

**ESTIMATES COMMITTEE
(1974-75)**

(FIFTH LOK SA BHA)

SEVENTIETH RE PORT

**MINISTRY OF INDUSTRIES & CIVIL SUPPLIES
(Department of Industrial Development)**

[Action taken by Government on the Recommendations contained in the Fiftieth Report of the Estimates Committee (Fifth Lok Sabha) on the Ministry of Industrial Development—Industrial Licensing]



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1975/Magha, 18 96 (Saka)

Price : Re. 0.60

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(1974-75)

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(iv)

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(1974-75)

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12. Shri M. G. Uikey
13. Shri K. P. Unnikrishnan
14. Shri Phool Chand Verma

INTRODUCTION

1, the Chairman of the Estimates Committee having been authorised by the Committee, present this Report of the Estimates Committee, on action taken by Government on the recommendations contained in the Fiftieth Report of Estimates Committee (Fifth Lok Sabha) on the Ministry of Industrial Development—Industrial Licensing.

2. The Fiftieth Report was presented to Lok Sabha on the 16th April, 1974. Government furnished their replies indicating action taken or proposed to be taken on the recommendations contained in that Report on the 16th October and 11th December, 1974. The replies were examined by Study Group 'F' of Estimates Committee (1974-75) at their sitting held on 20th February, 1975.

3. The draft Report was adopted by the Estimates Committee (1974-75) on the 25th February, 1975.

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

I—Report.

II—Recommendations which have been accepted by Government.

III—Recommendations which the Committee do not desire to pursue in view of the Government replies.

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.

5. An analysis of the action taken by Government on the recommendations contained in the Fiftieth Report of the Estimates Committee (Fifth Lok Sabha) is given in Appendix. It would be observed therefrom that out of the 12 recommendations in the Report, 6 i.e. 50 per cent have been accepted by the Government, the Committee do not desire to pursue 4 recommendations i.e. 33.33 per cent in view of Government's replies, and in respect of 2 recommendations, i.e. 16.67 per cent, final replies of Government are still awaited.

NEW DELHI-110001;

March 12, 1975

Phalguna 21, 1896 (Saka)

R. K. SINHA,

Chairman,

Estimates Committee.

CHAPTER I

REPORT

Legislation on Small Scale Industries

(Serial Nos. 3 & 4 Para Nos. 17 & 18)

As far back as 1972, Government had informed the Estimates Committee that they had been considering whether a suitable legislations regarding statutory regulation of relation between ancillary small scale industrial units and the mother unit should be enacted on the lines obtaining in Japan and that in January 1972 they had appointed a Committee headed by Shri A. R. Bhatt to give a considered opinion on the subject. Accordingly, in paragraph 2:63 of their 19th Report on the subject of Industrial Licensing presented in April, 1972, the Estimates Committee, while noting the steps taken by Government, expressed the hope that they would soon bring forward before Parliament a considered legislation on the subject. At the Action Taken stage, Government stated that the Bhatt Committee had since submitted their Report and that the matter was under consideration.

2. Replying to a query regarding the progress made on the question of bringing before Parliament the proposed legislation on Small Scale Industries, the representative of the Ministry of Industrial Development had during their evidence in December 1973 informed the Estimates Committee (1973-74) that the Bhatt Committee had submitted their Report during September, 1972. The representative of the Ministry of Industrial Development had further stated that the proposed legislation on "Restricted Partnership" was at a very advanced stage of consideration and that it would be brought before Parliament "very soon". As regards legislation on other aspects, he had stated that there was no need for a comprehensive legislation as the suggestions and recommendations made by the Bhatt Committee could be put through by administrative and executive orders. He, however, added that fresh thought was being given by Government to the problem so as to decide as to what form of legislation would be appropriate. He also mentioned in this connection that the proposed Central legislation could be got through only if the State Governments were agreeable to it. The Ministry was then proposing to obtain directions as regards further action to

be taken on the subject from the forthcoming Ministers' Conference. In paragraph 17 & 18 of their 50th Report (1973-74), the Estimates Committee expressed dissatisfaction at the inordinate delay in taking a final decision in regard to the recommendations of the Bhatt Committee and implementing them. They also urged that necessary legislation on Restricted Partnership should be brought before Parliament early.

3. Replying to this recommendation of the Committee, Government stated in October, 1974 that the question of legislation on small scale industries would be taken up after the census of small scale industries was completed. As regards legislation on Restricted Partnership, Government stated that the draft had been prepared by the Department of Company Affairs and was under examination by the Ministry of Industrial Development. Subsequently, in December, 1974 Government informed the Committee that the results of the census on Small Scale Industries were expected to be available in early 1975.

4. The Committee regret to note that the question of bringing before Parliament a considered legislation on Small Scale industries had been under the consideration of the Government of India for over three years without any concrete results having been achieved in this direction. The Committee would like to stress the need for giving encouragement and protection to the small scale industries by enacting a suitable legislation or, if it may not be found feasible or desirable, through executive orders which may serve the desired purpose. They hope that Government would take concrete steps to ensure that the small scale industrial units with limited resources and turn-overs are not exploited by the big industrialists as a cover for their activities.

Manufacture of Ancillaries in the Small Scale Sector

(Sl. No. 4 Para No. 18)

5. In paragraph 18, of their Fiftieth report, the Committee (1973-74) had suggested that concerted measures should be taken to afford encouragement to small scale units to develop as ancillaries to large scale units and that the Public Sector should provide leadership in this behalf. In October, 1974 Government informed the Committee that concerted efforts were being made to encourage the development of small industries as ancillaries and that a team of officials was visiting various Public Sector Undertakings to arrange Techno-Economic Surveys for identifying the items suitable for ancillary development.

Besides, it was maintained, that the Standing Committee of the Small Scale Industries Board on Ancillaries was meeting periodically to review the progress made in ancillary development and to recommend measures for solving the problems of ancillary units. In addition, Ancillary Development Division of the Headquarters of the Small Industries Development Organisation, which coordinates action for solving the difficulties of the Small Scale Ancillary Industry, had strengthened.

6. Government was asked to indicate the terms of reference, target of completion of work and the progress made so far in respect of the team of officials constituted to identify the items suitable for ancillary development in Public Sector Undertakings. In December, 1974, Government informed the Committee that the visits of the team to various Public Sector Undertakings would be completed before March 31, 1975, and that the Techno-Economic Survey Report in respect of one public undertaking had been completed and follow-up action on the report was being taken by the undertaking and the State Government. The techno-economic studies in respect of four undertakings were in various stages of completion.

7. The Committee are glad to note that Government have taken some concrete steps in the direction of setting up small scale industrial units as ancillaries for public sector undertakings. They would, however, like Government to lay down time targets for the completion of survey work and for the processing of the results thereof so that follow-up action could be taken without delay.

Backward Area Industrial Development Corporation

(Sl. No. 7 Para No. 37)

8. In Paragraph 37 of their Fiftieth report the Committee had stressed the need for concerted efforts being made to provide infrastructure at growth centres in the backward areas and for the preparation of blue prints of industrial projects which could be set up in these areas. In October, 1974, Government *inter alia* informed the Committee that the draft Fifth Plan envisaged the setting up of a Backward Area Industrial Development Corporation at the Centre and that the proposal was under consideration of the Ministry of Industry in consultation with the Ministry of Finance. Subsequently in December, 1974, the Committee were informed that the decision in regard to the setting up of such a corporation was yet to be taken by Government.

9. The Committee desire that the Government should take an early decision regarding the question of setting up of the proposed Back-

ward Area Industrial Development Corporation so that at least during the Fifth Plan a tangible progress could be made in respect of development of backward areas in the country.

Applications for C.O.B. licences

(Sl. No. 12, Para No. 70)

10. In paragraph 70 of their Fiftieth report the Committee, having noted that the number of applications for C.O.B. licences pending as on 1-11-1973 was as many as 272, stressed the need for speeding up the processing of such applications.

In December, 1974, the Ministry of Industrial Development informed the Committee that the number of pro-SIA C.O.B. licence applications had been reduced to 55 as on 31-10-1974. Out of these 55 applications, as many as 20 were more than 18 months old and six of them were pending for more than three years.

11. While appreciating that the number of pending applications for C.O.B. licences pertaining to the pre-SIA period have been brought down from 272 as on 1st November, 1973 to 55 as on 31st October, 1974, the Committee desire that Government should prepare a time bound programme for disposal of these applications and take effective steps to completely clear the backlog of pre-SIA applications at the earliest possible time.

Implementation of Committee's Recommendations

12. The Committee would like to emphasize that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, urge that Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them. In cases where it is not possible to implement any accepted recommendations in letter and spirit for any reason, the matter should be reported to the Committee in time with reasons for non-implementation.

13. The Committee also desire that final replies to the recommendations included in Chapter V may be communicated to them expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sr. No. 1 Para No 8)

The Committee are averse to piece-meal amendments to the Industries (Development and Regulation) Act, being brought before Parliament. They regret that Government have been taking unduly long time in examining and finalising the various proposals for amendment to the present Act. They urge their firm target dates should be fixed for the Group appointed to examine the proposals for amendments to the Act and the Rules made thereunder, for the submission of their Report and for the Government to finalise them so that comprehensive amending legislation is brought before Parliament at least before the end of the year. The Committee need hardly stress that it would have been far more appropriate if all the amendments to the Industries (Development and Regulation) Act had been effected before the commencement of the Fifth Five Year Plan.

Reply of Government

The Group of officers has already finalised examination of proposals for amendments to the Industries (Development and Regulation) Act, 1951. The Government intend to introduce an Amendment Bill in the winter Session of the Parliament.

(Min. of I.D. O.M. No. 9-3-74-Parl Dated 16-10-1974)

Recommendation (Sr. No. 4, Para No. 18)

As regards the development of small scale industries by way of ancillaries to large scale industries, the Committee understand that the matter is being reviewed comprehensively in the light of Bhatt Committee's recommendations and that Government would take a final decision after discussing the matter with the State Ministers of Industries. The Committee feel that the matter has already been inordinately delayed and that concerted measures should be taken to afford encouragement either by statutory provision or administrative instructions to the small scale units to develop as ancillaries to

large scale units. The Committee would also like Govt. to examine other aspects like quality control, payment of dues in time etc. so that the genuine difficulties which are coming in the way of faster development of small scale industries as ancillaries to large scale units, are resolved. The Committee would like to reiterate that the public sector should provide/leadership in this behalf by encouraging and sustaining establishment of small scale units as ancillaries to their undertakings.

Reply of Government

Action on the recommendations of the Bhat Committee on legislation for small industries will be taken up after the census operations are completed and the census data become available. In the meanwhile concerted efforts are being taken to encourage development of small industries as ancillaries. A team of officials representing the BPE, the administrative Ministry and the SIDO is visiting various Public Sector Undertakings to arrange techno-economic surveys in order to indentifying the items suitable for ancillary development. The standing Committee of the SSI Board on Ancillaries meets periodically to review the progress made in ancillary development and to recommend measures for solving the problems of ancillary units. The Ancillary Development Division of the headquarters of the SIDO has been strengthened with the appointment of an Industrial Adviser and this Division coordinates action for solving the difficulties of the small scale ancillary industries.

(Min. of I.D. O.M. No. 9|3|74-Parl. dated 16-10-74)

Further information asked for by the Committee

Please state the date of appointment the terms of reference, target of completion of work and the progress made so far in respect of the Team of Officials constituted to indentify the items suitable for ancillary development in public undertakings.

Further reply of the Government

In a meeting held between the Director-General Bureau of Public Enterprises and Development Commissioner (Small Scale Industries) on 2nd March, 1974, it was decided that a team of officials of the Bureau of Public Enterprises, the Small Industries Development Organisation (SIDO) and the administrative Ministry concerned should be formed to visit certain selected public sector undertakings to explore the potentialities in the undertakings for development of ancillary industries.

The object of the team's visit is two-fold one to give suitable guidelines to the managements of the undertakings and secondly to prepare the ground for techno-economic studies by a team of officers from the SIDO and the Director of Industries in consultation with the Officers concerned in the respective undertaking for indentifying the items which could be farmed out to ancillary small scale units for production. The study would also help the prospective entrepreneurs in selecting the items for manufacture and also in regard to problems connected with production, and supply of the items.

The undertakings to be visited by the above mentioned inter-departmental team of officers are as follows:—

Defence Public Sector Undertakings:

1. Bharat Electronics Ltd., Bangalore.
2. Bharat Earth Movers Ltd., KGF.
3. Hindustan Aeronautics Ltd., Hyderabad.
4. Garden Reach Workshop, Calcutta.

Defence Deptt. undertakings

5. Heavy Vehicles Factory, Avadi.
6. Vehicles Factory, Jabalpur.

Atomic Energy Department

7. Electronics Corporation of India Ltd., Hyderabad.

Railway Departmental Undertaking

8. Diesel Locomotive Works, Varanasi.

Ministry of Industry & Civil Supplies

9. Bharat Pumps and Compressors Ltd., Naini.

Steel Ministry

10. Hindustan Steel Ltd., Bhilai.

Deptt. of Communications

11. Hindustan Teleprinters Ltd.

So far the following undertakings have been visited by the Inter-Departmental team.

1. Bharat Electronics Ltd., Bangalore.
2. Bharat Earth Movers Ltd., KGF.
3. Hindustan Aeronautics Ltd., Hyderabad.
4. Electronic Corporation of India Ltd., Hyderabad.
5. Bharat Pumps & Compressors Ltd., Naini.
6. Heavy Vehicles Factory, Avadi.

In addition to the above, the inter-departmental team also visited Paraga Tools Ltd., Bharat Dyanmics Ltd., and the Hindustan Aeronautics Ltd., Bangalore. The visits to other undertaking would be completed before March 31, 1975.

Techno-economic study for scope of ancillary development in respect of Bharat Pumps and Compressors has since been completed and the follow-up action on the report is being taken by the Undertakings and the State Government.

Techno-economic studies in the case of following undertakings are in various stages of completion;

1. Heavy vehicles Factory, Avadi.
2. Bharat Earth Movers Ltd. KGF.
3. Bharat Electronics Ltd., Bangalore.
4. Electronic Corporation of India Ltd., Hyderabad.

[Min. of I. D. O.M. No. 9(3)/74-Parl. dated 9th December, 74].

Recommendation Sr. No. 5 Para No. 23

The Committee feel that the comprehensive review of all the items reserved for the Small Scale Sector should have been completed well before the Commencement of the Fifth Plan so that Govt. could take decisions about reservation/de-reservation of items for the Small Scale Sector and announce them for the guidance of all concerned. Thereafter, a standing machinery could have been set up for a continuous review and timely action by Govt. to sustain development of small scale sector in the areas reserved for them and also for making additions and alterations therein in the light of performance of the Small Scale Industries, the Committee note the assurance given to them that the work of review of all Items reserved in

the Small Scale Sector, would be completed by February, 1975. They hope that while evaluating individual items and taking decisions regarding reservation/de-reservation for the Small Scale Sector, the Govt. would keep in view *inter alia* the paramount interest of the consumers in the matter of availability of goods of assured quality at competitive prices.

Reply of Government

Action has already been initiated for a detailed review of the items reserved for the Small Scale Industries sector. The review of 18 items was completed during 1973-74. A phased programme has been drawn up for the review for all the reserved items and this work is expected to be completed by the middle of 1975. Review of such a large number of industries involving collection of data from all the States is a time-consuming process, but this has been given the most priority.

In June 1974 the Government of India constituted a Standing Committee for review of industries reserved for small scale sector under Shri S. S. Marathe, Chairman, Bureau of Industrial Costs & Prices. Besides review of reserved industries the Standing Committee has to assess the whole programme of reservation of industries and also to recommend any addition or deletion of items in the reserved list. The Committee had its first meeting on 11th July, 1974 and has framed certain issues for further consideration.

[Min. of I.D. O.M. No. 9|3|74-Parl. dated 16-10-74]

Further information asked for by the Committee

Please indicate the terms of reference of the Marathe Committee appointed to assess the programme for reservation of industries in the Small Scale Sector.

Further reply of the Government

The terms of reference of Marathe Committee constituted by the Ministry of Industrial Development *vide* their Office Memorandum No. SSI(I)-15(33)/74, dated 13th June, 1974 are indicated below:—

Terms of reference:

The Standing Committee will undertake periodical reviews in regard to:—

- (i) evaluation as to how the reservation has actually worked in practice from time to time;

- (ii) technical and economic suitability of items for production in small scale sector and reservation of further industries for development in small scale sector;
- (iii) potential of small scale units to contribute to production, in terms of both quantity and quality, having regard to domestic and export requirements;
- (iv) whether any items should be 'dereserved' where contained reservation is neither necessary nor desirable.

[Min. of I.D. O.M. No. 9(3)/74-Parl. dated 9th December, 74].

Recommendation (Sr. No. 9 Para No. 51)

In paragraph 3.66 and 4.24 of their 19th Report (Fifth Lok Sabha) the committee had stressed the need for a systematic and close follow-up of the licences issued to assess realistically the impact of Govts. policies and decisions on the trend of industrialisation and for taking measures as necessary to ensure that development of industries in the backward areas received special impetus and encouragement. Government had earlier stated that with this end in view, they were considering the introduction of a computer-based information system. Govt. have now come to the conclusion that instead of computerisation of the information system, the card-index system would be adequate. Under the new procedure introduced with effect from 1st November, 1973 the responsibility for reviewing the implementation of letters of intent and licences and the monitoring of progress in that regard, has been entrusted to an inter-Ministerial body known as Project Approval Board. The Committee hope that as a result of adoption of these measures Govt. would be able to achieve the object of a systematic follow-up of the progress of licence applications until the licensed capacity is actually established. They would, however, like Govt. to examine the efficacy of the system after a period of two years of its working and takes such remedial measures as may be necessary in the light of experience gained.

Reply of Government

The Estimates Committee have suggested that the Government should examine the efficacy of the new system after a period of two years. The S.I.A. and the Project Approval Board were both set up with effect from 1st November, 1973. Action for review would be initiated at the appropriate time.

[Min. of I.D. O.M. No. 9/3/74-Parl. dated 16-10-1974].

Recommendation (Sr. No. 10 Para No. 60)

The Committee are distressed to find that the number of licence applications pending with different Ministries at the end of October, 1973 was as large as 3861 out of which 1692 pertained to 1972 and earlier years. Of the total pendency, nearly 80 per cent were with the Ministries of Industrial Development, Commerce, Petroleum and Chemicals (Department of Chemicals) and Heavy Industries. The Committee regret that despite the importance of early clearance of licence applications being stressed by this Committee time and again, Govt. had not taken concerted measures to clear the pending licence applications. There is a general feeling that the industrial licensing is not merely dilatory but has in the past operated as a clog-in industrial development. According to the Economic Survey 1973-74 there was a "small decline" in the index of Industrial production during the first-half of the calendar year 1973. The Minister of Finance also has, in his budget speech before Lok Sabha, admitted that "the upsurge in industrial production that was evident in 1972 was not sustained in 1973, and that the available indications suggest that there was hardly any increase in the rate of growth of Industrial production in 1973". In the face of this distressing account of the industrial production during 1973, the committee cannot too strongly emphasise the importance of concerted measures being taken to remove all laxity and impediments in the way of speedy clearance of licence applications and the implementation of the licences issued, so that at least in the current year, the industrial production picks up the requisite momentum and the current scarcities yield place to adequate availability of essential goods to the common man and of industrial raw materials for accelerating production. The Committee desire that all the Economic Ministries/Departments should make special and concerted efforts to clear the backlog of pending licence applications as far as possible by the middle of this year.

Reply of Government

It was found that 3848 licensing applications were pending as on 1st November, 1973, when the S.I.A. was set up. As a result of the new licensing procedures, the SIA was able to dispose of as many as 3285 applications from the backlog leaving a balance of 563 old cases only at the end of September, 1974. Action is being continued to wipe out this small pendency of old cases also by the end of the year.

[Min. of I.D. O.M. No. 9/3/74-Parl. dated 16-10-1974].

Recommendations (Sr. No. 12 Para No. 70)

The Committee regret to note that during the period of 15 months from August, 1972 to October, 1973 the pendency of applications for C.O.B, Licences was reduced by only 35 and that as on 1st November, 1973 as many as 274 such applications were still pending with the Government. This is despite the repeated assurances given to the Committee during evidence as well as in writing that special efforts would be made to clear them expeditiously. The Committee would, therefore, like to stress upon Govt. the need for early clearance of these applications without which the running enterprises are unable to get raw material at controlled rates. In this connection they would suggest that the new streamlined licensing procedures should be made applicable to all applications for COB licences pending with the Government irrespective of the date of receipt of the application. In stressing the need for speeding up the processing of applications for C.O.B. licences the Committee should not be understood to imply that cases of foreign companies or those with foreign collaboration should not be examined in depth to make sure that such licences are really in country's interest.

Reply of Government

With the setting up of the SIA and the introduction of the new time-bound licensing procedures, the disposal of the COB applications has also received greater attention. There is only a slight difference in the procedure adopted for the disposal of the COB applications in that the case summaries for such applications are prepared by the administrative ministries concerned and brought up before the Licensing Committees through the SIA. The pendency of pre-SIA COB applications has now been brought down to 59. Action is being vigorously pursued to dispose of these remaining applications also before the end of the year.

[Min. of I.D. O.M. No. 9/3/74-Parl. dated 16-10-1974].

Further information asked for by the Committee

Please furnish the break-up of the 59 pre-SIA COB licence applications stated to be still pending according to their period of pendency.

Further reply of the Government

	As on 31-10-1974
1. More than 12 months but less than 18 months	35
2. More than 18 months but less than 24 months	10
3. More than 24 months but less than 30 months	1
4. More than 30 months but less than 36 months	3
5. More than 36 months	6
Total	<u>55*</u>

*4 cases have since been disposed of.

[Min. of I.D. O.M. No. 9(3)/74-Parl. dated 9th December, 74].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO IN VIEW OF THE GOVERNMENT REPLIES

Recommendation (Sr. No. 2 Para No. 13)

The Committee note that Government have reviewed their policies relating to industrial development in the light of the experience gained in the implementation of the Industrial Policy of 18th February, 1970 and in the context of the approach to the Fifth Five Year Plan. They also take note of the announcement made by Government in February 1973, of the Industrial Licensing Policy for the Fifth Plan period. They stress that this policy should remain stable over the Plan period.

Reply of Government

The Government has taken note of the recommendation.

[Min. of I.D. O.M. No. 9/3/74-Parl. dated 16-10-1974].

Recommendation (Sr. No. 7 Para No. 37)

The Committee are constrained to observe that while the problem of development of backward areas has been recognised for nearly a decade, we have not able to make any noticeable dent on this problem during this period. The Committee note that Govt. have now identified growth centres in backward areas. The Committee stress that Govt. should make concerted efforts to provide infrastructure like power, water communication facilities, etc. at these growth centres in the backward areas. The Committee stress the need for preparation of blue prints of industrial projects which could be set up appropriately in these growth centres so that the most promising ones could be selected for implementation after examination in depth. Govt. should also take a timely decision about the agency whether in public or private sector which would be entrusted with the establishment of the selected industrial unit in the

growth centres so that it can be extended all the facilities to bring up the unit as per time bound and production oriented programme. The Committee would like the Government to bring out concrete and detailed schemes for the development of backward areas and give them wide publicity so as to dispel the prevailing mood of pessimism obtaining in these areas. The progress made in implementing these schemes should be specifically mentioned in the Plan document as well as the Ministry's annual reports.

Reply of Government

To ensure availability of adequate infrastructure facilities in backward areas is primarily the responsibility of the State Governments. However, requirements of small scale industries on this account are expected to be met through setting up Industrial Estates. So far 261 industrial estates are reported to be established in backward districts/areas in the country as shown in the statement given below.

Further, SISI's in the country have been instructed to select few most promising small industrial projects, on the basis of surveys, for promotion in the 'growth centres' and prepare model schemes, feasibility reports, etc. for use of the indentified entrepreneurs. Intensive campaigns, seminars etc. are also organised in consultation with State Directors of Industries to give wide publicity and ensure matching of the indentified industrial projects with the entrepreneurs. As regards large industries to be located in backward areas, the responsibilities for preparation of blue-prints and project reports is that of the entrepreneur.

In order to assist the State Governments in developing economic and social overhead facilities at selected focal points in backward areas, Draft Fifth Plan proposals also envisage setting up a Backward Area Industrial Development Corporation at the Centre. The proposed Corporation is envisaged to draw and execute through State Governments and its appropriate agencies, suitable industrial development programmes for the areas selected for intensive industrial development during Fifth Plan. The proposal is under consideration of the Ministry of Industry in consultation with the Ministry of Finance.

Location of Industrial Estates in the Backward Districts/Areas

S. No.	State	No. of Districts	No. of Industrial Estates
1	Andhra Pradesh	13	20
2	Assam	3	4
3	Bihar	9	9
4	Gujarat	10	25
5	Haryana	2	5
6	Himachal Pradesh	2	5
7	Jammu & Kashmir	6	17
8	Kerala	5	8
9	Maharashtra	13	24
10	Madhya Pradesh	35	54
11	Manipur	1	1
12	Karnataka	9	11
13	Nagaland	1	1
14	Orissa	4	4
15	Punjab	4	10
16	Rajasthan	3	3
17	Uttar Pradesh	27	36
18	Tamil Nadu	7	10
19	Tripura	1	3
20	West Bengal	3	3
21	Dadra & Nagar Haveli	1	1
22	Daman & Diu	1	4
23	Pondicherry	2	3
Total		162	261

[Min. of I.D. O.M. No. 9(3)/74-Parl. dated 16-10-74]

Further information asked for by the Committee

(1) It is stated that SIS's in the country have been instructed to select few most promising small industries projects, on the basis of surveys, for promotion in the growth centres and prepare model schemes, feasibility reports, etc. for use of the indentified entrepreneurs. Please state when were the instructions issued and what progress has been made by the SIS's by the 31st October, 1974 to implement them.

(2) What is the decision of the Govt. in regard to the proposal for the setting up of the Backward Area Industrial Development Corporation.

Further reply of the Government

(1) The Task Force on small industries for fifth plan in its report of November, 1972 recommended that assistance in a package may be provided to small industries at selected growth points to bring forth maximum results within given resources and stipulated time horizon. These growth centres would serve as nuclei, and model for vital and widespread industrial development. As a prelude to implementing this recommendation, it was considered desirable to experiment with a modest programme of developing small industries at selected local points in the last year of the Fourth Plan. Every SISI was, therefore, instructed in May, 1973 to select one growth centre preferably in the capital subsidy backward districts falling under their respective jurisdiction. A copy of letter No. BA&RIP/2/73 dated 19-5-73 containing these instructions is enclosed (not printed).

Position with regard to progress made so far by SISI(s) in Selecting the centres and action taken to promote selected small industries in these centres is as given below:

29 growth centres have been finally selected with the approval of SISI Advisory Committees in different States, leaving out the States of Tripura, Manipur and the Union Territories of Andaman and Nicobar Islands, Arunachal Pradesh Lakshadweep, Mizoram and Pondicherry.

Fresh Surveys, for identifying suitable industries for promotion in the centres have been conducted and reports prepared in respect of 11 growth centres viz; Tirupathi, Mangaldoi, Rewari, Damtal, Shertallai, Jeypore, Barbil, Titagarh, Dasuya, Tirupathu and Dharmपुर covering Krishnagiri|Honsur growth Centres, in the States of Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Kerala, Orissa, Punjab and Tamil Nadu respectively. These survey reports bring out the prospective industries which can be promoted in the centres and some of the reports e.g. Jeypore, Dasuya etc. contain model schemes also on few candidate industries.

Special intensive campaigns|seminars for assisting the identified prospective industrialists in procuring quick assistance from different departments|agencies have been conducted in 10 growth centres i.e. Tirupathi, Mangaldoi, Shertallai,

Kudal, Jeypore, Barbil, Dasuya, Damtal and Dharmapuri (including Krishagiri/Honsur growth centres).

2. Decision in regard to setting up of the backward Area Industrial Development Corporation is yet to be taken by the Government. [Min. of I.D. O.M. No. 9(3)/74-Parl. dated 9th December, 1974]

(Recommendation (Sr. No. 8 Para No. 44))

The Committee feel that it would be in the larger economic interests of the country if the scarce resources are not committed for industrial units which, being not economically viable, have to close down eventually or be a constant drag on the economy of the country. The Committee, therefore, feel that it would be useful to have a systematic study made, industrywise, of the economic size of industrial units so as to serve as a guideline for taking licensing decisions. They recommend that the terms of reference of the various bodies appointed to formulate the policy and programmes relating to development of various industries should include *inter alia* an inquiry into the minimum and optimum economic size of units in the particular industry.

Reply of Government

In the light of changes in technology and the consequent changes in plant and equipment designs and their rated capacities, the determination of economic sized industrial units has to be a continuous exercise. Economy of scale of operation is, however, an important consideration in the decisions of the Licensing Committee, particularly with reference to process industries. A reference is, invited in this context to the "Guidelines of Industries 1974-75" published by the Ministry of Industrial Development in which economic sizes of industrial units for a number of products have been specified. These products include sugar mill machinery, cement machinery, paper, soda ash, pesticide and sulphuric acid. In the creation of additional capacity for any product, expansion of existing capacity, of entrepreneurs is generally permitted to bring them up to economic sizes.

[Min. of I.D. O.M. No. 9/3/74-Parl. dated 16-10-74]

Recommendation (Sr. No. 11, Para No. 66)

The Committee hope that the new licensing procedures introduced with effect from November, 1973 would result in expeditious disposal of licence applications requiring clearance under the MRTP

Act. They suggest that, in the interest of expeditious clearance of the backlog of pending cases the new procedures should be made applicable to all pending cases, irrespective of the date of receipt of the application.

Reply of Government

Following the introduction of new licensing procedures with effect from 1st November, 1973 industrial licence applications covered by the provisions of the MRTP Act are considered by a composite LC-cum-MRTP Advisory Committee which examines the applications from the points of view of both industrial licensing and the provisions of the MRTP Act and takes unified decisions. The new procedure has resulted in expeditious clearance of MRTP cases. Percentage of disposals is 86 per cent within 150 days (during November, 1973-August, 1974) the prescribed time limit for such disposals. It is found that there are some practical difficulties in applying the new procedure to the backlog of old applications pending at the end of October, 1973, especially because the industrial licence applications and the corresponding MRTP applications were not simultaneously submitted by the parties. In a number of cases, the applicants have contested the applicability of the MRTP Act to their cases and have delayed submission of MRTP applications. However, steps have been taken in close consultation with the Department of Company Affairs to expedite the old cases also.

[Min. of I.D. O.M. No. 9(3)|74—Parl. dated 16-10-74]

Further information asked for by the Committee

Please indicate the number of MRTP cases pending with the Govt. Commission separately as on 31-10-1974 and their break-up according to the period of their pendency, e.g.

- (i) Pending for less than 3 months.
- (ii) Pending for more than 3 months but less than 6 months.
- (iii) Pending for more than 6 months but less than 12th months.
- (iv) Pending for more than 12 months but less than 18 months.
- (v) Pending for more than 18 months but less than 24 months.
- (vi) Pending for more than 24 months.

Further reply of the Government

The details of pre-SIA MRTP applications pending with this Ministry and MRTP Commission are given below:

	Pending with Govt.	Pending with MRTP Commission
(i) Pending for less than 3 months		
(ii) Pending for more than 3 months but less than 6 months		1
(iii) Pending for more than 6 months but less than 12 months		2
(iv) Pending for more than 12 months but less than 18 months	39	
(v) Pending for more than 18 months but less than 24 months	22	
(vi) Pending for more than 24 months	10	..
TOTAL	71	3

These figures do not include cases pending with other Ministries for clearance by the Licensing Committee for grant of Industrial Licence, as under Pre-SIA procedure the question of filing of MRTP application arises on clearance of the IL angle by the Licensing Committee.

[Min. of LD. O.M. No. 9(3)/74-Parl. dated 9th December, 1974]

CHAPTER IV

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

Nil

CHAPTER V

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

Recommendation (Sr. No. 3, para No. 17)

The Committee note that Government have decided to bring forward necessary legislation so far as the restricted Partnership is concerned so that the small scale sector is not exploited by the big industrialists as a cover for their activities. The Committee would like the matter to be expedited so that the small scale sector really subserves the objective that the Government had in view of encouraging persons with skill but limited financial resources to contribute their productive effort.

Reply of Government

The question of Legislation on Small Scale Industries will be taken up after the Census of Small Scale Industries is completed. A draft legislation on Restricted Partnership has been prepared by the Department of Company Affairs based on the recommendations of the Bhat Committee and this is now under examination by the Ministry. The question of comprehensive legislation for small industries will be taken up after the Census operations are completed.

Min. of I.D. O.M. No. 9(3)/74-Parl. dated 16-10-74]

Further information asked for by the Committee

Please state the target date fixed for the completion and conclusion of census operations in respect of small scale industries.

Further reply of the Government

The Census field operations have been completed in all States except Delhi and Karnataka where also it is expected to be over by the end of December, 1974. Results are being processed and are expected to be available in early 1975.

[Min. of I.D. O.M. No. 9(3)/74-Parl. dated 9th December, 1974.]

Recommendation (Sr. No. 6, para No. 27)

The Committee need hardly stress that the information to be collected during Census should be meaningful so as to enable the Govt. to make a realistic assessment of the role and contribution of the

small scale sector with reference to the capacities developed and production achieved in the different fields. The census should also help the Govt. to understand the various constraints of inputs, particularly availability of power, raw material etc. so that concerted efforts could be made to resolve these difficulties. The Committee suggest that such surveys should be undertaken at periodical intervals, more specially before the conclusion of a plan period so that the salient facts which come to notice as a result thereof are duly taken into accounting reviewing and modifying the policies in the interest of achieving larger production in this sector during the next plan period.

Reply of Government

The information collected through the Census is expected to be helpful to make a realistic assessment of the role and contribution of the small scale sector as well as of the constraints on inputs.

The reference year for the Census is 1972 accounting year closed during April, 1972—March, 1973. The census proforma makes provision for collection of data, among others on capacity, production (for three years 1970, 1971 and 1972), consumption of raw materials and various types of energy sources like electricity, coal, diesel, oil, etc.

The suggestion of the Committee that such services should be undertaken at periodic intervals is quite welcome and will be given serious consideration by the Government.

[Min. of I.D. O.M. No. 9(3)74-Parl. dated 16-10-74.]

Further information asked for by the Committee

Please indicate the decision taken by Govt. on the suggestion of the Committee that survey of small scale industries should be undertaken at periodical intervals specially before the conclusion of a plan period.

Further reply of the Government

A decision in regard to periodicity and the coverage of future census surveys will be taken after a study of the results of the census already undertaken.

[Min. of I.D. O.M. No. 9(3)/74-Parl. dated 9th December, 1974.]

NEW DELHI;
March 12, 1975.

Phalguna 21, 1896 (S).

R. K. SINHA,
Chairman,
Estimates Committee.

APPENDIX

(Vide Introduction)

Analysis of the action by the Government on the recommendations contained in the Fiftieth Report of Estimates Committee (Fifth Lok Sabha)

I.	Total number of recommendations	12
II.	Recommendations which have been accepted by Government (<i>vide</i> recommendations at Sl. No. 1, 4, 5, 9, 10 and 12)	
	Number	6
	Percentage to total	50
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (<i>vide</i> recommendations at Sl. No. 2, 7, 8 and 11)	
	Number	4
	Percentage to total	33·33
IV.	Recommendations in respect of which final replies of Government are still awaited (<i>vide</i> recommendations at S. Nos. 3 and 6)	
	Number	2
	Percentage to total	16·67