smooth and efficient functioning the feasibility of association of workers in the management set up by Government may be examined.

Reply of Government

Government have noted the recommendation.

It may however, be stated that the personnel who were appointed as authorised controller etc. to manage the units taken over so far under Section 18-A of the Industries (Development And Regulation) Act 1951, were generally those who had adequate knowledge and experience of the working of the undertaking or industry.

As regards the association of workers in the management of undertakings taken over for management by the Government, instructions have been issued to all the authorities concerned to the effect that along with the representative of industry, a representative of labour should normally be included in the Advisory Board or Board of Directors constituted for the management of such undertakings, wherever feasible.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC/67, dated 9th February,* 1968]

Recommendation (Serial No. 75, Para 7.14)

The Committee also recommend that the desirability of Government assuming powers for taking over management of projects which are yet in the construction stage and are suffering due to mismanagement, death of the principal promoter, etc. may be examined so as to ensure an effective control over them from the very beginning.

Reply of Government

The recommendation has been noted.

As this would require an amendment to the Industries (Development and Regulation) Act, 1951, this is being examined along with other amendments to the Act which are under consideration.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC/67, dated 17th June,* 1968]

Recommendation (Serial No. 76, Para 7.38)

The Committee are of the view that the major limitation to the fuller utilisation of the industrial capacity established in the country during the last three Plan periods has been the shortage of imported components, raw materials and spare parts. The situation in recent years has all the more worsened due to tight position of foreign exchange. While there can be no dispute with the Government, in the present day scarcity conditions, assuming the powers to control production, distribution and prices of industrial commodities, particularly of basic industries, the Committee consider that howsoever necessary these controls may be, they tend to introduce rigidities which besides discouraging expansion of output, leading to wasteful use of the products and black-marketing, often impair efficiency and initiative on the part of all concerned. The Committee need hardly stress that the question of controlling production, distribution and prices of industrial products should be approached in a pragmatic and positive manner so as to ensure that in these days of economic crisis, not only the producer and the consumer derive the maximum satisfaction but the overall economy of the country shows significant improvement in production capability. The Committee would suggest that the controls may be constantly reviewed so that the needless ones are eliminated and others relaxed or intensified in the light of changing conditions. The Committee feel that recent changes in Industrial Policy (*e.g.* selective relaxation made in respect of industrial licensing, liberalisation of imports for the priority industries, de-control of cement and steel, etc.) are steps in the right direction and would create a hospitable environment for stepping up production capacity.

Reply of Government

The Government have noted the recommendation.

It may be mentioned that the controls under the Industries (Development & Regulation) Act, 1951 are constantly under review so that unnecessary ones are eliminated and others are relaxed or intensified in the light of changing circumstances.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67 *dated* 20*th January* 1968].

Comments of the Committee

Government may communicate the details of the 'controls' relaxed in a year's time.

Recommendation (Serial No. 78, Para 8.20)

The Committee are glad to note that a number of Public Sector Undertakings have formulated plans to develop ancillaries. They would emphasise that Government should keep a close watch over the progress achieved by public undertakings in this matter so that the country is made less and less dependent on imports of components, spares, etc. The Committee hope that likewise the private sector industries would also pay greater attention to the development and setting up of ancillary industries. The Committee have comprehensively dealt with the subject of ancillaries in Chapter II of their 106th Report (Third Lok Sabha) on Small Scale Industries and have made a number of recommendations for their development, both in public and private sectors. They hope that with the implementation of the suggestions made by the Committee, the ancillary industries would be able to play an effective role in the industrialisation of the country.

Reply of Government

Government have noted the recommendation and would continue to give adequate attention to the growth and development of ancillary industries.

[*Ministry of Industrial Development & Company Affairs (Department of Indusrtial Development) O.M. No.* D(1)/*HR & EC*/67, *dated 20th January,* 1968]

Recommendation (Serial No. 79, Para 9.11)

The Committee note that though the rules provide for at least one meeting of Central Advisory Council in a year, there have been occasions when meetings of the Council were held after an interval of 14 months. The Central Advisory Council provide a useful forum where industry comes in contact with Governmental machinery and should be taken into confidence on matters regarding the development and regulation of scheduled industries. They recommend that to enable the Council to play an effective role it should, as far as possible, meet more frequently and at regular intervals—say once in a 6 months—so that Government may have more opportunities to understand the problems facing the industry and take effective and remedial measures to step up industrial production in the country and to devise dynamic strategies for industrial growth.

Reply of Government

Government has taken note of the recommendation.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 20th January,* 1968]

Recommendation (Sl. No. 80, Para 9.12)

The Central Advisory Council consists of persons well connected with the industry; it is therefore of utmost importance that Government should show sustained interest in its working. As the decisions taken by the Central Advisory Council are of far-reaching importance to the economy of the country, the Committee consider that Government should also examine the desirability of inclusion of members of representative associations/bodies of trade and industry in the Council so that the views and reactions of these apex bodies on complex problems facing the industry are available for drawing up future industrial programme.

Reply of Government

Government has noted the recommendation.

In fact, associations/bodies of trade and industry are already adequately represented on the Central Advisory Council of Industries. The Federation or Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce and Industry, the Federation of Association of

Small Industries, the Indian Jute Mills Association, the Oriental Chambers of Commerce and the All India Manufacturers' Organisation are all represented on the present Council by their President or Chairman.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March*, 1968]

Recommendation (Sl. No. 81, Para 9.13)

To enable the Council to work effectively, it is also important that it is provided with full and up-to-date information on matters connected with industries. The Committee would also emphasise that there should be regular follow-up of the decisions taken at the meetings of the Central Advisory Council.

Reply of Government

Government has noted the recommendation.

The Central Advisory Council of Industries is already being provided with full and up-to-date information on matters connected with industry. Follow-up action on the suggestions made in the meetings of the Council is also taken whenever, called for.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March*, 1968]

Recommendation (Serial No. 82, Para 10.14)

The Committee note that the last review of the Development Councils was made in 1964 and as a result thereof 5 Development Councils were abolished. The Committee suggest that such reviews should be a regular feature—say at least once in 5 years—with a view not only to assess the usefulness of the existing councils but also to effect economy and improvements in their working. Now that a number of industries have been exempted from the licensing provisions of the Industries (Development and Regulation) Act, the Committee suggest that Government should examine early whether there is still need for the Development Councils to continue in their case.

Reply of Government

The recommendation has been noted and appropriate action is being taken in pursuance thereof.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January*, 1968]

Recommendation (Serial No. 83, Para 10.23)

The Committee note that there is no set time schedule for holding meetings of development councils. There are instances of some development councils having not met at all during the whole year. The Committee fully endorse the views of the Study Team on D.G.T.D. that the development councils/panels should hold at least one meeting in six months and should have the following standing items on their agenda :—

(i) implementation of recommendations made in the previous meetings;

(ii) import substitution;

(iii) export promotion; and

(iv) productivity problems.

The Committee are also of the opinion that wide publicity should be given to the working of the development councils among the industry and trade associations and chambers of commerce and suggest that copies of their annual reports should be endorsed regularly to them in general and to the apex organisations of industry in particular.

Reply of Government

Appropriate instructions have been issued to give effect to this recommendation.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968]

Recommendation (Serial No. 84, Para 10.27)

The Committee regret to note the failure of Government for not having taken any action so far to declare the Development Councils "Corporate body" in terms of the provisions of Section 6(3)of the Industries (Development and Regulation)Act, 1951. They urge that necessary action may now be taken in this regard.

Reply of Government

Government have been advised that as soon as a Development Council is constituted under the Industries (Development and Regulation) Act, 1951, the Council automatically becomes a body corporate by virtue of section 6(3) of the Act.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968]

Recommendation (Serial No. 85, Para 10.26)

The Committee are, however, glad to note that Government have already accepted the recommendation of the Study Team on D.G.T.D. (Mathur Committee) for strengthening the Secretariats of the Development Councils and also to effect improvements in their working. They hope that the suggestions made by the Study Team in this regard would be given effect to at an early date.

Reply of Government

Suitable instructions have been issued to all concerned for effecting improvements in the working of the Development Councils, in the light of the suggestions made by the Study Team on D.G.T.D. (Mathur Committee). Proposals for sanction of additional Staff (one U.D.C. for each Development Council) required for strengthening the Secretariat of the Development Councils are under consideration of the Government, and this recommendation will be given effect to as soon as the additional posts are sanctioned.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 6th December*, 1968]

CHAPTER III

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

Recommendation (Sl. No. 1, Para 1.38)

The Committee feel that a crucial stage has been reached in the industrialisation of the country and if the slogan of self-reliance has to be given a content and a meaning it is imperative that the strategy of industrialisation should be reviewed pragmatically by an expert body. The Committee suggest that for this purpose Government may appoint an Industries Commission, with representatives drawn from industry, trade, commerce public sector, financial institutions and economists who should have intimate knowledge of industrial development in the country. The Commission may examine the extent to which the Industrial Policy Resolutions and the Industries (Development & Regulation) Act, 1951 have been helpful or otherwise in developing and regulating the setting up of industries on the desired lines. In the light of their findings they may indicate broadly the strategy to be followed for bringing about self-reliance in industry at the earliest, keeping firmly in view the resources of the country and the aspirations of the people.

Reply of Government

The recommendation has been carefully examined by Govt. Recently, some studies have been made on industrial licensing—one by the Study Team on Economic Administration set up by the Administrative Reforms Commission and the other by Dr. R. K. Hazari. The recommendations contained in the Interim Report of Dr. R. K. Hazari have been considered by the Government and it has been decided to institute an enquiry into the working of industrial licensing during the past ten years, by an expert Committee known as the Industrial Licensing Policy Inquiry Committee. This Committee is already at work. Besides, a Committee of the Cabinet is also going into the question of overall economic and licensing policies of the Government.

As the bodies mentioned above have either already studied or are studying different aspects of industrial licensing system, Government consider that it is not necessary to constitute a full-fledged Commission to go into this matter at this stage.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 13*th February,* 1968].

Comments of the Committee

Government may communicate the broad recommendations of the Industrial Licensing Policy Enquiry Committee and the Committee of the Cabinet, on receipt of their Reports together with action taken thereon.

Recommendation (Serial No. 28, Para 2.228)

The Committee are distressed to find wide gaps in the ex-factory retail prices of automobiles produced in India and the prices prevailing in the countries of origin of the corresponding or comparable models—as for example, the prices of Ambassador and Fiat 1100D cars in India are 40% and 75% higher as compared to the prices in the countries of their origin. Similarly, the price of Commercial Vehicle (Bedford 67 WB) is about 61% higher in India as compared to price obtaining in Britain.

The Committee strongly urge that with the increase in indigenous content concerted efforts should also be made to bring down the cost of production of automobiles in consultation with the industry so as to make them competitive in quality and price with those manufactured abroad.

Reply of Government

With the low volume of production of each manufacturing unit and the high cost of imported as well as indigenous components/raw materials, there is little scope for the cost of production being brought down in the existing automobile manufacturing units. Economies of scale are possible only if the volume of production of each unit goes up substantially. With this object in view, the manufacturers of automobiles, with the exception of passenger cars, are encouraged to expand/diversify their production. So far as passenger cars are concerned, Government have been, for some time, exploring the possibility of setting up a new unit with a sufficiently large volume of production so that passenger cars at a reasonably low price could be made available to the public.

The Tariff Commission are also currently enquiring into the prices of automobiles. The question whether any reduction in the cost of production in the existing units is possible would be examined further on receipt of the Tariff Commissions' report.

The Government have been impressing on the automobile manufacturers to improve the quality of their vehicles. Recently Government have set up a Committee, called the Motor Cars Quality Enquiry Committee, to go into the question of the quality of passenger cars at present manufactured in the country. Remedial measures in this regard, if considered necessary, would be taken after examination of the Committee's report.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January*, 1968].

Comments of the Committee

Government may communicate the further action taken in the matter in due course.

Recommendation (Sl. No. 31, Para 3.11)

The Committee are concerned to note that since the inception of the licensing system under the Industries (Development and Regulation) Act, 1951, no general principles/guidelines have been laid down which are followed for the consideration of applications for grant of an industrial licence for establishing a new undertaking, expansion of existing undertaking under the Act although the Rules specifically provide for it. It is obvious that in the absence of such principles/guidelines, the merits of each application are apt to be judged on an *ad hoc* basis.

The Committee suggest that Government should, in consultation with the Sub-Committee of the Central Advisory Council for Industries lay down broad principles/guidelines for the guidance of the Licensing Committee to facilitate consideration of industrial licensing applications. Wide and effective publicity should be given to these principles/guidelines so as to despel any misgivings from the minds of entrepreneurs. The Committee need hardly add that the broad/guidelines should in course of time be supplemented with case law so that the various nuances of the policy come to be crystallised in due course.

3. In laying down broad principles particularly for basic/key industries, the Committee need hardly stress that objective economic criteria should determine the location, size and capacity of basic/key industries. It is of the utmost importance, in the context of developing economy, that the end products of key/basic industries, which impinge on a wide range of manufactures, should be available at competitive prices, bearing parity, as far as possible, with international prices.

Reply of Government

As indicated in our reply to other recommendations, Government have already set up an Expert Committee to enquire into the licensing system. A Committee of the Cabinet has also been constituted to review the overall economic and industrial policies of Government to see how far the objectives for which they were framed have been achieved and whether any modifications are needed in these policies.

2. Further action on the lines recommended by the Estimates Committee will be taken after the recommendations of the Tracker Committee and the views of the Cabinet Committee become available.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th April*, 1968]

Recommendation (Sl. No. 33, Para 3.31)

The Committee commend the suggestion made by the Study Team on D.G.T.D. that there should be an Appeal Sub-Committee of the Licensing Committee to consider appeals preferred by applicants against the rejection of their applications and hope that Government would take an early decision in the matter.

Reply of Government

The suggestion made by the Study Team on D.G.T.D. has already been considered by the Government. In accordance with Rule 15(2) of the Registration and Licensing of Industrial Undertakings Rules 1952, where a licence is proposed to be refused the applicant has to be given an opportunity to state his case before Government reaches a decision. In accordance with this Rule administrative instructions are already in force under which, where it is proposed to turn down an application by the Licensing Committee or by the administrative Ministry under delegated powers, the applicant is first informed of the proposal and asked to submit any representation that he may have to make. Such cases along with the representation and the comments of the administrative Ministry concerned on it are put up to the Minister for obtaining his orders before reaching a final decision. Since the decision to reject an application where the party has represented against the proposed rejection is taken finally only after the case has been put up to the level of the Minister, it was considered that it was not necessary to constitute a separate Appeal Sub-Committee of the Licensing Committee for the purpose.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th April*, 1968].

Recommendation (Serial No. 38, Para 3.53)

The Committee agree with the recommendation of the Study Team on D.G.T.D. that in order to eliminate infructuous work "a suitable fee should be prescribed for registration applications" and urge that an early decision should be taken in the matter.

Reply of Government

The volume of registration work with the D.G.T.D. has been considerably reduced as a result of recent rationalisation of registration procedures. As no infructuous work is involved in the D.G.T.D., Government do not consider it necessary to prescribe any fee for registration.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 24*th September*, 1968].

Recommendation (Serial No. 44, Para 3.93)

From the information furnished by Government it appears that in most cases, licences are issued for attaining the targetted capacity about the beginning of the Plan period. The Committee have considered the points which were advanced before the Study Team on the Director General of Technical Development against the phasing out of the industrial licensing programme. While there is some force in these points, the Committee feel that the issue of a large number of licences in a relatively short period tends to impose great strain on the available resources like investment capital, foreign exchange, scarce raw materials finding foreign collaborations as well as the domestic suppliers of equipment, etc. Such a procedure also leads to the blocking up of the whole capacity for the plan period and thereby tends to encourage the interested parties and groups to foreclose the licensed capacity. It also results in placing undue emphasis on the mere chronological receipt of applications rather than on their intrinsic merits and competitiveness. The Committee urge that the feasibility of phasing out licensing may be examined by Government in the light of above considerations.

Reply of Government

The phasing of licensing needs considerably more detailed planning. The Planning Commission have so far been laying down only the five-year targets. These targets provide the guidelines to the Licensing Committee in the matter of licensing. If the licences are to be phased out, it would be necessary to have a more detailed study of the gestation period of each industry and also to lay down annual targets in each of the five-year period. This raises larger issues of planning techniques and licensing policy, which is already engaging the attention of the Planning Commission and other concerned authorities. The Industrial Licensing Policy Inquiry Committee set up by the Government is also going into the question of Licensing Policy.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March,* 1968].

Recommendation (Sl. No. 47, Para 3.113)

The Committee recommend that close watch should be kept on the sale/ transfer of licences and requests for association of fresh partnership (entrepreneurial talent of financial resources by the original licensee so as to prevent monopolistic growth and concentration of economic power in the hands of a few industries. The Committee suggest that the previous record of performance of the entrepreneur should be taken into account at the time of approval of application for grant of licences. Amongst other factors the Licensing Committee should carefully examine whatever the applicant is genuinely interested in setting up the industry and not merely acting as agent for others.

Reply of Government

The recommendation has been noted.

It should, however, be mentioned that the Act does not bestow any power on Government to prevent the transfer of ownership of units that have some into existence.

As regards checking the previous record of performance of the entrepreneur before the issue of a licence, this does not, of course, a rise in the case of a new entrant.

To prevent the blocking of capacity by applicants not genuinely interested in production, Government have tightened up the procedures for revocation/cancellation of licences/letters of intent. It has also been provided that letters of intent automatically lapse after the specified period of validity, in the event of the prescribed conditions not being fulfilled.

To the extent that it is practicable on the basis of the facts placed before them, the Licensing Committee also tries to assess the genuineness of the applicant's interest in the scheme.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March,* 1968]

Recommendation (S. No. 68, Para 6.12)

The Committee would like Government to make a most careful review of the guidelines for approval of collaboration agreements, having regard to the present state of development of industrialisation in the country, the foreign exchange resources available with special reference to the critical balance of payment position, the need for encouraging exploitation of know-how developed in national laboratories and other research institutions, etc.

Reply of Government

The Ramaswamy Mudaliar Committee on Foreign Collaboration in its Report submitted to Government has examined this aspect and has suggested some guidelines to be followed by the Government in approving foreign collaboration proposals. The recommendations of the Committee have been accepted, by and large, by the Government.

Recommendation

The Committee would urge Government to identify in detail the industries where foreign collaboration is no longer necessary, as also to indicate areas where foreign technical know-how and designing would be welcome.

Reply of Government

The preparation of lists of industries in which foreign collaboration is welcome and where it is not required is already under consideration of Government.

Recommendation

Government may also examine the question of laying down a minimum percentage of goods to be exported after the establishment of an industrial unit with foreign collaboration. It is also for consideration whether the payment of royalty as also repatriation of dividends should be allowed only through export earnings of the units.

Reply of Government

It may not be practicable to enforce the recommendation regarding a minimum export performance in all cases of foreign collaboration. In some of the more sophisticated manufacturing fields which we want to develop in the country and for which technical know-how is not easily available, the foreign collaborators may not be agreeable to accept these conditions. However, as far as practicable, while approving foreign collaboration proposals, a condition requiring the parties to export a specified percentage of products and/or to meet the payment of royalty and dividends out of export earnings is imposed, depending on the merits of each individual case.

Recommendation

It would be helpful if Government could identify processes for which it would be better in the overall interest, to purchase outright the know-how for indigenous exploitation rather than burden the unit with recurring royalty.

Reply of Government

The Ramaswamy Mudaliar Committee in its report have also given expression to this view and the Government have already decided that in the case of processes which are long-established and are unlikely to be overtaken in the near future by technological obsolescence, outright purchase of design, know-how, etc., would be more advantageous than any other form of collaboration.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 13*th February*, 1968].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 3, Para 2.24)

The Committee are constrained to note that inspite of the fact that Government were aware of the duplication and overlapping of certain provisions in the Industries (Dev. & Reg.) Act, 1951, and in certain other regulatory measures such as Essential Commodities Act, 1955, no action appears to have been taken so far to remove these anomalies. As such a State of Affairs tends to cause avoidable inconvenience and harassment to industrialists and is likely to stand in the way of effective implementation of the relevant provisions of the Acts concerned, the Committee would urge the Government to examine this aspect urgently and take necessary remedial measures.

Reply of Government

The provisions of the Industries (Development & Regulation) Act, 1951 were intended primarily to provide for the development and regulation of certain specified industries whereas the provisions of the Essential Commodities Act were meant primarily for ensuring the supplies or distribution of what were classed as essential commodities. The purpose of the two enactments being different, it cannot be said that they cover the same field. Nevertheless, it is appreciated that there is in fact a certain amount of overlapping in regard to the actual measures of control exercisable over commodities which come under the purview of both the Acts. Section 18-G of the Industries (Development & Regulation) Act, 1951, empowers the Central Government to control the distribution and the availability at fair prices of any articles or class of articles relatable to any industry specified in the first schedule to the Act. The very same power is available in respect of *essential commodities* under Section 3 of the Essential Commodities Act. There are a few commodities like textile, cement and drugs which come under the purview of both the Acts. Orders could be passed, for example, to control the availability at fair prices of say, textiles, under Section 18-G of the Industries (Development & Regulation) Act, 1951, as well as the Textile Control Order issued under the Essential Commodities Act. To this extent there is overlapping. In actual practice, however, a conflict is avoided by the Ministry of Industrial Development & Company Affairs consulting the Ministry of Commerce, whenever any order under Section 18-G relating to Essential Commodities which is also relatable to a scheduled industry is contemplated. There are, however, very many items which come under the Industries (Development & Regulation) Act, which do not come under the Essential Commodities Act. The powers available under Section 18-G are necessary in respect of those items because the Essential Commodities Act cannot be used for that purpose. From this point of view, there is, therefore, no overlapping. Appropriate steps are, however, being taken to ensure that there is adequate liaison between the Ministry of Industrial Development & Company Affairs and the Ministry of Commerce or any other appropriate Ministry concerned, so that no inconvenience is caused to the public owing to the slight overlapping in the two statutes.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 1*st May*, 1968].

Comments of the Committee

The Committee do not consider that adequate liaison between Ministries concerned would help in removing the anomalies in both the Acts as such a procedure will not only entail delay but would also increase secretarial work. The Committee, therefore, reiterate that provisions of both the Industries (Development & Regulation) Act, 1951 and the Essential Commodities Act may be reviewed in consultation with the Ministry of Law.

Recommendation (Sl. No. 8, Para 2.60)

The Committee are greatly concerned at the issue of licences much in excess of the targets as it tends to give a misleading picture about the industrial capacity and keeps away genuine entrepreneurs from coming into the field. This practice also encourages foreclosure of licensing capacity by interested parties/groups who do not implement licences and thereby keep away competition from these industries.

The Committee recommend that a strict watch should be kept on the progress made by licensees in order to ensure that they take effective action to implement the schemes within the stipulated time, failing which, the licences should be revoked or transferred to other parties. The Committee would also suggest that a review should be made of all the unimplemented licences issued up to December, 1966, with a view to revoke those, where no significant progress has been made so far.

Reply of Government

Government have noted the views of the Committee regarding over-licensing of capacity.

In some cases, there has been some over-licensing of capacity to provide for shortfall on account of schemes which may not materialise. Further, in the case of industries with long gestation period of say 2 to 3 years, over-licensing to some extent becomes necessary to meet future requirements.

Progress of implementation of each industrial licence is reviewed from time to time and in appropriate cases revocation proceedings are initiated. Under the current "Letter-of-Intent" procedure, the letter-of-intent automatically lapses unless its validity is specifically extended.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated* 1*st May*, 1968].

Comments of the Committee

The Committee are not sure whether over-licensing is due to the failure of some licences. It may be due to over-licensing also. The Committee would like to stress the desirability of streamlining the procedure in this regard.

Recommendation (Serial No. 12, Para 2.78)

The Committee regret to note that the Review of the Second Plan has not yet been published though six years have elapsed since the completion of the Plan. They find that the Review of the Third Plan, as a whole, has also not yet been prepared. The Committee consider that for realistic planning, it is necessary that the targets laid down in the earlier Plan are reviewed and the reasons for their shortfalls identified, analysed and publicised and responsibility fixed therefor. This is all the more necessary at the present juncture when there is so much controversy about the nonfulfilment of targets in certain key sectors, and their effect on the contents and strategy of development for the Fourth Plan.

The Committee urge that Government should bring out comprehensive and critical Reviews of the Second and Third Plans, without delay.

Reply of Government

While separate reviews of the Second and Third Plans have not been published as in the case of the First Plan, it may be mentioned that critical reviews of these Plans have been made from time to time, in different publications brought out by the Planning Commission; for example—The Progress of the Second Plan has been reviewed in the Report of the Third Five-Year Plan. The progress of the Third Five-Year Plan has been reviewed in the following publications :—

(i) Third Five Year Plan Progress Report 1961-62.

(ii) Third Five Year Plan A Mid-Term Appraisal.

(iii) Third Five Year Plan Progress Report 1963-65.

(iv) Draft outline of the Fourth Five-Year Plan.

As these publications contain a fairly comprehensive and critical review of the progress of the Second and Third Plans, it is not considered necessary to bring out separate reviews of these Plans at this stage.

[*Ministry of Industrial Development & Company Affairs* (*Department of Industrial Development*) *O.M. No.* 4(1)/*HR & EC*/67, *dated 9th February,* 1968]

Comments of the Committee

The Committee do not consider the reviews made in the above publications as adequate for the purpose. They stress that a critical review should be made of the Second and Third Plans.

Recommendation (Serial No. 25, Para 2.207)

The Committee would also like to emphasise that Government should ensure that fertilisers are made available to the cultivators at reasonable prices so that the cost of production of food does not go high. The Committee understand that in some countries where agricultural production has made considerable headway, fertilisers are supplied to the farmers at international or even lower prices. The Committee have no doubt that if fertilisers are made available at economic prices, the Indian farmer would not be slow in making full use of them to step up production and bring the proclaimed goal of self-sufficiency within reach.

Reply of Government

The principle enunciated in the recommendation has always been kept in view by the Ministry of Food and Agriculture in fixing the prices of fertilisers. Fertilisers are sold partly by the Central Pool through the State Governments and partly by the fertiliser factories directly through their agents. Statutory price control exists only on 4 varieties of fertilisers and there is no price control on the other fertilisers. The considerations which are kept in view while fixing pool prices of fertilisers sold by the Central Fertiliser Pool and the reasons for the prices of fertilisers in India being higher than in other countries have already been explained in detail in a note submitted to the Estimates Committee which was forwarded to the Lok Sabha Secretariat by the Ministry of Petroleum and Chemicals *vide* their O.M. No. Ferts. 1-21(2)/67, dated the 3rd August, 1967. A copy of the note may be seen at Appendix I.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January*, 1968]

Comments of the Committee

The Committee had recommended that fertilisers should be supplied to the farmers at international or even lower prices. The Committee are not convinced by the contention of the Government that the principle that fertilisers are made available to the cultivators at reasonable prices, is kept in view by them. In this connection, they note that Government propose to levy a new excise duty on fertilisers in the current budget. The Committee would like to be informed of how the Government plans to ensure availability of fertilisers to the cultivators at reasonable prices.

Recommendation (Serial No. 30, Para 2.239

The production of motor cycles/scooters started in the country during the first plan (1955). The Committee regret to note that at the end of the Third Plan *i.e.* after a lapse of a period of about 12 years the production of motor cycles/scooters/3-wheelers has been 49,312 against an installed capacity of 75,000 numbers, thus registering a shortfall of about 39%. This under-utilisation of installed capacity has not only adversely affected the output of scooters etc., but as admitted by Government has also been the "principal factor responsible for high prices of scooters." The Committee are surprised to note the supply position (as stated to the Committee in August, 1966) was such that in Delhi, it would take a person 20 years and 11 years to get a lambretta and vespa scooter respectively after the date of application.

The Committee are, however, glad to note that scooters have been included in the priority list for purpose of import of essential components to increase the output of the existing units and that licences have also been issued for the setting up of new units during the fourth plan period. It is gratifying to note that in 1967 itself it would be possible to "nearly double the production".

Since scooters are more or less common-man's conveyance, the Committee would like the Government to ensure that with the increased production of scooters etc. every effort would be made to bring about economies in their cost of production with a view to see that they are available to the users at moderate and reasonable prices.

Reply of Government

As in the case of passenger cars, there is little scope to bring down the cost of production of scooters in the existing factories, firstly because these plants were planned for a very low volume of production and secondly, because of the high cost of imported/indigenous components/raw materials. In order, however, to make available to the users, scooters at moderate and reasonable prices, Government have decided, in principle, to license one more unit which would be planned right from the beginning, for a sufficiently large volume of production (say 50,000 to 60,000 Nos. per annum) so as to achieve economies of scale.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January,* 1968]

Comments of the Committee

The Committee note that Government have decided, in principle, to license one more unit for a sufficiently large volume of production of scooters so as to achieve economies of scale. The Committee would like to stress that the question of expansion of existing plants to achieve the objective of availability of scooters at more reasonable prices to consumers, *vis-a-vis* setting up of new plants should be carefully examined before arriving at a decision in the matter. At the same time steps should be taken to ensure that the existing Units utilise their capacities to the full.

Recommendation (Sl. No. 52, Para 3.156)

The Committee suggest that the term substantial expansion as appearing in Section 13 of the Industries (Development and Regulation) Act, may be clearly defined in terms of percentage so that a unit need only apply for permission, if its expansion programme is likely to cross the licensed capacity by more than the permissible percentage.

Reply of Government

Substantial expansion as defined in the explanation under Section 13 of the Industries (Development & Regulation) Act, 1951, has come to be fairly well understood. Government is of the view that any effort to define "Substantial Expansion" in more precise terms is likely to lead to practical difficulties.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 26*th March,* 1968]

Comments of the Committee

The Committee reiterate that the term substantial expansion as appearing in Section 13 of the Industries (Development & Regulation) Act, may be clearly defined in terms of percentage so that a unit need only apply for permission, if its expansion programme is likely to cross the licensed capacity by more than the permissible percentage.

Recommendation (S. No. 54, Para 3.161)

It is well recognised that goods can be produced more economically by expansion of the existing units rather than by setting up new undertakings. Keeping in view the public demand for supply of goods at competitive prices, the Committee suggest that Government should earnestly consider the suggestion that the expansion programme submitted by established units, may be expeditiously considered and where found acceptable, letters of intent covering the entire expansion programme may be issued provided this does not encourage and create monopolies. Import licences for implementing the expansion programme may be regulated keeping in view the stage of expansion and the availability of foreign exchange.

Reply of Government

The recommendation has been noted. Wherever appropriate, expansion of existing units is given preference over the setting up of new units. Other considerations kept in view are the need to avoid monopoly and the foreclosure of capacities.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated 9th February,* 1968]

Comments of the Committee

The Committee suggest that when new units are sanctioned in preference to approving applications for expansion of existing units, the reasons should be recorded and approved at the highest level in the Ministry.

CHAPTER V

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

Recommendation (S. No. 39, Para 3.58)

The Committee are not aware whether at the time of laying down the limit of Rs. 25 lakhs for licences for scheduled industries, the ever increasing cost of land, building, machinery, etc. was taken into account. Since the limit was laid down in 1964, there is no denying the fact that there has been a marked rise in the cost of land, buildings, machinery and the position has been further accentuated due to rise in prices of machinery, components etc. after devaluation. In view of these considerations, the Committee consider that it would be reasonable to revise the basis of 'fixed assets' so that their value of plant and machinery alone is taken into account in computing the capital limit. This would help in applying the definition uniformly to all industries, irrespective of the varying costs of land and buildings from place to place, and from time to time.

Reply of Government

The recommendation has been noted and is under consideration.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development)* *O.M. No.* 4(1)/*HR & EC*/67, *dated* 9*th February*, 1968]

Recommendation (Serial No. 40, Para 3.66)

The Committee feel that at the present stage of development of Indian economy, it is essential that emphasis should be placed on establishment of most competitive industrial units so that the end-products are available to the public at competitive and low prices. The Committee, therefore, recommend that Government should evolve a suitable procedure for inviting applications by public notice from prospective entrepreneurs, who should be given adequate time to enclose with their applications feasibility reports indicating the capital cost, the foreign exchange component, the cost and sale of price per unit etc. so that applications may be judged on the basis of their competitiveness. The Committee suggest that the procedure in this behalf should be worked out in consultation with representative bodies of producers, trade, commerce, industry and consumers etc. and finalised with the approval of the Central Advisory Council for Industries.

Reply of Government

The particular issue raised in the recommendation is still under Government's consideration and a final decision will be taken after the report of the Industrial Licensing Policy Inquiry Committee is received.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development)* *O.M. No.* 4(1)/*HR & EC*/67, *dated* 9*th February*, 1968]

Recommendation (Serial No. 48, Para 3.125)

The Committee are concerned to note the short-comings brought out in the industrial licensing system by Dr. Hazari in his interim report on Industrial Planning and Licensing Policy submitted to Government. In particular they note that one big industrial house was able to submit multiple applications for each product which tended to build pressure and pre-empt licensable capacity in many industries and that many applications from this particular group were by trading and/or finance companies which had small assets to show against the licences issued to them. The Committee would urge that Government should examine very carefully the result of study made by Dr. Hazari and take remedial measures to arrest the unhealthy trends mentioned above and to ensure that industrial power does not concentrate in a few hands to the detriment of the general interest of the economy and the consumer.

Reply of Government

The Government have since appointed an Expert Committee to enquire into the working of the industrial licensing system during the past ten years with a view to ascertaining whether the larger industrial houses have, in fact, secured undue advantage over other applicants in the matter of issue of such licences and whether the failure on their part to implement the licences has resulted in pre-emption of capacity. The need to avoid concentration of industrial power in a few hands will also be kept in view by the Committee.

The recommendations made in Dr. Hazari's Report (Final) are under the consideration of Government.

[*Ministry of Industrial Development & Company Affairs (Department of Industrial Development) O.M. No.* 4(1)/*HR & EC*/67, *dated* 20*th January*, 1968]

Recommendation No. 77 (Para No. 7.39)

In the matter of prices of industrial products it is essential that stringent measures are taken to control them at a reasonable level. A significant feature, of the commodity control is evident in the case of cement, soaps, vanaspati, etc. supplies where Government have been able to persuade the organised sector of the industry to practise voluntary price control. The Committee however consider it important that there should be a clear cut policy with regard to voluntary price controls as neither in the Third Five Year Plan nor in the Industrial Policy Resolution, 1956, any mention has been made of resort to such type of controls.

New Delhi
28*th April*, 1969

8*th Vaisakha*, 1891 (*Saka*)

P. VENKATASUBHAIAH,
Chairman,
Estimates Committee.

APPENDIX I

(*Vide* Serial No. 25, para 2.207)

(A) The Procedure for determining the various elements taken into consideration for fixing the Pool Prices—reasons for the prices of fertilizers in India being higher than in other Countries.

The fertilizers procured indigenously and imported from abroad are pooled together and issued at uniform prices fixed for various interests throughout the country. These uniform prices are known as Pool prices and are fixed per M.T. F.O.R. port/despatching stations, freight pre-paid by the Central Fertiliser Pool upto the rail-head destination. These prices are influenced by procurement prices paid to the indigenous factories and to the foreign suppliers. The following factors are broadly taken into account for deciding the Pool prices to be charged :—

1. *Purchase Costs* :

(a) *Indigenous.*—The Central Fertiliser Pool takes over the production of indigenous factories by paying them agreed ex-factory prices known as the retention prices or procurement prices. This price is settled after consultation with the Chief Cost Accounts Officer, Ministry of Finance who conducts cost study of the products with due regard to costs of production and a fair return to the producer, before making his recommendations.

(b) *Imports.*—The Central Fertiliser Pool places indents on the Department of Supply for placing contracts on the manufacturers/suppliers abroad. The indents specify the quantities, the types and the material and bagging specifications. The Department of Supply places contracts with foreign suppliers in consultation with the Ministry of Finance. Arrangements for shipping of the imported materials are made mainly by the Chief Controller of Chartering in the case of purchase of f.o.b. basis. For shipping of supplies contracted on c.i.f. basis, arrangements are made by suppliers abroad.

(c) *Ocean freight.*—Where purchase contract is on F.O.B. basis the ocean freight is paid by the Pool, as determined by the Chief Controller of Chartering. In the case of imports under US AID, 50% of the cargo is to be carried by US Flag Vessels.

The above elements of cost and freight are computed, and an annual-working average on the basis of the contracts finalised and likely to be finalised at the time of determining such costs, is worked out separately for each of the fertilisers.

2. *Handling Charges on Imports* :

These charges comprise of port trust dues, stevedoring, clearing and forwarding charges, storage at ports, etc. The charges on these elements may vary from port to port but an average figure is adopted.

3. *Interest on Capital* :

This represents the amount of interest charged on the capital outlay on imports for working out the no-profit no-loss price. This rate is fixed by the Ministry of Finance from year to year.

4. *Departmental Charges* :

Departmental charges for services rendered, in respect of imported fertilisers are levied by the approved agencies, namely the State Trading Corporation of India, the ISM, Washington and the ISD, London. In our calculations we include the element of Departmental charges at 1.0%. These vary from 0.5% to 1.5%.

5. *Inland Freight* :

This represents the freight incurred on despatching fertilisers from port/factories to rail-head destinations. An all India average is arrived at for the purpose and is adopted for fixing the Pool prices.

6. *Incidental charges* :

These comprise of indirect expenses on administration such as salaries, pension, contribution, godown rent and other charges and losses in transit, etc. An *ad-hoc* figure of Rs. 4 per M.T. is adopted on this account.

7. *Interest on 60 Days Credit* :

The State Governments have been allowed a credit of 60 days for paying the cost of fertilisers supplied by the Central Fertiliser Pool. A provision of interest @ 8.25% P.A. is made on that account.

All the above costs are added together and a 'no profit no loss' price is arrived at by dividing the total cost by the total tonnage of that particular fertiliser. Normally the no-profit no-loss price is the guiding factor for fixing the Pool price. Besides this, the following points are also kept in view in deciding the final pool price :—

(1) Possibilities that these costs may undergo changes due to price trends and other unforeseen reasons.

(2) Relative popularity of different types of fertilisers.

(3) Need to provide incentive for promoting the sale of certain varieties of fertilisers.

8. *Reasons for the Prices of Fertilisers in India being higher than in other countries.*

The prices of fertilizers in India are higher as compared to their prices in many other countries, mainly because, on account of inadequate internal production, we have to depend on imports involving additional expenses on ocean freight, loading & unloading etc. etc. at the ports besides price paid to foreign suppliers. The landed cost of imported fertilisers in India is therefore, naturally higher than the domestic prices in the exporting countries. The cost of production of indigenous fertilisers is also quite high. After devaluation the cost of imported fertilisers and raw materials has gone up by 57.5% as compared to pre-devaluation prices. Despite the various factors that contribute to prices of fertilisers in India being high, an effort has always been made to keep them down as far as possible so that the cultivators find their use economical. After devaluation on 6-6-1966, prices of fertilisers and fertiliser raw materials imported from abroad were subsidised to counter the effect of devaluation to the full extent, upto 31-3-1967. However, on a review of this policy, Government of India felt that heavy burden of this subsidy on the exchequer cannot be continued, and the Government therefore, decided to reduce this subsidy with effect from 1-4-1967.

Even at the new prices, it is estimated that the Government would be subsidising fertilisers to the extent of about Rs. 19 crores in 1967-68.

It is hoped that fertiliser prices in India would stabilise at lower levels with the setting up of large sized fertiliser plants in future based on latest technological developments, offering economies of scale and technology.

(B) A detailed note on the Government's Policy regarding subsidy on fertilisers—changes in rates from time to time and their effect.

The following subsidies on fertilisers were in force during 1966-67 in various parts of the country :—

(i) *Subsidy on Phosphatic Fertilisers* :

A subsidy not exceeding 25% of the sale price of Phosphatic Fertilisers, the cost of subsidy to be shared equally by the Central and State Governments, was admissible upto 31st March, 1967. The option to allow this subsidy or not was left to the State Governments who had to share the cost on 50 : 50 basis.

(ii) *Special Subsidy in backward Union Territories* :

A subsidy of 25% of the retail price of Nitrogenous Fertilisers and 50% of the retail price of phosphatic fertilisers was in force in the Union Territories of Manipur, Tripura, Andaman & Nicobar Islands and Laccadive and Minicoy Islands which were considered to be highly backward areas.

(iii) *Subsidy on cost of transport of Fertilisers in hilly and in-accessible areas* :

The extra cost (over and above normal transport costs in other areas) of transporting fertilisers from the nearest rail head to the consuming centres is met by Government and the cost is shared by the Central and State Governments on a 50 : 50 basis.

(iv) *Subsidy to offset the increase in prices of imported Fertilisers and Fertiliser raw materials as a result of devaluation* :

This subsidy, the cost of which was met exclusively by the Central Government was being paid :—

(a) to the manufacturers of indigenous fertilisers using imported raw materials and

(b) to the State Trading Corporation of India for imported potassic fertilisers;

The pool issue prices of fertilisers imported by the Government of India and distributed by the Central Fertiliser Pool were also maintained at the rates prevailing before devaluation and the losses arising from this absorbed by the Pool.

(c) For actual use of powdered rock phosphate in direct form a subsidy of Rs. 57 per tonne was allowed.

2. REVISION OF SUBSIDIES FROM 1-4-1967

The need for continuing these subsidies was reviewed by Government in March, 1967. After a careful consideration of all relevant factors, the following decisions were taken :—

(a) *Subsidy on Phosphatic Fertilisers* :

This subsidy had been introduced in the Second Plan to popularise phosphatic fertilisers among farmers. It had been in force during the two plan periods and had achieved its principal purpose. It was generally agreed by this Ministry and the Planning Commission that there was no further need to continue this subsidy. It was, therefore, decided to abolish this subsidy from 1-4-1967.

(b) *Special subsidy in backward Union Territories* :

These subsidies were also introduced in order to popularise fertilisers among the farmers in these backward areas who were unaccustomed to the use of fertilisers. As a result of this subsidy fertilisers had gradually become popular with the farmers in these Union Territories and the demand was picking up. As such subsidies must tend to decrease with the increase in consumption, it was decided in consultation with the Planning Commission to reduce the rate of subsidy gradually and to abolish it completely from 1969-70. The rates of subsidy in force during 1966-67 and those proposed for the next three years are given below :—

Year	*Nitrogenous fertilisers*	*Phosphatic fertilisers*
1966-67	25%	50%
1967-68	20%	40%
1968-69	15%	25%
1969-70	nil	nil

(c) *Subsidy to off-set the increase in prices of imported fertilisers and fertiliser raw materials as a result of devaluation* :

At present about 2/3 of nitrogenous fertilisers, about 1/3 of phosphatic fertilisers and the entire potassic fertilisers consumed in this country are imported. Although devaluation resulted in an increase in C.I.F. cost of imported fertilisers and fertiliser raw-materials by 57.5%, fertiliser prices were not immediately increased.

The estimated cost of this subsidy during 1966-67 was Rs. 50 crores approximately. If the subsidy had been continued at the same levels and the pool prices also maintained at the same levels as were prevalent during 1966-67, the cost would have come to Rs. 57.72 crores approximately.

In view of the heavy cost of maintaining this subsidy it was decided to make the following changes with effect from 1-4-1967 :—

(a) Subsidy paid to indigenous manufacturers producing fertilisers using imported raw materials was discontinued.

(b) The subsidy on imported Muriate of Potash was reduced to 50% of the previous rate and fixed at 18.25% of the C.I.F cost of the fertilisers. The Subsidy on Sulphate of Potash which is the other potassic fertiliser used in the country was abolished completely as it is used primarily for Tobacco and Grapes which are highly remunerative crops.

(c) The subsidy on powdered rock phosphate be reduced to Rs. 30 per tonne from the ceiling rate of Rs. 57 per tonne.

(d) The pool issue prices of fertilisers imported and sold by the Central Fertiliser Pool were revised upwards in order to reduce the losses suffered by the Pool. While revising the prices the nutrient content of each fertiliser, the degree of its popularity with the farmers and the average price per unit of nutrient were kept in view. In the case of Urea which is the most concentrated fertilisers, prices were revised to the extent necessary to ensure that the Pool does not suffer any loss on its distribution. In the case of Ammonium Sulphate which is the most popular fertiliser, the prices were raised by approximately 23% but even so the Pool would still suffer a loss of a little over Rs. 8 crores as the imported cost of this fertiliser is very high. In the case of Ammonium Phosphate (20 : 20) the Pool would suffer a lose of approximately Rs. 2 crores in spite of the increase in price by about 25%. In the case of other fertilisers, the Pool would either be making a small profit or a small loss at the new prices.

3. PRICE OF POOL FERTILISERS BEFORE AND AFTER 1-4-1967

A statement indicating the pool issue prices, distribution margin and retail prices of fertilisers sold by the Central Fertiliser Pool before 1-4-1967 and after 1-4-1967, is attached (Annexure I).

A statement giving the per acre cost of fertilisers required for growing new high yielding varieties of wheat, paddy, maize, Jowar and Bajra is attached (Annexure II). It would be noticed that the cost of the fertilisers required for one acre of these crops has gone up by approximately 17.1% in the case of wheat, paddy and maize, 16.9% for Jowar and 16.5% for Bajra. In terms of Rupees the increase will be Rs. 10.55p. for Bajra, Rs. 15.42 p. for Jowar and Rs. 20.30 p. for the other three crops. This increase in cost of cultivation arising out of the increase in fertiliser prices will be adequately compensated by the increased production obtained by the cultivators, particularly with fertiliser responsive new varieties of seed. The demand for fertilisers exceeds the supply even now and in general farmers find fertiliser use profitable even at the revised prices.

ANNEXURE I.

Statement showing the prices before and after 1-4-1967

(Rupees per tonne)

			Pool issue prices		Distribution Margins		Retail prices	
			For States	For Plantations	For States	For Plantations	For Cultivators	For Plantations
1	2	3	4	5	6	7	8	9
1. Urea	before	1-4-67	610	650	70	40	680	690
	from	1-4-67	760	800	80	40	840	840
2. Amm. Sulphate								
(a) 100 Kg. packing	before	1-4-67	355	385	50	30	405	415
	from	1-4-67	437	462	55	30	492	492
(b) 50 Kg. packing	before	1-4-67	366	396	50	30	416	426
	from	1-4-67	448	473	55	30	503	503
3. Amm. Sulphate Nitrate ..	before	1-4-67	455	492	60	33	515	525
	from	1-4-67	515	544	62	33	577	577
4. Cal. Ammonium Nitrate (20·5%)	before	1-4-67	335	364	50	31	385	395
	from	1-4-67	385	406	52	31	437	437
5. Amm. Phosphate (20-20-0) ..	before	1-4-67	590	—	70	—	660	—
	from	1-4-67	738	—	80	—	818	—
6. Basic slag (imported)	from	23-9-66	260	—	44	—	304	—
7. Amm. Chloride (Imported) ..	from	28-4-65	400	—	55	-	455	--
	to	31-3-67						
	from	1-4-67	450	—	55	—	505	—
8. Di-Ammonium Phosphate (Imported)	from	29-4-66						
	to	31-3-67	750	795*	80	45*	830	840*
	from	1-4-67	1,000	1,050	95	45	1,095	1,095
9. Cal. Amm. Nitrate (26%) (Imported)	from	26-8-66	425	—	60	—	485	—
	to	31-3-67						
	from	1-4-67	475	—	60	—	535	—
10. N. P. K. Complex	from	1-4-67	700	—	75	—	775	—

*From 3-3-1967.

ANNEXURE I

Cost of fertilizers required for growing high yielding varieties of Crops

(In Rupees per acre)

Crops	Cost of 'N' per acre		Cost of P2 05 per acre		Cost of K20 per acre		Total		Net increase from 1-4-67	
	Before 1-4-67	After 1-4-67	Before 1-4-67	After 1-4-67	Before 1-4-67	After 1-4-67	Before 1-4-67	After 1-4-67	Rs.	Percentage
Paddy	60·89	73·66	46·63	50·60	11·19	14·75	118·71	139·01	20·30	17·1
Wheat	60·89	73·66	46·63	50·60	11·19	14·75	118·71	139·01	20·30	17·1
Maize	60·89	73·66	46·63	50·60	11·19	14·75	118·71	139·01	20·30	17·1
Jawar	45·67	53·25	37·30	42·48	8·40	11·06	91·37	106·79	15·42	16·9
Bajra	30·44	36·83	27·98	30·36	5·60	7·38	64·02	74·57	10·55	16·5

APPENDIX II

(*Vide* Introduction)

Analysis of the action taken by the Government on the recommendations contained in the Ninth Report of the Estimates Committee (Fourth Lok Sabha).

I.	Total Number of Recommendations	85
II.	Recommendations which have been accepted by Government (*vide* recommendations at S.Nos. 2, 4-7, 9-11, 13-24, 26, 27, 29, 32, 34-37, 41-43, 45, 46, 49-51, 53, 55-57, 69-76, 78-85)	
	Number	66
	Percentage of total	77·5
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (*Vide* recommendations at S. No. 1, 28, 31, 33, 38, 44, 47, 68)	
	Number	8
	Percentage of total	9·5
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*Vide* recommendations at S. Nos. 3, 8, 12, 25, 30, 52, 54)	
	Number	7
	Percentage of total	8·5
V.	Recommendations in respect of which final replies of Government are awaited: (*Vide* recommendations at S. Nos. 39, 40, 48, 77)	
	Number	4
	Percentage of total	4·5

6LSS/69—13-5-1969—GIPF.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
	DELHI		33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Moti Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.,	11	37.	Bookwells, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15		**MANIPUR**	
29.	The English Book Store, 7-L, Connaught, Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul, High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23		**AGENTS IN FOREIGN COUNTRIES**	
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			

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