

**ESTIMATES COMMITTEE  
(1982-83)**

(SEVENTH LOK SABHA)

**FORTY-SIXTH REPORT**

**ON**

**MINISTRY OF COMMERCE**

**(DEPARTMENT OF TEXTILES)**

**TEXTILE COMMISSIONER'S ORGANISATION**

*Presented to Lok Sabha on... 2...2... APR. 1983*



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(1982-83)**

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Shri S. P. Chanana—*Senior Financial Committee Officer.*

## INTRODUCTION

1. The Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Forty-Sixth Report on the Ministry of Commerce (Department of Textiles)—Textile Commissioner's Organisation.

2. The Committee took evidence of the representatives of the Ministry of Commerce (Department of Commerce) on 6, 7, 22 December, 1982, and 31 January and 11 February, 1983. The Committee wish to express their thanks to the officers of the Ministry for placing before them the material and information which they desired in connection with the examination of the subject and giving evidence before the Committee.

3. The Committee also wish to express their thanks to the South India Textile Research Association, Coimbatore and the Indian Woollen Mills Federation, Bombay for furnishing memoranda to the Committee and also for giving evidence and making valuable suggestions.

4. The Committee also wish to express their thanks to all other institutions, associations, bodies and individuals who furnished memoranda on the subject to the Committee.

5. The Report was considered and adopted by the Committee on 5 April, 1983.

6. For facility of reference and convenience the recommendations and observations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

NEW DELHI;  
April 7, 1983  

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Chaitra 17, 1905 (S).

BANSI LAL,  
Chairman,  
Estimates Committee.

# CHAPTER I

## INSTITUTIONAL FRAME WORK

### A. *Introductory*

1.1 The textile industry occupies a place of unique importance in the economy of the country by virtue of its significant share in the industrial production, large work force employed and the fact that it not only caters to the clothing needs of the people but also generates substantial surplus for export. Sustained and balanced growth and development of this industry, is therefore, vital to the economic growth of the country as also for fulfilment of one of the most essential needs of the people.

1.2 Textile Industry is one of the oldest in the country. It accounts for almost 1/5th of the total industrial production by weight in the country and is responsible for around 20 per cent of the country's export in value. It comprises of not only the organised mill sector but also the decentralised sector including handlooms, powerloom and khadi. The Industry is further subdivided into segments depending on the fibre predominantly used i.e. Cotton, Art Silk, Wool, Silk or Jute.

1.3 The total cloth produced in the country during 1981-82 was estimated at 11,302 million metres out of which 4142 million metres had been produced by the organised cotton and art silk industry, 3,993 million metres by powerlooms and 3,167 by handlooms. The per capita availability of cloth has increased from 10.99 metres in 1951 to 14.75 metres in 1981.

1.4 Cotton production which was only around 22.88 lakh in bales in 1947-48 cotton season has gone up to 76.98 lakh bales in 1979-80. Although cotton continues to remain the dominant fibre in the clothing policy of the country, the use of man made fibres as raw material has gone up from 6.47 per cent in 1972 to 14 per cent in 1981.

1.5 The cotton Textile industry has an installed capacity of 21.93 million spindles and 2.10 lakh looms as on 1-4-1982. There are 723 cotton textile mills in the country—281 of these are composite mills and 442 are spinning mills. Textile mills are spread all over the country but certain areas of concentration have emerged over the years, viz. Bombay, Ahmedabad and Coimbatore. While

**Bombay and Ahmedabad have a preponderance of composite mills, Coimbatore has a majority of spinning mills. The cotton textile industry is one of the biggest employers in the country. The total Labour strength of the industry is 12.03 lakhs as on 1-4-1962.**

1.6 The Art Silk Industry is comparatively of recent origin, most of which has come up during the last 25 years. It comprises of 152 units in the organised sector. Majority of these units are located in Maharashtra and Gujarat.

1.7 The organised sector of the Woollen Mills industry has 110 mills. The major areas of concentration are Maharashtra, Punjab and Haryana, Jammu and Kashmir and U.P. also have some woollen units. While Hosiery and knitwear units are concentrated in Punjab, Maharashtra has a greater share of fabric and blanket production. The hosiery industry in India has 35,000 knitting machines. The industry employs about 4 lakh persons and has a annual turn over of Rs. 450 crores. The cotton hosiery industry is mainly concentrated in and around Calcutta, Tirupur (Tamil Nadu), Belgaum (Karnataka) and Delhi, Woollen hosiery industry is concentrated in Ludhiana (Punjab). The main centres of art silk hosiery units are Bombay, Delhi, Amritsar, Ahmedabad and Kanpur.

1.8 There are a total of 427 units in the country, manufacturing textile machinery. A large majority of them are in Gujarat (153), Maharashtra (133), followed by Punjab (64) and Tamil Nadu (30).

1.9 Office of the Textile Commissioner is responsible for regulation and development of textile industry. The working of this office was last examined by the Estimates Committee (1961-62) in their 162nd to 166th Reports (Second Lok Sabha) and 59th to 61st Reports on Action Taken by Government were presented by the Estimates Committee of Third Lok Sabha.

1.10 In May, 1965, Government of India had appointed a Study Team under the Chairmanship of Shri K. K. Shah, M.P. to examine the organisation, structure, methods of work and procedures of the Office of the Textile Commissioner, particularly with a view to locating the points at which delays occur, where bottlenecks exist and where administrative failures are possible and suggest measures for improvement so as to eliminate opportunities for corruption.

1.11 The Study Team submitted its report to Government in two parts—Part I in April, 1966 and Part II in February, 1968.



1.12 There has been no further review of the working of the Textile Commissioner's Organisation after 1965 except a study of its staffing requirements by internal Work Study Teams in 1978 and 1981.

### *B. Organisational set up of the Department of Textiles*

1.13 Prior to 1976, there was no independent Department of Textiles and the work relating to textile industry was looked after in the then Department of Export Promotion, in the Ministry of Commerce. In order to provide the necessary institutional framework for giving undivided attention to the development of the textile industry at the Government level, a full fledged Department of Textiles under the independent charge of a Secretary in the Ministry of Commerce was created in March, 1976. This arrangement continued upto November, 1977 when the work relating to the development portion of the textile industry was transferred to the Ministry of Industry (Department of Industrial Development) and the work relating to textile exports was retained in the Ministry of Commerce. The Department of Textiles was, however, revived in April, 1980 in the Ministry of Commerce and the work relating to the development of textile industry was re-transferred from the Ministry of Industry to this newly created Department of Textiles.

1.14 The Department of textiles is headed by a Secretary, who is assisted in the discharge of his duties by five officers of Joint Secretary status, including the Development Commissioner for Handloom and the Development Commissioner for Handicrafts. Since August, 1980 the Department has also been having an Adviser (Handlooms and Handicrafts).

### *C. Role of the Development Councils*

1.15 The existing institutional framework for the textile industry includes two Development Councils, one for the Textile industry and another for the Textile Machinery Industry. These councils were set up under the Industries (Development and Regulation) Act of 1951. The Development Council for Textile Machinery is headed by the Secretary, Department of Heavy Industry.

1.16 The Development Council for Textile Industry (as reconstituted in March, 1982) has 15 Members including the Secretary, Department of Textiles as the Chairman and the Textile Commissioner as one of the members.

1.17 During evidence, the Committee wanted to know if the Development Council for the Textile Industry which was a vital link in the institutional framework had been meeting regularly. In reply, the Secretary, Department of Textiles revealed:

"The combined Development Council for Textile Industry was constituted in February, 1979. Before 1979, there were different councils for wool, man-made textile, cotton textile and so on. This council had one meeting on 15-10-1980."

1.18. Asked why the Development Council for the textile industry had not met even once after 15-10-1980, the witness explained:—

"Since I am supposed to be the Chairman, I owe an explanation for this. In the last meeting which was held on 15 October, 1980 the main issues were about this new textile policy that should be adopted by the Government. After considering the recommendations of the council, the Government announced the textile policy in March, 1981. Then, we all felt that the new policy should have a chance of getting implemented before the next council meeting is held. In March 1982 the council was reconstituted. Since then, we have been asking the members whether they have any items to offer for discussion. So far, we have received only a few replies. In the meantime, the Bombay Textile strike overtook the country in a big way, I have been meeting separately the different organisations, the Indian Cotton Mills Federation, The Bombay Mill Owners' Association and the organisations concerned with art silk etc.—we have not been able to hold any full fledged meeting of the council so far. It is over due and it is my responsibility I will have to hold it now."

1.19. When the Committee asked if it was not necessary that the Development Council for Textile Industry should meet every year, the witness said "I entirely agree with you."

1.20 After its constitution in February, 1979 the Development Council for the Textile Industry headed by the Secretary, Department of Textiles met only once on 15 October, 1980. This Council was reconstituted in March, 1982. The reconstituted Council did not meet at all. The Committee recommend that as Development Councils are a vital link in the institutional framework for the development of textile industry, they must meet at least twice a year to study the problems that stand in the way of development of the industry.

### D. Role of the Textile Commissioner's Organisation

1.21 The office of the Textile Commissioner is a subordinate office, functioning under the administrative control of the Department of Textiles, with its Head-quarters at Bombay. This office is headed by the Textile Commissioner, an officer of Joint Secretary status, assisted by an Additional Textile Commissioner, an Industrial Adviser, two Joint Textile Commissioners, and one Adviser (Cotton). Textile Commissioner has seven Regional Offices. These are located at Ahmedabad, Amritsar, Bombay, Calcutta, Coimbatore, Kanpur and Madras. As on 1-3-82, Headquarters office had a total staff strength of 570. Regional Offices have a total working strength of 296. Average Expenditure (Non-plan) on the Textile Commissioners organisation (both Head-quarters & Regional Offices) amounted to Rs. 1.16 crores in 1981-82.

1.22 In exercise of the powers conferred by section 3 of the Essential Commodities Act, 1955 the Central Government have issued the following control orders:—

- (1) the Cotton Textiles (Control) Order, 1948;
- (2) the Cotton Control Order, 1955;
- (3) the Textiles (Production by Powerlooms) Control Order, 1956;
- (4) the Art Silk Textiles (Production & Distribution) Control Order, 1962;
- (5) the Woollen Textiles (Production & Distribution) Control Order, 1962;
- (6) the Textile Machinery (Production & Distribution) Control Order, 1962; and
- (7) the Textiles (Production by Knitting, Embroidery, Lace-making and Printing Machines) Control Order, 1963.

1.23 These orders vest in the Textile Commissioner powers to regulate the production, supply and prices of cotton art silk and woollen textiles and textile machinery.

1.24 The Department of Textiles intimated that the following are the important functions of the Textile Commissioner:—

- (i) to advise Government on all important problems of the textile industry consisting of cotton, wool and art silk so as to serve as a developmental wing for the entire textile industry.

- (ii) Keeping in view the targets laid down for installation of additional spindleage, scrutinise the proposals for expansion or new installation and to recommend licensing of new/additional capacities whatever necessary. Where industrial licensing is not attracted, issue of necessary permissions directly.
- (iii) to regulate the installation of powerlooms in the decentralised sector (there being a freeze on the installation of additional powerlooms in the organised sector).
- (iv) to exercise control\* over the pattern of production and regulate the supply and distribution of textiles with a view to ensuring equitable distribution at fair prices; to administer, in particular, the scheme of production and distribution of Control Cloth.
- (v) to undertake studies of Textile Industry including those of man-made fibre/yarns etc. and suggest suitable fiscal policies.
- (vi) to give technical guidance and render advice to the industry in its programmes of modernisation and rehabilitation and to recommend financial assistance, where required. Scrutinise proposals for financial assistance submitted by various new units to the various financial institutions such as IFC, etc.
- (vii) to help the industry to secure adequate supplies of raw materials and other stores at reasonable prices and to sponsor applications for the import of raw materials, textile machinery and spare parts in terms of the import policy.
- (viii) to collect statistical data in respect of production, consumption, exports, imports, etc. and to formulate policies.
- (ix) to formulate and administer export incentive schemes for cotton, woollen and art silk textiles including hosiery, items, ready-made garments and handloom fabrics; oversee the administration of export quotas and to maintain liaison with the numerous textile export promotion councils.
- (x) to deal with the entire work regarding the development of textile machinery industry including the need for creation of additional capacities for sophisticated

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\*At the time of factual verification the Ministry of Commerce (Department of Textiles) have sought substitution of the words "exercise control over" by the word "monitor".

machines, expansions, scrutiny of foreign collaborations/import of know-how, designs, drawings, etc., to deal with the various import applications pertaining to textile machinery industry, i.e. both for raw materials and components and accessories.

- (xi) to undertake consultancy work regarding the setting up of new textile mills.
- (xii) to deal with proposals regarding the setting up of joint ventures abroad involving foreign technical assistance as well as third country participation.
- (xiii) to investigate by way of undertaking technoeconomic surveys of such of those mills which are sick or those which have started showing signs of incurring sickness.
- (xiv) to analyse the trends of cotton crop with various user organisations, growers and State Governments concerned, project estimates and advise the Govt. suitably regarding imports/exports etc., to administer export quotas of cotton, both staple and non-staple.

1.25 The office of the Textile Commissioner was created in 1943 i.e. during the second world war for regulating the supply of cloth which was then in short supply. Though the availability of cloth has improved, the office is being continued. Department of Textiles has, in a note, pleaded that over the years "it (i.e. Textile Commissioner Organisation) has acquired a developmental role which is perhaps more important than its regulatory functions".

1.26 An Association of Mills in a note, submitted to the Committee expressed the following view:—

"The Textile Commissioner's Office is doing very little promotion work. It is doing more policing work than development work".

1.27 Asked about his reaction to the aforesaid view, the Secretary, Department of Textile said in evidence:—

"We would not accept this view as a correct statement because the Textile Commissioner has a fairly large establishment and he keeps a hand on the pulse of the industry." ..

1.28 The Committee wanted to know that if the Textile Commissioner had any developmental or promotional role, what was the statutory basis for it. In reply, the Secretary, Department of Textiles explained in evidence:—

"The statutory basis for the developmental role of the Textile Commissioner, are the Industries (Development

and Regulation) Act, 1951, the Essential Commodities Act, and the various control orders issued under the Essential Commodities Act and the Import and Export orders which are issued by the Government from time to time.”

1.29. When the Committee pointed out that the statutes cited by the witness gave only regulatory functions to the Textile Commissioner, the witness explained:—

“.....regulatory powers also enable him to have a developmental angle. For instance, this regulation of import of textile machinery. This is a power imposed on him and only after his recommendation, these imports are allowed. A scrutiny is made to see that no import of textile machinery is allowed within the country where we have developed capacity or where we are likely to develop indigenous capacity within a very short period..... Under these control orders, there is an obligation on the part of textile mills to produce hank yarn for the handloom sector. 50 per cent of the yarn produced is earmarked under the regulation for the handloom sector and, out of this 50 per cent also, 85 per cent is meant for lower counts of 40 and below. This is a regulatory function. But this regulatory function is exercised by the Textile Commissioner in order to help and promote the growth of the handloom sector. These are the illustrations to show that, under the statutes which confer regulatory functions on the Textile Commissioner he exercises these powers in order to promote development of the industrial sector, the handloom sector and the textile sector as a whole”.

1.30 The Committee asked whether considering the importance of duties and responsibilities entrusted to the Textile Commissioner and his office the status of this office deserves to be upgraded. In reply, the Secretary, Department of Textiles opined:—

“We have similar offices of the Development Commissioner (Handlooms) and the Development Commissioner (Handicrafts) which are known as attached offices of the Ministry. I feel that the office of the Textile Commissioner should also be an attached office rather than being a subordinate office of the Ministry and the Textile Commissioner could also be designated as Ex-officio Joint Secretary or the Additional Secretary as the case may be, so that in many matters where no policy decisions are

involved he can take his own decisions. At the moment there is no move, but I think we should work in that direction”.

1.31 The Textile Commissioner should effectively combine the regulatory and developmental roles for the proper organisation, management and growth of the textile industry. Disagreeing with the views submitted before the Committee by an Association of Mills that the Textile Commissioner's Office “is doing more policing work than developmental work”, the Secretary Department of Textiles told the Committee that the exercise of the regulatory powers vested in him by the various control orders “enable him to have a developmental angle”. After thorough examination of the functions of the Textile Commissioner and the results thereof the Committee have received a strong impression that the resources and powers of the Textile Commissioner's Organisation are employed in a manner that at least development of industry could be regarded as an incidental gain and there is no deliberate and sustained effort in that direction. The Committee therefore recommend that the developmental role of the Textile Commissioner should be clearly spelt out and given a statutory basis so as to make him accountable for the development of the industry.

1.32 The Committee note that while the organisation of the Development Commissioner (Handlooms) and Development Commissioner (Hadicrafts) enjoy the status of “attached” offices of the Ministry of Commerce, the Textile Commissioner's organisation which deals with the Cotton, Art Silk and Woollen textile industry is a “subordinate” office of that Ministry. They recommend that the status of the Textile Commissioner's organisation may be upgraded to bring it at par with the organisation of the Development Commissioners. This will not only strengthen the Textile Commissioner's Organisation but will enable the Textile Commissioner to take independent decisions within the framework of the Government's Textile Policy.

1.33 The person heading the Textile Commissioner's Organisation should be an expert in the field and noted for his dynamism and devotion. This Report of the Committee would convince anybody that this is not the position today. The Committee are constrained to observe that the performance of the Textile Commissioner before them was, to say the least, unsatisfactory.

## CHAPTER II

### PRODUCTION PERFORMANCE

#### A. *Integrated Textile Policy*

2.1 On 9 March, 1981, the then Minister of Commerce, Steel and Mines, laid a statement on the Table of Lok Sabha/Rajya Sabha announcing the new integrated Textile Policy of Government. Noting that the full potential of various sectors of the textile industry "remains to be realised", the textile policy statement pointed out that this objective can only be achieved by providing a comprehensive and integrated policy frame-work within which these sectors will grow in harmony and lead to higher output, productivity, income and employment, and availabilities of raw materials and fabrics keeping in view the further needs and trends in the country and abroad." The main objectives which the new policy sought to achieve were spelt out as under:—

- (i) increase in production of cloth of acceptable quality to meet the clothing requirements of a growing population, at reasonable prices;
- (ii) promote harmonious and balanced growth of all sectors of the textile industry in consonance with national priorities and the targets of the Five Year Plans;
- (iii) maximum possible growth of handlooms in the decentralised sector and faster growth of Khadi, hosiery and the natural silk sectors to generate more employment and raise the standard of living of small weavers and others employed in these sectors.
- (iv) strengthen and streamline infrastructure for distribution of cloth to weaker sections of the population;
- (v) while maintaining the dominant position of cotton as the main fibre, increase the availability of natural and man-made fibres and yarn; and
- (vi) generate surplus to produce fabrics of acceptable standards for the world market at competitive prices.

#### B. *Production Performance*

2.2 The Sixth Five Year Plan had envisaged increase in production of cloth (Cotton and other cloth) from 10,708 million metres in



1978-79 (base year) to 13,330 million metres in 1984-85, out of which 4,900 million metres was to be produced by the Mill sector, 4,100 million metres by the Handloom sector and 4,300 million metres by the Powerloom sector. As against these targets, the production performance of various sectors of the textile industry had been as under:—

M. Mtrs.

	1978-79 Actual	1979-80 Actual	1980-81 Provisional	1981-82	1984-85 Target
Mill Sector . . . . .	4528	4285	4409	4142	4900
Handloom Sector . . . . .	2932	2962	3136	3167	4100
Powerloom Sector . . . . .	3248	3135	3369	3993	4300
Total : . . . . .	10708	10382	10914	11302	13300

2.3 The per capita availability of cloth in the country has gone up from 10.99 metres in 1951 to 14.75 metres in 1981, an increase of 3.76 metres in a period of 30 years. During this period the population of the country increased from 38.33 crores to 68.90 crores. If the level of production of cloth envisaged in the Sixth Plan *i.e.* 13,300 million metres by 1984-85 is achieved it would give us per capita availability of 15.24 metres which will still be low, compared to per capita availability of about 154 metres in USA, 104 metres in UK and 93 metres in USSR.

2.4 Textile Commissioner is responsible for exercising control\* over the pattern of production and regulating the supply and distribution of textiles with a view to ensuring equitable distribution at fair prices. The Committee enquired whether the Textile Commissioner had carried out any Demand Surveys to assess the requirements and future needs of cloth. In reply, the Textile Commissioner said in evidence:—

“We do not compute the requirements of cloth as such. We keep a watch on the figure of availability of cloth per capita from year to year. . . . We do not have the means of working out as to what is the total requirements of cloth, whether woollen or cotton in the country. The targets are fixed with reference to the steady increase in production and its availability and then we see whether the per capita availability of cloth is steadily increasing or not. Otherwise there is no means of deciding what should be the optimum requirement.”

2.5 The Committee asked that even if the Textile Commissioner had no means to assess the country's requirements of cloth, at least the plan targets

\*At the time of actual verification the Ministry of Commerce (Department of Textiles) have sought substitution of the words “exercising control over” by the word “monitoring”.

for production of cloth must have been based on some projection of demand, the Secretary, Department of Textiles explained in evidence that:—

“As you know, in the planning process, we go by the availability of resources and try to have some priorities. I want so much cloth, I want so much food, again in food I want so much wheat, so much rice, I want steel, I want cement, and all that. Our planning has to depend definitely on the availability of resources for investment....It is not done on the basis of ultimate requirements....”

2.6 The Committee wanted to know that after a target of production was laid down in a Five Year Plan, was it broken down into annual targets. The Secretary, Department of Textiles said in evidence:—

“As for the targets of cloth production for the 6th Plan, the targets as such are not broken into annual targets because the level of production expected to be reached at the end of the 6th Plan is prescribed by the Planning Commission, of course, in consultation with the Department of Textiles, the Textile Commissioner and various other interested Government Departments. But for the sake of convenience we do divide the base level production and the terminal level production into five equal parts and arrive at a figure. But that is only for broad guidance; that is not broken annually as such.”

2.7 Asked if on the basis of targets in 6th Plan, Sectoral targets were fixed and if so whether each sector of textile industry had achieved the target set for it, the witness said “the mill sector has produced less cloth than what was assigned to it and the handloom sector has kept its target.”

2.8 Asked if it was because of recession that the organised sector of textile industry had failed to achieve its target the witness said:—

“It is only in the organised sector that they are saying that there is a recession. But, in the powerloom and the handloom sectors, we are not seeing any such phenomenon. So, it will be difficult for us to create a panicky situation and say that there is consumer’s resistance, that is because of high prices... if there is no means of reducing the cost of production and the cost of final product. The market may again pick up. We believe that this is a temporary phenomenon which should not last indefinitely.”

2.9 The statement on Integrated Textile Policy of March, 1981 stipulated *inter alia* that:—

“Special efforts would be made to ensure availability of adequate yarn, so that the handloom sector is enabled to

achieve the production target allotted to it. The National Handloom Development Corporation will be assigned the main role for procurement and distribution of yarn for the handloom sector at reasonable prices.... Production of polyester and other non-cotton and blended fabrics by the handlooms will be encouraged. The policy of reservation exclusively for Handlooms will be continued and special steps taken for its effective enforcement."

2.10 At present 50 per cent of the hank yarn produced by Textile Mills is earmarked for the handloom sector and, out of this 50 per cent else, 85 per cent is of lower counts of 40 and below.

2.11 While denying the charge that intermediaries were proliferating, the Textile Commissioner admitted in evidence that some mills did pass on a portion of their obligation of producing hank yarn to other Mills but the obligation so transferred was less than 10 per cent. He said that during the last 3 years or so, against 90 million Kgs. of hank yarn produced, only 8.4 million Kgs. of yarn which means roughly less than 10 per cent was produced by way of transferring the obligation to another.

2.12 Answering a query about the progress made in encouraging cooperatives in the handloom sector. A representative of the Department of Textiles said that:—

- (i) The number of weavers in the co-operative field in the handloom sector has increased from 13 lakh in 1979-80 to 15 lakhs weavers in 1981-82.
- (ii) The apex co-operative societies have been helped to increase their sales turnover. Sales in the States have gone up from Rs. 114 crores 1979-80 to Rs. 190 crores in 1981-82.
- (iii) State Apex Societies have been encouraged to open more and more retail outlets. From 1405 retail outlets in 1979-80, the number has increased to 1632 in 1981-82.

2.13 At present, Government have reserved 11 items for production in the Handloom Sector. These items are (1) Dhories (yarn dyed and piece dyed); (2) Lungies and Gamchas; (3) Chaddars, Bed Sheets, Bed Covers and counter panes; (4) Law Reed Pick Cloth; (5) Table Cloth and Napkins; (6) Dusters; (7) Cloth of plain wear; (8) Saree; (9) Towels; (10) Mustroo Cloth and (11) Crepe Fabrics.

2.14 The Committee wanted to know that just as reservation had been made for handloom sector, was there any thinking to make reservation for organised Mill sector so that each sector knew precisely the items which it was expected to produce. In reply, the Textile Commissioner said:—

“We have thought about reservation for handloom sector only. As submitted, a reserved list has been prepared for handloom sector and it is being implemented. Government had set up a Study Group to expand that list and study other matters. That Group has identified areas where handloom feels handicapped as compared to powerloom and it was suggested how that handicap can be removed. The Group had identified items which could be included so as to expand the reserved list. It has suggested a separate legislation for it. Government has accepted that recommendation and a draft Bill is under preparation and after some months that will be introduced in Parliament.”

2.15 The Committee pointed out that the policy of reservation for handloom had not proved very effective because sometimes mills produced items for which handloom sector was well known e.g. Kota Doria Sarees. In reply, the representative of the Department of Textiles assured:—

“Kota Doria Sarees have certain borders and beyond certain borders, it will not go well in the mill sector. Sarees using coloured yarn for weaving shall not be made by mills. We will have to work out a suitable definition by which we can set apart this so that it will not hit the powerloom industry also. We will work out and try to evolve a definition if we can get it.”

2.16 The Committee are surprised that though the office of the Textile Commissioner is responsible for exercising control over the pattern of production of textiles, no demand survey has been organised so far to adjust the pattern of textiles, no demand survey has been organised so far to adjust the pattern of production to meet the demand. The Committee recommend that the Survey should be organised at periodic intervals in future

2.16 A. The Committee are constrained to point out that according to the Preliminary Material on the subject of Textile Commissioner's Organisation furnished to the Committee by the Department of Textiles, one of the functions of the Textile Commissioner was “to exercise control over the pattern of production...of textiles”. During the course of examination of the subject by the Committee as well as

during evidence of the representatives of the Department of Textiles before the Committee, at no stage was any correction made to this function as stated in the Preliminary Material. However, on the completion of the examination of the subject and after the adoption of the report by the Committee when the Draft report was sent to the Department for factual verification they have sought to make a correction to the effect that the function of the Textile Commissioner is not "to exercise control over" but "to monitor", the pattern of production... of textiles. Even though the correction may have a factual basis, the Committee take a serious view of the correction at this late stage in regard to an important function of the Textile Commissioner. They hope that such lapses would not recur and the Department would in future be careful in furnishing material and data to the Committee.

2.17 The Committee note that the Sixth Five Year Plan lays down the overall target for the plan period of five years, but such targets have not been broken down into annual targets for the industry. It is assumed that yearly additional production will be uniform in all the years equal to a fifth of the additional Production envisaged for the Plan period as a whole. Thus it is obvious that there is no scientific evaluation of the growth potential and prospects of the industry on a year to year basis as part of planned development. The Committee recommend that depending upon the state of development of the industry at the base year of the plan and the tempo and spacing of development during the Plan, yearly targets should be fixed by the Textile Commissioner and the progress monitored for timely corrective steps to achieve the targets.

2.18 The Committee understand that at present 50 per cent of the Hank Yarn produced by Textile Mills is earmarked for the Handloom Sector to ensure availability of adequate yarn to this Sector. While denying the charge that yarn meant for Handloom Sector was being diverted for use in the Mill Sector, the Textile Commissioner stated that some of the Textile Mills did pass on a portion of their obligation of producing hank yarn to other Mills. The Committee would emphasise in this connection that it should be ensured that the obligation imposed on every mill is discharged either by itself or through others. If there is scope for malpractice in the transfer of his obligation, this practice should stop.

2.19 At present 11 items are stated to have been reserved for production in the Handloom Sector. These items include dhoties, saris, bed-sheets, towels etc. The Committee were informed in evidence that a Bill will be introduced in Parliament soon to include some more items reserved for production in the Handloom Sector. The

Committee desire that the existing policy of reservation should be made more effective by introducing harsher penalties for transgression by others into reserved areas and greater administrative vigilance exercised to identify the defaulters.

2.20 The Committee learnt that some of the Mills had started producing Kota Sarees for which the Handloom Sector was well known. This ought to be restricted exclusively to the Handloom Sector.

### C. Capacity Utilisation and productivity

2.21 The installed capacity in respect of the Organised, Powerloom and Handloom Sectors of the Cotton Textile Industry is as under:—

Year	Spindles (Millions)	Organised (Lakhs)	Powerlooms Sector (Lakhs)	Looms Handlooms Sector (Lakhs)
1979-80 (Beginning of Sixth Plan)	20.74	2.08	4.83	39.41
1980-81	21.43	2.06	4.83	39.41
1981-82 (Provisional)	22.22	2.10	4.83	39.41
1984-85 (Plan Target)	22.75	2.17	5.00*	39.41*

2.22 As on 1-6-82, the woollen textile industry had 4.39 lakh spindles (2.15 worsted and 1.88 Non-worsted spindles), and 7,564 Powerlooms.

2.23 Since 1978, there has been a freeze on expansion in the weaving capacity of the organised sector. The 6th Plan had, however, envisaged increase in the spinning capacity by 2 million spindles in five years i.e. 4 lakh spindles per year. The Department of Textiles reported, in a Note, that during the first two years of the Plan, the actual increase in spindles was to the tune of 14.8 lakhs as against the plan target of 8 lakhs only.

2.24 The Department of Textiles intimated that in order to encourage the growth of spinning capacity in the cotton textile industry, Government had delicensed in November, 1975, the setting up of new spinning mills or increase in the spinning capacity of existing mills upto 50,000 spindles in each case, subject to certain conditions.

\*At the time of factual verification the Department of Textiles have stated as follows:

"The Sixth Plan provides for installation of only 25,000 additional powerlooms for handloom co-operatives. In addition the existing unauthorised powerlooms are to be regularised. No targets for additional handlooms have been laid down because the objective is to increase productivity of existing looms."

2.25 As far as the woollen industry is concerned, spindles capacity upto 2,400 spindles is delicensed. A representative of the Federation of Indian Woollen Mills represented to the Committee in evidence that though a Woollen Mill with 6,000 spindles could be viable, Government policy of delicensing of spinning capacity upto 50,000 spindles applicable to cotton Mills should be extended to Woollen Mills also. The representative pointed out that:—

“If the industry (Woollen Textile Industry) is to survive and has to become viable, it should be treated at par with the other Textile Industry and should be allowed the same minimum capacity which has been allowed to other sectors of the textile industry. Then only, it will be possible for them to compete and to reduce the cost and to face the competition.”

2.26 Explaining the rationale for delicensing the spinning capacity in the case of cotton Textile Mills upto 50,000 spindles but upto 2,400 spindles in the case of Woollen Mills, the Textile Commissioner said in evidence that there is a technological reason for it. He pointed out that they had allowed both Cotton and Woollen Mills to have without licence two blow rooms. While a blow room in a cotton Mill is for 25,000 spindles in the case of a Woollen Mill the optimum size of a blow room is 1200 spindles only.

2.27 The Committee asked that technical considerations apart, if the difference in the delicensing of spindles capacity in the two sectors of textile industry had created a sense of discrimination among the woollen Mills, would it not be better to raise the limit in the case of Woollen Mills so as to bring it at par with the Cotton Mills. In reply, the Textile Commissioner assured the Committee:—

“We would be happy to consider an increase in this level. There is no hard and fast rule here. The limit of 2,400 spindles was fixed after taking into account the optimum size of woollen spinning plant.”

2.28 As regards loomage capacity, the statement on integrated Textile Policy of March, 1981 declared *inter alia* that:—

“The powerloom sector has, over the years, grown in a haphazard manner mainly because of lack of a deliberate policy direction. Government feel that, consistent with the objective of providing adequate protection to the handloom sector, the growth of the powerloom sector should be regulated and monitored within the framework of a realistic policy. To begin with, the existing unauthorised powerlooms would be regularised on payment of a fee. Fresh expansion of capacity would be so regulated that

at the end of 1984-85 the increase over the base year in this sector is upto five per cent only. Moreover, this expansion will be permitted in respect of Handloom Cooperative Societies only.....”

2.29 Department of Textiles intimated, in a note, that the number of powerlooms in the decentralised sector as on 1-4-1980 was 4.83 lakhs. According to the applications received for regularisation till 30-6-1982, the number of such looms increased to 5.77 lakhs. Government have extended the date for receipt of applications from unauthorised powerlooms upto 31-12-1982.

2.30 The Cotton Textiles (Control) order, 1948 provided for prior permission of the Textile Commissioner for the installation of powerlooms for the production of cotton cloth. Thereafter a separate order viz. the Textile (Production by Powerlooms) Control Order was issued in 1956, providing for acquisition and installation of powerlooms for the manufacture of art silk and woollen cloth also.

2.31 During evidence the Committee wanted to know that when under the relevant control orders prior permission for acquisition and installation of powerlooms was necessary, how was it that powerloom sector had grown in a haphazard manner, the Textile Commissioner pleaded:—

“It has been possible to regulate installation of powerlooms only in the organised sector. It has not been possible to regulate the installation of powerloom in the decentralised sector because of the wide dispersal and the large number involved.”

2.32 Commenting on the phenomena of unauthorised powerlooms, Department of Textiles has, in a note furnished after evidence, stated, *inter alia* that:—

- (i) Administration and regulation of industries in the small scale and decentralised sector including powerlooms is primarily the function of the State Government which is fully empowered to deal with any violation of the Essential Commodities Act and the Control Orders passed thereunder.
- (ii) Unfortunately, the State Government by and large, perhaps as a measure to generate employment have not taken interest in the implementation of orders regulating the installation of powerlooms.
- (iii) Textile Commissioner is organisationally not equipped to deal with this problem particularly when violations have taken place on a large scale in widely dispersed locations.



- (iv) A ban has been placed on the transfer by sale of powerlooms except to holders of permits/industrial licence. Thus transfer of powerlooms by sale alongwith the power loom permit has been banned with a view to stopping trade in the permits which was reported to be one of the sources of unauthorised powerlooms.
- (v) However, the ultimate answer to the phenomena of unauthorised powerlooms is vigorous action taken by the State Governments in bringing the guilty to book and dismantling and seizing such powerlooms. Opinion against the unauthorised powerlooms will be helped if it is made known that prosecution will follow and that such looms will never be regularised.

2.33 The capacity utilisation of spindles and looms in the Cotton Textile industry during the first two years of the Sixth Five Year Plan and the preceding three years had been as under:—

Year	Installed spdls. (millions);	Spindles worked%			Installed looms (thousands)	Looms worked%		
		I sft.	II sft.	III sft.		I sft.	II sft.	III sft.
1977-78	19.76	78	79	73	207.0	87	85	58
1978-79	20.35	88	81	77	207.0	91	86	63
1979-80	20.74	75	76	80	207.8	85	83	66
1980-81	21.23	76	77	77	208.0	84	62	65
1981-82	22.22	73	75	73	210.0	80	78	63

2.34 As regard capacity utilisation in Woollen Textile Industry, the Department of Textile intimated, in a note, that "Firm statistics of capacity utilisation in the Woollen industry and not available." The Committee, therefore, enquired why it has not been possible for the Textile Commissioner to collect and compile data for Woollen Textile Industry. The Textile Commissioner explained in evidence that:—

"Woollen textile industry has three hundred and forty one mills. Out of them a majority are in the unorganised sector.....From the organised sector we get the data, from the unorganised sector it becomes difficult..... Out of 100 Units in the organised sector we have got figures only from 96 units in one quarter, 86 in another quarter and 81 in another quarter during the last year. We have been asking the Woollen Mills Federation—some of these mills are members of the Federation—and requesting them to supply the data properly because that will help us in reviewing and formulating the policy for the industry."

2.35 The Committee asked how in the absence of statistical data about capacity utilisation in the Woollen Textile industry, the Department of Textile and the Planning Commission were able to plan for the future, the Secretary Department of Textiles explained "It is not as if we were not getting any data. We are getting from the mills in the organised sector. In a pragmatic manner some programmes are made and some plans are made. But it is not foolproof. Unlike the Cotton Textile Industry it is not foolproof here."

2.36 Asked whether there is a provision in the Control Order that if a Woollen Mill fails to furnish data, it can be prosecuted and if so why had the Textile Commissioner not invoked his statutory powers to discipline such mills, the witness pleaded:—

"Sanction (for prosecution) is there. Over the years, the Cotton Textile industry has gone into the habit of sending us the data and information, whereas the Woollen industry has not gone into that habit. We are trying to bring them round..... Prosecuting the Mill for not filing a statistical return would look like over-reacting.... We do not like to do it and involved ourselves in litigation with the Mills."

2.37 The Committee asked that if the Textile Commissioner had not used the power of prosecution vested in him, should not that power be taken away from him and given to some one else who can use it more effectively. In reply, the Textile Commissioner assured:—

"We will now try to prosecute the mills which have not sent the Reports."

2.38 According to an assessment, the productivity levels in the textile industry in India are almost one-third to one half of countries like Japan, U.K. and Germany. The Committee, therefore, wanted to know why the productivity levels in the textile industry in India were so low as compared to other countries. The Secretary, Department of Textiles explained during evidence that the main reason for this disparity was that "the degree of automation in the advanced countries is much higher than in India." In India, the percentage of automatic looms to total looms was 21.9 per cent, against world's average of 68.9 per cent. In the 1979, the percentage in U.K. was 99.3 per cent, in West Germany 77.5 per cent, and in Japan 39.4 per cent. Other constraints, according to the witness were (i) closure and shut down occasioned by bad maintenance (ii) shortage of coal (iii) inadequate supply of power (iv) labour unrest and (v) lack of modernisation.

2.39 Asked why capacity utilisation of looms and spindles in the textile industry had not picked up even in the Productivity Year (1982), the witness said "We had the Bombay textile strike running almost throughout the year and that has taken a heavy toll of the production capacity within the country."

2.40 Analysing the situation still further, the witness explained in evidence that while according to an estimate made by the Indian Cotton Mills Federation, the organised mill sector needed capital investment of Rs. 250 crores for a period of 5 years, the actual investment (including what is financed by IDBI Soft Loan) in 1979 and 1980 had been of the order of Rs. 77 crores and Rs. 106 crores only. If Mills had taken full advantage of IDBI's soft loan scheme, it would have improved the productivity of textile industry. In some of the cases, the financial mismanagement of the past had also contributed to fall in the productivity level of the textile industry.

2.41 In a Note furnished after evidence, Department of Textiles have intimated that a Tripartite Committee under the Chairmanship of a retired Chief Justice of the Bombay High Court has been appointed to go into the problems of textile mill industry workman and specific problems of the Bombay Cotton Textile Industry. The Committee is to make, recommendations regarding modernisation of the textile industry in the country within a period of one year.

2.42 According to the present policy, the spinning capacity upto 50,000 spindles has been delicensed in the case of cotton mills whereas in the case of woollen mills the spinning capacity delicensed is only upto 2400 spindles. The Textile Commissioner assured the Committee that Government would consider an increase in the level of delicensed capacity in respect of woollen mills. The Committee would like to be apprised of the action taken pursuance of this assurance.

2.43 The Committee are convinced that part of the blame for haphazard growth of unauthorised powerlooms to the extent of 5.77 lakhs in the decentralised sector in the country, lies with the Textile Commissioner because under the Cotton Textiles (Control) Order, 1948 and the Textiles (Production by Powerlooms) Control Order, 1956 prior permission of the Textile Commissioner for the installation of powerlooms for production of cloth was necessary. The Committee are not convinced with the explanation that the "Textile Commissioner is organisationally not equipped to deal with this problem, particularly when violations have taken place on a large scale in widely dispersed locations." The Committee feel

that had the Textile Commissioner been alert, this problem could not have assumed such a proportion. The Committee trust that the Textile Commissioner will not be found negligent in the discharge of his duties and responsibilities in future.

2.44 The Committee find that in the Cotton Textile industry the capacity utilisation of spindles (First Shift) has come down from 88 per cent in 1978-79 to 73 per cent in 1981-82 and that of looms (First Shift) from 91 per cent in 1978-79 to 80 per cent in 1981-82. It is a matter of great concern that there has been persistent deteriorating trend and particularly in the Year of Productivity (1982) the capacity utilisation in the Cotton Textile Industry in India has touched a new low in recent years. The Committee would stress the need on the part of the Textile Commissioner to reverse this trend soon by stepping up his developmental activity.

2.45 The Committee are surprised to note that though the Woollen Mills have not been submitting to the Textile Commissioner statistics of capacity utilisation, no action was taken by him against the defaulting mills. The result is that firm statistics of capacity utilisation in respect of Woollen Textile Industry are not available. The Committee cannot but deplore this in-action on the part of the Textile Commissioner and hope, that as assured in evidence, he would take such steps as may be necessary to obtain information and build up statistics in this regard without fail in future.

#### D. Processing of Outside Cloth by Composite Mills

2.46 Section 20-C of the Cotton Textile (Control) Order, 1948 as substituted by Notification No. GSR 1738 dated 11-7-1969, reads as follows:—

“20C(1) save in accordance with a per mission, in writing issued by the Textile Commissioner, no producer having a spinning plant shall undertake or carry out any processing of any cloth not produced by him.

(2) In granting or refusing permission under Sub-Clause (1) the Textile Commissioner shall have regard to the following matters namely:

(a) the need to satisfy the demand for processed cloth from the domestic and export markets;

(b) the need to satisfy the requirements of the Central Government;

(c) (Omitted *vide* S.O. No. 324 dated 5th January 1971)

(d) Any, other relevant circumstances.”

2.47 Permission given to Textile Mills to process outside Cloth is subject to the following conditions:—

1. The cloth processed should not conform to the definition of Controlled Cloth as notified from time to time.
2. The facility should be undertaken by the Mills, as a job work and not for conversion of the processed cloth in their own name.
3. The provisions of the Textile Commissioner's Notification No. CER/3/69 dated 19-9-1969 regarding marking regulation and price marking as per Textile Commissioner Notification No. CLR/3/76 dated 9-6-1976 should be strictly adhered to.
4. The manufacturers' name and processors name etc. should be clearly stamped on the processed cloth as per the Textile Commissioner's Notification No. CER/3A/75, dated 1-10-1975.
5. Mill should strictly comply with the Central Excise Regulations in this regard.
6. Mill is also required to furnish to Textile Commissioners office, regularly every month a statement showing the description of cloth and the quantity processed of powerloom cloth during the period for which permission is granted apart from including the same in its monthly CST-P-returns.
7. A complete record of receipt and disposals shall be maintained day to day by the Mills;
8. They should also maintain register according to proforma prescribed.

2.38 A statement received from the Department of Textiles, showing the outside cloth processed by all mills including MRTP Units in the Cotton Textile Industry is reproduced below:—

(upto June)

Name of Process	1980			1981			1982		
	Total cloth Processed by all mills	Total outside cloth Pro-cessed	% of (3) to (2)	Total cloth Processed by all mills	Total outside cloth Pro-cessed	% of (6) to (5)	Total cloth Processed by all mills	Total outside cloth Pro-cessed	% of (9) to (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Bleaching . . . . .	2374	148	6.23	2427	206	8.49	878	70	7.97
Piece dyed . . . . .	1426	79	5.54	1461	104	7.10	598	46	7.69
Printed . . . . .	1146	57	4.97	1088	84	7.72	374	22	5.88
Mercerised . . . . .	1217	76	6.24	1250	116	9.28	480	40	8.33
Sauforised . . . . .	755	47	6.23	792	53	6.69	290	16	5.52
Other chemical Process . . . . .	200	13	6.50	245	18,	7.35	104	4	3.85

2.49 MRTP Units are being granted permission to process outside cloth liberally even when they do so by keeping their own looms idle. The Department of Textiles have intimated that out of 70,044 looms installed in 65 MRTP Units, only 62,326 looms were worked in 1st shift leaving 7,728 looms idle. The Mill-wise information (1982) furnished by the Department has revealed the following position:—

- |                                                                            |     |
|----------------------------------------------------------------------------|-----|
| (i) No. of MRTP units with more than 25% idle loomage                      | —11 |
| (ii) No. of MRTP Units with less than 25% but more than 10% idle capacity. | —7  |
| (iii) No. of MRTP Units with less than 10% idle loomage capacity           | —47 |

2.50 The Committee wanted to know the total processing capacity available in the textile industry. In reply, the Secretary, Department of Textiles indicated in evidence that independent processors had processing capacity of 8,494 million metres as against 4680 million metres processing capacity of composite Mills.

2.51 As Association of Textile Processors represented to the Committee that grant of permission to M/s T.I.T. Mills, Bhiwani and M/s Birla Cotton Mills, Delhi (both belonging to the Birla Group of Companies) to process cloth produced by other Mills had hit hard the small scale processors. Both these Mills are composite Mills having their own spinning and weaving capacity. The Association revealed that in order to process outside cloth these mills had stopped the working of their own looms and created unemployment for their workers. It was pointed out that, in the circumstances grant of permission to composite Mills to undertake the job work of processing outside cloth violated the Cotton Textile control order 1948. The Association suggested that such permissions should be granted only in rare cases under special circumstances and not liberally.

2.52 The Committee took up the case of M/s T.I.T. Mills, Bhiwani for detailed study. From a perusal of files relating to this case, it transpired that:—

- (i) TIT Mill Bhiwani has an installed capacity of 644 looms. It has been keeping this capacity idle since 1980. The extent of idle capacity has been as under:—

Year	Installed capacity (No. of looms)	Average utilisation of looms (1st shift)	Average idle capacity of looms (1st shift)
1980 . . .	644	371	273
1981 . . .	644	125	519
1982 (Jan—June) .	644	171	473

- (ii) The Mill was permitted by the Textile Commissioner's Organisation in September 1980 to process outside power-loom cotton cloth to the tune of 10 lakh metres per month upto August, 1981. The validity of this permission was first extended upto 31-8-1982 and further extended upto 31-3-1983.
- (iii) While granting the last extension i.e. upto 31-3-1983, the limit upto which the Mill could go in for processing of outside cloth was raised from 10 lakh to 15 lakh metres in July, 1982.
- (iv) In July-August 1980 TIT Mill, Bhiwani gave notice of its intention to close down two of Units (Synthetic manufacturing Unit and Department of Cotton Yarn) on grounds of financial difficulties. A meeting was held by the Labour Commissioner Haryana on 25-8-1980, wherein he expressed the view that the State Government was determined to avoid the closure of this at all costs. The representatives of the workers pointed out at this meeting that the financial problems are mostly attributable to shortcomings of the Management. A memorandum of Settlement was arrived at by the Mill with its workers on 2-9-1980, whereunder the management agreed to withdraw the Notice of closure and consider instead the question of laying off the workers.
- (v) on 30-6-1981 the Textile Commissioner, Bombay forwarded to its Regional Office at Amritsar, a copy of complaint received from the Labour Union of the TIT Mill Bhiwani alleging mismanagement of the Mills in the last 1½ years. The Labour Union had alleged that the management had retrenched by unfair means about 1500 workers and the retrenchment of about another 700 workers was reported to be under process. The Union had further alleged that inspite of having all the resources, the management had been reducing the capacity utilisation of looms and turning the profit making Mill into a sick Unit.
- (vi) The Textile Commissioner called for a detailed report on the working of this Mill. A detailed report furnished by the Amritsar Regional Office dated 8-7-1981, revealed



*inter-alia* that against the installed capacity of 644 powerlooms the Mill were found working 114 powerlooms while a few powerlooms were under overhauling.

- (vii) In August, 1981, Director of Industries of Haryana State submitted a proposal that out of 500 powerlooms of TIT Mill Bhiwani lying idle since long, 100 powerlooms may be leased out to the Small entrepreneurs but this proposal was rejected by the Textile Commissioner's Organisation.

2.53 Giving a background of the policy of granting permission to composite Mills for processing outside cloth, the Secretary, Department of Textile stated that this policy was introduced in 1948 as it was noticed that much of processing equipment installed in composite mills was not being utilised to full capacity. In 1965-66, the Study Team under the Chairmanship of Shri K. K. Shah expressed the view that, "it would be inadvisable to place restriction on the optimum utilisation of processing capacity installed in mills." The Study Team pointed out that it would be "retrograde step" to have restrictions that have the effect of preventing handloom and powerloom sectors from getting their cloth processed in mills. The Study Group noticed that the differential in the ratio of excise duty of cloth processed in the mills and cloth processed by independent processors gives adequate protection to independent processors. Government accepted this view point and from 1971 the policy of allowing Composite Mills to process outside cloth was liberalised.

2.54 The Committee enquired if the Study Team had recommended that a composite mill could shut down its looms for which it was licensed and start processing outside cloth, the witness confirmed that in the Report of the Study Team "there is no such recommendation."

2.55 Section 20(c) of the Cotton Textile (Control) order provides for not only granting but also refusing permission for processing outside cloth. Asked if permission to process outside cloth was refused by the office of the Textile Commissioner in the case of any composite Mill which applied for it, the representative of Department said:—

"the permission was liberally granted. There is no question of anybody applying for the permission and did not get it."

2.56 The Committee wanted to know whether before granting permission to a Composite Mill for processing outside cloth due regard was being paid to the parameters stipulated in Section 20(C)

(2) viz. the need to satisfy the demand for processed cloth from the domestic and export market, the need to satisfy the requirements of the Central Government, and other relevant circumstances, and if not on what basis or criteria was such permission granted. In reply, the Secretary, Department of Textile revealed:—

“This is based on the general assessment of the situation in the country made by the Government. There was a great deal of demand for printing of cloth, for dying and other purposes.”

2.57 Asked that if the intention of Government was to be so liberal as not to implement Section 20(C) (2) at all, why was that provision not deleted, the representative of the Department pleaded:—

“As regards Section 20(C), Government policy keeps on changing from time to time. But if Government policy changes, it does not always follow that legal provision which is capable of being interpreted both ways should be dropped.”

2.58 When the Committee wanted to know whether liberal grant of permission to composite mills did not result in loss of business to small scale processors, and was it not against the avowed aim of Government to protect the small scale industry, the Secretary, Department of Textile pointed out that: —

“Whereas in the case of composite mills getting processing facilities, their number increased from 143 to 281 in the course of the last 10 years, the number of processors in the medium and small scale sector also increased from 76 in 1972 to 248 in 1982 in the course of ten years.”

2.59 The Committee asked how far grant of permission for processing outside cloth to a composite Mill like T.I.T. Mills, Bhiwani, which had gone to the extent of stopping their own looms for which they were licenced resulting in lay off of hundreds of their workmen, was justified. In reply, the Secretary, Department of Textiles revealed:—

“It is a fact that at the moment we have not taken these two questions. The question of under utilisation of looms, closure of looms, retrenchment of labour, granting liberally to expand the processing capacity, has so far never been gone into by me, because the basis of government's policy hithertofore has been granting processing capacity liberally.”

2.60 Asked whether before entertaining any requests for processing outside cloth, should not the Textile Commissioner satisfy himself whether the Mill was utilising its own capacity of looms to the full, the Secretary assured in evidence that:—

“This aspect was never gone into previously because the policy of granting permission for processing was deliberately and designedly liberal. After hearing the discussion in this forum, I am now going to issue instructions that they must be looked into.”

2.61 Asked that if a Composite Mill like T.I.T. Mill deliberately keeps substantial portion of its loomage capacity idle, should not the licence of such a Mill be cancelled and given to a person who can utilise it, the representative of the Department said:—

“At the moment we do not have any provision by which we could do that. So the question of amending the Industrial (Development and Regulation) Act is under consideration. The matter is being considered actively by the Department of Industry.”

2.62 Replying to a query whether while granting permission to process outside cloth, Textile Commissioner ensured that the Mill concerned did not go beyond its licenced capacity, Textile Commissioner stated that till 1981, the Mills were free to install as much processing capacity as they considered fit in terms of their own requirement or market conditions. The processing capacity was not being licensed. Industrial licenses were granted in terms of looms and spindles. He revealed:

“We have now got order of the Ministry of Industry that processing capacity will be licensed; it will also be regulated. In January, 1982, we had issued a Press Note inviting mills to let us know that capacity they had installed.”

2.63 The Committee invited attention to the letter dated 7 April, 1982, addressed by T.I.T. Mills, Bhiwani to the Regional Office of the Textile Commissioner, Amritsar in which it was stated that:

“In February, 1982 we have processed approximately 10 lakh metres of Cotton cloth. But thereafter we have added one Float Drier and 8 Jiggers in our process house, thereby our processing capacity has increased. Thus we have requested for increasing the processing capacity endorsement from 10 lakh to 15 lakh metres in case of cloth.”

2.64 Asked if, as admitted in their application, the Mill had increased its processing capacity without the prior approval of the Textile Commissioner why had not the Textile Commissioner taken any action against that Mill. In reply, the Textile Commissioner assured that:—

“This application was sent to the Regional Officer, Amritsar and was finally disposed of by him. But in case they have added capacity as they have admitted in the application, they have violated the law and we have to take action against them.”

2.65 Answering a query about the number of workers who were retrenched by T.I.T. Mills, Bhiwani as a result of keeping their looms idle since 1980, the witness said:

“In January, 1980, the total number of workers was 4843. In October, 1982, the number of employees was 3526. This shows a reduction of 1317. But after that, more workers have been employed. Between January, 1980 and January, 1983, the reduction is 898.

2.66 According to the Department of Textiles as many as 65 MRTP units had been permitted by the Textile Commissioner to process outside cloth. Asked if grant of permission to MRTP unit to process outside cloth did not enable the monopoly houses to flourish, the witness said:

In case an MRTP company seeks to process cloth which it is not licensed to manufacture, the Department of Company Law has stated, it attracts the provisions of the MRTP Act. We direct them to obtain clearance of Company Law Board. This is the case where permission is not granted as a matter of course”.

2.67 Asked if T.I.T. Mill fell within the ambit of MRTP Act and if so did it obtain clearance of the Company Law Board, the witness said:—

“Bhiwani Mill is not a monopoly house. It is owned by a Birla trust. This is a charitable trust and does not come within the MRTP.”

2.68 In a Note furnished after evidence the Department, of Textiles indicated that 5 out of 8 trustees of the Charitable Trust belong to one monopoly house.

2.60 In reply to a query, the witness indicated that a detailed socio-economic analysis of policy of liberal grant of permission to process outside cloth which will go according to very high academic standards had not been undertaken either by the Textile Commissioner or by the Department of Textiles. The Committee observed that one of the obvious implication of the policy of liberal grant of permission by the Textile Commissioner seemed to be that on the one hand the composite Mills felt tempted to keep their loomage capacity idle resulting in lay off or retrenchment of their workmen, on the other hand there was erosion of the business of small scale processors. In reply the witness conceded that "these conclusions would naturally suggest so". However, the witness pointed out that:—

"the percentage of idle looms at no time has exceeded 2 to 3 per cent. As regards the other thing processing units in small scale sector are dying out—our view is that they are increasing, not dying out".

2.70 Section 20(C) of the Cotton Textile (Control) Order, 1948 lays down the criteria for the guidance of the Textile Commissioner in granting or refusing permission to a mill to undertake or carry out any processing of cloth not produced by it. The Committee note that from 1971 onwards the Textile Commissioner has been pursuing a policy of liberally permitting the mills indiscriminately to process "Outside" cloth without regard to the criteria prescribed in the Control Order. The Committee regard this as irregular involving violation of a statutory order. In case liberalisation to such an extent was really intended, the Control Order would have been suitably amended by Government which it should be noted was not done.

2.71 In view of the fact that processing of "outside" cloth by mills displaces a large number of small scale independent processors, the Committee recommend that great care has to be exercised in granting such permission and it should be ensured that there is need for it and that it does not harm the existing small scale units...

2.72 The Committee have been informed that the liberation in the matter of permitting the processing of "Outside" cloth was as a result of the recommendation of the Study Team under the Chairmanship of Shri K. K. Shah (1965-66). The Committee however note the statement made before them that there was no recommendation in the Report of the Study Team to the effect that a mill should be allowed to process "Outside" cloth even if it deliberately

closed down its looms, thus creating unemployment and loss of production in one segment of its operation. The Committee recommend that while granting permission to a composite mill to process "outside" cloth, the Textile Commissioner should ensure that the applicant mill does not keep un-utilised its licensed spinning or weaving capacity. In this connection the Committee would recall that while conceding that this aspect has not so far been done into, the Secretary assured the Committee that instructions would be issued in this regard. The Committee expect that this should be acted upon forthwith.

2.73 The Committee learn that certain textile mills have been keeping a part of their loomage capacity idle for long time as a deliberate policy because it may not be profitable for them to work the looms to full capacity and in the process a large number of workmen are thrown out of employment. The Committee would like to mention TIT Mills, Bhiwani as one such glaring instance. Such mills should be discouraged from processing outside cloth. The Committee recommend that in such cases, the licensed capacity of the mill should be reduced to the level of looms that are actually worked over a certain period and the capacity relicensed to new units. If there are any legal impediments to such a course of action being taken, these should be sorted out in consultation with the Ministry of Law and the Textile Control Order amended accordingly.

2.74 The Committee note that hitherto the mills were licensed by their spindlage and loomage capacity and the capacity for processing of cloth was not specifically mentioned in the licence. This has led to mills setting up processing facilities much beyond their internal requirements in terms of the spindlage/loomage capacity licensed and using the excess processing capacity thus created for processing of "outside" cloth as a side venture. The Committee recommend that necessary steps should be taken to indicate in the industrial licence, processing capacity also and applications for enhancement of licensed capacity for processing should be required to undergo the same procedure as are applicable for granting permission for increasing the weaving or spinning capacity of the unit.

2.75. In the course of their case study in respect of TIT Mills, Bhiwani, it has come to the notice of the Committee that following order of the Ministry of Industry that processing capacity of the textile Mills will also be subject to licensing capacity in January, 1982 a press note was issued directing the mills to intimate the capacity for processing of cloth installed by them. This Mill by a

letter dated 7th April, 1982 addressed to the Regional Office of the Textile Commissioner, Amritsar requested for increasing the processing capacity endorsement from 10 lakh to 15 lakh metres of cloth in view of the fact that after Feb., 1982 it had installed additional capacity for processing. The Regional Office of the Textile Commissioner, Amritsar acceded to the request and the processing capacity of the TIT Mills Bhiwani was accordingly increased in July, 1982. The Committee would like the Department of Textiles to investigate as to how the Regional Office of the Textile Commissioner, Amritsar agreed post-haste to increase the processing capacity thereby regularising the expansion of the Processing Capacity, undertaken without proper licence after January, 1982...

2.76 The Textile Commissioner has gone on record before the Committee that in case the TIT Mills Bhiwani "have added capacity, as they have admitted in the application, they have violated the law and we have to take action against them". The Committee would like to be informed of the result of the investigation against the Regional Office of the Textile Commissioner, Amritsar and of the action taken against this Mill for violating the law.

2.77. Incidentally, it came to the notice of the Committee that the TIT Mill, Bhiwani, was facing financial difficulties. The Committee recommend that in case the difficulties are genuine, Textile Commissioner should ensure adequate financial assistance, especially for modernisation in the interest of maintaining production and sustaining employment. In case the Government feel that the condition of the Mill is such that financial assistance alone would not help, they should consider taking over the management of the Mill to put its working on sound footing.

## .. CHAPTER III

### CONTROLLED CLOTH SCHEME

3.1 The Controlled Cloth Scheme has been in operation in one form or another since 1964. Upto September, 1978 mills were placed under an obligation to manufacture controlled cloth in a certain proportion to their total production but from September, 1978, the system of getting controlled cloth manufactured by issue of tenders and mainly from NTC mills was introduced. Production of controlled cloth in 1979-80 and 1980-81 amounted to 345.03 and 491.34 million square metres respectively. Later, in the new Textile Policy (March, 1981) it was envisaged that production of controlled cloth (including Janata Cloth) will be stepped up to 650 million square metres and that it will be produced by the NTC and the handloom sector in equal proportion. Manufacture of drill and shirting was taken out of the ambit of the scheme. During 1981-82 the NTC and handloom sector together produced 319.24 and 320.75 million square metres of controlled and Janata cloth respectively. In 1982-83, however, NTC obligation was fixed at 310 million square metres and that of handloom sector 340 million square metres.

3.2 The payment of subsidy to the Mills producing controlled cloth was introduced from 1 January, 1977 at the rate of 35 per cent on the Ex-mill price as on 31-12-1976. From 1 October, 1978 the element of subsidy was determined on the basis of differential between the Ex-mill price plus excise duty as on 31-12-1976. In the case of NTC mills, the Ex-mill price was to be as approved by the Ministry of Finance and in the case of private mills the ex-mill price was to be the tender prices accepted by the Textile Commissioner. From 1 July, 1981, fixed rates of Government subsidy were introduced. These were Rs. 2 per sq. metre for Dhoties and Sarees and Rs. 1.50 per sq. metre for long cloth. Consumer price was worked out on the basis of cost of production minus appropriate rate of subsidy plus trade margin of 15 per cent. Earlier, the trade margin was 20 per cent. Textile Commissioner is responsible for verification of consumer price calculation with a view to protecting consumer interest.



3.3 The subsidy paid to NTC and the handloom sector on production of controlled cloth was as follows:

Year	NTC	(Rs. in Crores) Handloom Sector
1979-80	59.63	20.00
1980-81	76.00	30.00
1981-82	12.500	46.00
1982-83 (upto 15-10-82)	26.65	Not avail- able

3.4 Till 1972 the controlled cloth was distributed through the normal trade channels. Thereafter it was distributed through the NCCF at the national level, various apex cooperative bodies at the State level, and through retail levels nominated by the concerned State Governments. Allocation of controlled cloth quota to various States/Union Territories is fixed by the Office of the Textile Commissioner on the basis of their population.

3.5 The scheme of production and distribution of controlled cloth is administered by the office of the Textile Commissioner. This control, it has been stated, is exercised by that office, by:

- (i) Scrutiny of controlled cloth samples to ensure that the cloth produced is in accordance with the prescribed specifications;
- (ii) Keeping a watch on overall performance of the mills having regard to the targets;
- (iii) Collection of quarterly production pattern based on demand pattern from the NCCF, scrutiny with regard to targets fixed by Govt. and onward transmission to NTC holding company for allocation to subsidiaries for production;
- (iv) Verification and revision, where necessary, of consumer price calculations fixation of monthly controlled cloth quota for various States/Union Territories on the basis of population and issue of release orders.

3.6 Defending the stoppage of production of drill and shirting under the Control Cloth Scheme, the Secretary, Department of Textiles said in evidence that "it was felt that these relatively

urban items like drill and shirting should be eliminated and that both (i.e. NTC and handloom sector) should concentrate on dhoties and sarees."

3.7 The Committee wanted to know if the entire controlled cloth produced each year was being sold away. In reply, the Department of Textiles reported in a Note that following the revision in consumer prices of controlled cloth with effect from 1 July, 1981, there was some reluctance on the part of state level agencies to lift controlled cloth. On 31 March, 1982, according to National Cooperative Consumers Federation, cloth valued at approximately Rs. 7 crores was lying accumulated. In June, 1982, NTC announced discounts ranging from 2½ per cent to 7½ per cent to help dispose of the accumulated controlled cloth. Controlled cloth worth Rs. 3.81 crores still remains accumulated and unsold.

3.8 Explaining the reason for reluctance to lift stocks of controlled cloth, the Secretary, Department of Textile said in evidence that because of upward revision of prices of controlled cloth in 1981, "the price differential between controlled cloth of NTC and the cloth produced by the mills was very narrow and so people would much rather go in for better cloth of a somewhat higher price than for controlled cloth." The witness, however, stated that despite this trend "there is no question of giving up the policy." He added: "there is still demand in the market for controlltd cloth, and when we had the meeting of the State Civil Supplies Corporations and State Civil Supplies Departments, all of them unanimously said that the scheme was useful and it should be continued."

3.9 Giving an idea of the extent of hike in the prices of controlled cloth, the Secretary, Department of Textiles said:

"Between 1974 and 1981, although the cost of production had been increasing, there was no increase in the sale price of controlled cloth and it was increased for the first time after seven years in 1981. . . . The price rise ranged from 65 per cent to 165 per cent; the weighted average of increase is about 88 per cent."

3.10 When asked if fixation of quota of controlled cloth for various States/Union Territories on the basis of average income of each State than on the basis of population would not be a better proposition, the witness said:

"I understand the thrust of the question. But this will require much more sophisticated and intricate computation."

One knows generally that the per capita income in Bihar is among the lowest and the per capita income in Punjab is the highest. But to determine the number of people on this basis, that upto this income level we shall be distributing, Punjab has so many and Bihar has so many, will at the moment be difficult for want of detailed statistical information. Besides, the State Governments also may not like. It should be a fair scheme; that is all. At the moment it will not be feasible. But we can try to work on these lines.

3.11 A representative of the Department of Textile informed the Committee during evidence that according to the data available with them, controlled cloth is being distributed through 66 thousand outlets. Of these, fifty thousand are in rural areas.

3.12 The Committee wanted to know whether, apart from releasing controlled cloth quota to various States, the Office of the Textile Commissioner had been ensuring that the controlled cloth reached the people for whom it was meant. In reply, the Secretary, Department of Textiles pointed out:

“Distribution of controlled cloth is squarely the responsibility of the State Government and the Centre cannot possibly do any policing, supervision over the State Governments, I took meetings with the State Governments, Civil Secretaries and Civil Supplies Corporations and told them that the beneficiaries do get it; and the procedure in most States is that this is given against ration cards which are held by the less affluent sections of the community.”

3.13 When the Committee pointed that the Central Government had been paying substantial amounts as subsidy on production of controlled cloth year after year, and therefore, the Textile Commissioner could not disown responsibility for ensuring proper distribution to people in interior or backward areas, the witness said:

“We have already sent a requisition to the National Council of Applied Economic Research and asked them to make sample surveys to see to what extent the cloth is reaching the intended beneficiaries. In addition to this, many advisory bodies and social bodies will be asked to do some general survey in some areas selected by the Textile Commissioner to see whether this controlled cloth is really going out to the people for whom it is meant.”

3.14 The Committee find that while stepping up the level of production to 650 million sq. metres under the Controlled Cloth Scheme, Government have taken away drill and shirting from the ambit of this Scheme. The Committee recommend that as drill and shirting are also consumed by weaker sections of society their production under the Controlled Cloth Scheme may not be stopped altogether but may be undertaken on a lesser scale keeping in view its consumption level.

3.15 The Committee are of the view that the controlled cloth scheme can be beneficial to the weaker sections only if the cloth produced under the scheme is of reasonably good quality and carries a sale price which is within the reach of the people for whom it is meant. The Committee find that the price hike announced in July, 1981 resulted in increase in sale price of this cloth ranging from 65 to 165 per cent. The Secretary, Department of Textiles conceded in evidence that this increase had the effect of narrowing down the price differential between the sale prices of controlled cloth and the cloth produced by Private Mills to such an extent that people started going in for better cloth of a somewhat higher price than for controlled cloth. There was some reluctance on the part of State level agencies also to lift controlled cloth. The Committee understand that despite NTC having offered discounts, controlled cloth worth Rs. 3.81 crores has got accumulated. The Committee hope that cost of production of controlled cloth as well as its market price will be kept under reasonable limits so as to be within the reach of the weaker sections of our society for whom it is meant.

3.16 As the Central Government had been paying substantial amounts as subsidy on production of control cloth, the Textile Commissioner cannot entirely disown responsibility for its proper distribution. The Committee were informed by the Secretary, Department of Textiles that they had already requested the National Council of Applied Economic Research to carry out a sample survey as to what extent controlled cloth was reaching the people for whom it was meant. The Committee were also assured that some advisory and social bodies will also be asked to undertake general survey in some selected areas to find out the position. The Committee would like to be apprised of the steps taken to strengthen and streamline the distribution system.

3.17 The Committee have been informed that at present allocation of Controlled Cloth quota to various States/Union Territories

is being done by the Textiles Commissioner on the basis of their population alone. The per capita income varies from State to State. The number of people belonging to weaker Section of Society in various States is also not uniform. The Committee, therefore, feel that allocation of Controlled Cloth on the basis of total population of a State is not a very satisfactory arrangement. The Committee would recommend that the basis for allocation of controlled cloth may be reviewed in consultation with State Governments and placed on a sounder footing.

## CHAPTER IV

### EXPORT PERFORMANCE

4.1 Department of Textiles has furnished the following figures of export performance during the period of 1977-78 to 1981-82:—

Year	Rs. Crores				
	Cotton Textiles	Man-made Textiles	Silk Textiles	Wool and Woolen Textiles	Total Export
1977-78	603.52	32.32	33.05	125.63	794.52
1978-79	648.70	36.03	43.61	134.22	862.57
1979-80	754.34	33.59	47.28	153.64	986.06
1980-81 (provisional)	873.93	28.71	39.84	155.15	1097.63
1981-82 (provisional)	854.72	11.42	34.87	167.35	1168.36

(NOTE: The figures under 'Wool and Woolen Textiles' include export of handknotted carpets also.)

4.2 Export of ready-made garments including hosiery has been as under:—

Year	Value of Export (Rs. Crores)
1977-78	262.53
1978-79	365.97
1979-80	388.55

(NOTE: DGCI & S figures for the years 1980-81 and 1981-82 are not yet available.)

4.3 There are as many as five Export Promotion Councils in the field of textiles. These are:—

- (i) The Cotton Textiles Export Promotion Council;
- (ii) The Silk & Rayon Textiles Export Promotion Council;

- (iii) Wool and Woollen Export Promotion Council;
- (iv) Handloom Export Promotion Council; and
- (v) Apparels Export Promotion Council.

4.4 These Councils work under the aegis of the Government of India. Apart from promotional activities, these councils perform other functions such as overseas market studies, providing market intelligence, administration of quotas, etc.

4.5 Government of India have also set up a Quota Coordination Committee headed by the Textiles Commissioner, which has on it as Members the Chairmen of all the Textiles Export Promotion Councils. Besides representatives of other important trade organisation are also co-opted as members. The main function of this Committee is to take a coordinated view on various operational problems relating to export quota administration.

4.6 Government are stated to have taken the following measures for optimising export of textiles:—

- (a) Grant of cash compensatory support to exporters. Rates of cash compensatory support are 15 per cent on art silk textiles, 10 per cent on processed cotton fabrics, 7.5 per cent on cotton grey fabrics and made-ups, 5 to 7.5 per cent on ready-made garments (except on export of 5 sensitive items viz. shirts, Blouses, dresses skirts and trousers exported to quota countries), 2.5 per cent on other cotton textile manufacture and 5 to 20 per cent on woollen items.
- (b) Grant of REP licenses for import of items specified in the import policy. This is allowed only against exports already made;
- (c) Introduction of system of Advance Licensing which provides for duty free import before effecting exports.
- (d) Setting up of 100 per cent export oriented units. Under this scheme entrepreneurs are entitled to import any machinery, raw materials and other imports required for the production of export products without payment of any duties.
- (e) Rendering of assistance to exporters by bodies like Trade Development Authority and TDF, etc. participation in International Fairs Exhibitions, Buyer Seller meets, Market-oriented teams.

4.7 As far as the export front is concerned, the role of the Textiles Commissioner is "to formulate and administer export incentive schemes for cotton, woollen, and art silk textiles including hosiery items, oversee the administration of export quotas and to maintain liaison with the numerous textile export promotion councils."

4.8 The Committee wanted to know if the functioning of Export Promotion Councils set up for the textile sector had been evaluated by Government. The Department of Textiles intimated, in a Note, that a Task Force was set up by Government on 16-7-1981 to review the functioning of all the Export Promotion Councils (including those in the Textile Sector) under the Ministry. According to the Department of Textiles "General dissatisfaction over the functioning of the various Export Promotion Councils, voiced in the various forums, lack of proper direction in the export promotion field and the suggestion made in the meeting of the Consultative Committee of this Ministry for toning up the working of Export Promotion Councils led to the setting up of the Task Force." The Task Force was asked to submit its recommendations by the 30-11-1981. On 9-3-1983, the Department intimated that "The Task Force has since completed its deliberations and is expected to submit its report to the Government shortly."

4.9 Asked how was it that inspite of so many incentives, export of man-made textiles had declined from Rs. 32.32 crores in 1977-78 to Rs. 11.42 crores in 1981-82. The Department of Textiles has explained, in a Note, that the main reasons for comparatively low level of exports of man-made textiles are (i) uncompetitive nature of the product because of high cost of production, (ii) small base of the domestic industry in the organised sector and (iii) strong pull of the domestic market.

4.10 Referring to India's Textile exports, the Secretary, Department of Textiles observed in evidence that:—

"Our exports are largely in the three major categories—fabrics, garments and handlooms. In Garments we are doing extremely well. Against a target of Rs. 540 crores in 1981-82, we exported garments worth Rs. 650 crores. This year our target is Rs. 750 crores. So far as fabrics are concerned, there is the system of quota. And we have fulfilled 37 per cent of our quota and may do a little more."

4.11 The Committee pointed out that Korea, Hong Kong, Taiwan and Pakistan had entered the export market in a big way and unless we are able to produce textiles of better quality we may not be able to face competition from such countries and penetrate new markets



like those of Gulf countries and African countries. Agreeing with the need for quality control, the Secretary said:—

“.....today not all our mills are equipped with the automatic looms which will increase the quality of the fabrics and there will be less defects in the quality. You know the countries in Western Europe and North America are extremely choosy about the quality. In East Europe and USSR they are not that selective. But if we want to earn more through foreign exchange we have to concentrate more on improving the quality of the fabrics which are exported to the Western Europe and American markets. For that we need more machinery and that is why we have evolved an export-oriented scheme which is intended to provide more incentive to industries to invest, by reduction of import duty and by some other methods.... Today, the rate of import duty is 62 per cent. Because of the cost of escalation and the import duty, there is not much incentive even for the more forward looking export mills to try to invest in these machineries. The Department has evolved a policy paper and it is for the Government at the cabinet level to take decision. We are expecting a favourable decision.”

4.12 A representative of Federation of Woollen Mills stated in evidence that at present, the percentage of export of Woollen cloth to total production of woollen cloth was “in the vicinity of 10 per cent.” He said “to export to sophisticated markets, you must have a good name, a consistently good name, backed by your quality performance over a number of years.”

4.13 The Committee desired to know if the progress of setting up of the export oriented units was being monitored by the Textile Commissioner. In reply, the Department has intimated:

“Implementation of the permission/sanction granted for setting up these units is being monitored primarily by the Export Commissioner in the office of the Chief Controller of Imports and Exports.”

4.14 The Committee enquired how many 100 per cent export oriented units had been set up in the Textile industry so far. In reply, Department of Textiles, intimated, in a Note that:—

“On 8-9-1982, 50 units in the Textile Sector have been approved under this scheme. According to available informations, out of these only one unit has so far gone into operation for the manufacture of ready-made garments.”

4.15 At present the rate of duty on import of textile machinery (in the absence of which modernisation could not make much headway) is as high as 62 per cent. The Secretary, Department of Textiles conceded that "because of the cost escalation and the import duty, there is not much incentive even for the more forward looking export mills to try to invest in these machines". The Committee were informed that the Department of Textiles had already evolved a policy paper in this regard which would be considered by the Government at the Cabinet level. The Committee desire that early decision may be taken in this matter.

4.16 While the Committee welcome the decision to set up 50 export-oriented units in the Textile Sector under the scheme approved by Government in September, 1982, they find that so far only one such unit has gone into operation for the manufacture of ready-made garments. The progress in implementation of this scheme should be accelerated under a time bound programme.

4.17 The Committee regret to note that the Task Force which was set up by Government in July, 1981 to review the functioning of the Export Promotion Councils (including those in the textile sector) and submit its recommendation within 4 months i.e. by November, 1981, has not submitted its Report to Government so far. The Committee cannot but deplore this delay. The Committee would like the Ministry to direct the Task Force to submit its report without any further delay and take such action in pursuance of the recommendation of the Task Force as may be called for within the next six months.

## CHAPTER V

### MODERNISATION

#### A. *Techno-Economic Surveys of Textile Mills*

5.1 A single dominant factor responsible for poor capacity utilisation, lower profits and fall in export of fabrics is stated to be old and obsolete machinery in the Textile industry.

5.2 One of the functions of the Textile Commissioner is to give technical guidance and render advice to the industry in its programme of modernisation and rehabilitation and to recommend financial assistance where required.

5.3 The office of the Textile Commissioner is having a full time Cell for undertaking techno-economic surveys of textile mills. These surveys deal with matters like management, finance, modernisation and suggest ways to improve the working of the mill. During the last 5 years techno-economic survey of 85 mills were conducted.

5.4 Department of Textiles has intimated that Textile mills are selected for carrying out techno-economic survey when:

- (i) regular analysis of balance sheets of a textile mill reveals that it is showing signs of oncoming sickness or has become sick;
- (ii) Ministries/Departments of the Government of India or the State Governments or the Financial institutions make a request for undertaking such a survey;
- (iii) an investigation Committee is appointed by the Government under the Industries (Development and Regulations) Act, 1951 to look into the working of an individual mill. (A representative of the Textile Committee is associated with its work and is generally designated as Member-Secretary of the Committee).
- (iv) Government refers for comments cases relating to the amalgamation of a sick undertaking with another undertaking to obtain the relief under Section 17(2) (a) of the Indian Income Tax Act, 1961.

5.5 The Government Policy on Industrial Sickness was announced in Parliament in May, 1978. After a review of that Policy, Gov-

ernment issued revised guidelines in October, 1981. These guidelines indicated, *inter alia*, that:—

- (i) The administrative Ministries have been assigned a specific responsibility for prevention and remedial action in relation to sickness in industrial sectors within their respective charge. They have a pivotal role in monitoring sickness and coordinating action for revival and rehabilitation of sick units; where necessary, they would work out appropriate policy measures to meet the situation. In suitable cases, administrative Ministries would establish standing committees for major industrial sectors where sickness is wide spread. Such committees would not only review the extent of sickness and policy measures required to tackle the problem, but also analyse problems of individual units showing signs of sickness.
- (ii) Financial institutions have been instructed to strengthen the monitoring system so that it is possible to take timely corrective action to prevent incipient sickness. Arrangements would be made for obtaining periodical returns from assisted units to monitor utilisation of loans and performance of individual units. Directors nominated on the Board of sick units, would also be required to submit periodical returns to the financial institutions. The information thus obtained would be examined and analysed at a central point and made available to all financial institutions concerned with the sick units as well as the Central Government.

5.6 The organised sector of the Textile Industry has 833 mills (723 cotton and 110 woollen mills). Textile Commissioner is responsible "to investigate by way of undertaking techno-economic surveys of such of these mills which are sick or those which have started showing signs of incurring sickness". The Committee, therefore, wanted to know how many of these Mills had become sick and how many were on the verge of sickness. The Secretary, Department of Textile deposed in evidence:

"A very close analysis has been made about all the textile mills which are operating in Bombay. So far as the country as a whole is concerned, such a detailed analysis has not been conducted so far as to how many mills have already become sick, how many are going to be sick and how many are in the process of becoming sick, etc." •

5.7 "It is not possible", said the witness "for obvious physical reasons for the Textile Commissioner to have a track of all the Textile Mills all over the country." He added that:

"Government have felt that this responsibility can be discharged much more effectively and much more purposefully through the financial institutions which are also controlled by the Government than may be by the Textile Commissioner, because the financial institutions deal with a number of units which they know very very intimately".

5.8 Asked if by assigning the responsibility of monitoring the health of the textile mills to the financial institutions, Government wanted to watch off their hands completely, the witness clarified that:

"When we say the responsibility has been thrust on the financial institutions we do not certainly mean that the Government have no responsibility".

5.9 The Committee pointed out that if it were the financial institutions which were to take care of sick textile mills, then no worthwhile role would be left for the Office of the Textile Commissioner to perform. Asked if instead of letting the office of the Textile Commissioner to act only as a post office should not Government wind up such an office. In reply the Secretary, Department of Textile pleaded:

"We feel that this office is necessary. There are many regulations which are administered by the Textile Commissioner. He has also to keep a watch over the health of the entire industry, the trend of the industry, what is ailing the industry. All these things are compiled by the Textile Commissioner so far as the Banks are concerned, they are concerned with the sickness in all the industrial units, not only the textile units. That is a responsibility which has been given to them as a matter of policy. The Textile Commissioner is certainly concerned with the textile industry as a whole. Whatever statistics we want, we get from him. The Textile Commissioner will not be able to go into the working of each unit".

5.10 The Committee find that during the last five years, Textile Commissioner has been able to conduct Techno-economic Surveys of only 85 mills. The Committee have been informed that such Surveys are carried out by him only on selective basis. This is inadequate. The Textile Commissioner should carry out these surveys on a continuing basis covering all the textile mills in stages so that in course of time a complete picture about the health of the entire textile industry and of individual mills become available to the Textile Commissioner and the Ministry for periodical policy appraisals. A phased programme for this purpose should be drawn up and put through without delay.

5.11 Neither the Secretary (Textiles) for the Textile Commissioner was able to indicate to the Committee as to how many Textile Mills had already become sick and how many were on the verge of sickness. The evidence of representatives of the Ministry left an impression on the Committee that the economic health of the individual mills as also of the textile industry as a whole is not being properly monitored by the Textile Commissioner and the Department of Textiles, and the responsibility in this regard to sought to be laid on the financial institutions. According to the Secretary, Department of Textiles "it is not possible for obvious physical reasons for the Textile Commissioner to have a track of all textile mills all over the country". The Committee find that in the revised guidelines issued by Government in October, 1981, the administrative Ministries have been assigned a specific responsibility for prevention of sickness and remedial action in relation to sickness in industrial sectors within their respective charge. The Committee therefore, recommend that, while the monitoring of the textile units assisted by the Financial Institutions is done by them, the Textile Commissioner must remain responsible for monitoring the economic health of the entire textile industry in the country.

#### *B. Modernisation of Textile Mills*

5.12 A census of textile machinery in the Cotton Textile industry made by the Textile Commissioner in 1979 indicated that:

- (i) Out of 37,706 Ring Warp Frames, about 5,128 were between 22 to 25 years old, 2063 between 25 to 30 years and 8,436 were above 30 years:
- (ii) 3504 out of 5617 Ring Warp Frames were about 30 years of age, and
- (iii) 1,06,121 out of 1,38,367 non-automatic powerlooms were above 30 years of age.

5.13 During evidence the Committee desired to know if Survey of Textile Machinery was being done by the office of the Textile Commissioner on regular basis and if so, since when. In reply, the Textile Commissioner said:

"This was conducted for the first time in 1979 by the office of the Textile Commissioner and was restricted to the Cotton textile industry. The results were compiled in 1980 based on the cut of point being 1979. This is proposed to be a five-yearly event. In 1984 we would conduct a similar survey after which comparison with the State of health in 1979 would be possible."

5.14 Asked why the census of textile machinery conducted by the Textile Commissioner in 1979 had left out Woollen textile machinery from its purview, the Secretary, Department of Textiles stated: "The Woollen industry has been neglected so far. Now we have woken up to this awareness."

5.15 In order to speed up modernisation the Government introduced a soft loan scheme for the textile industry which is administered by the IDBI. Started in 1976-77 the Scheme is stated to have benefited 313 applicants. The total amount of loan sanctioned is Rs. 455.04 crores in favour of these applicants. Out of these, Rs. 245.39 crores had been disbursed to 228 applicants till March, 1982.

5.16 The Committee wanted to know as to how many out of the 313 textile units had been completely modernised. In reply, the Textile Commissioner said in evidence:

"It is not possible to list out the units which have modernised themselves, because modernisation takes place in different departments of mills at different stages. It is very difficult to say that a particular mill is fully modernised because technology is changing very fast. The number of mills which should be particularly described as modern and comparable with the best mills in other parts of the developed and developing countries would be hardly a dozen. But considering the backlog of modernisation in our textile industry, we can look at the number of looms in terms of ratio of automatic looms to total number. It would be one index of modernisation."

5.17 The Committee wanted to know if the Textile Commissioner had formulated any Mill-wise programme for modernisation. In reply, the Textile Commissioner stated:

"We do not have any plan of action mill by mill. The office of the Textile Commissioner cannot do this kind of

exercise on mills in the private sector. . . . The Sixth Plan document gives us a certain target of modernisation of the textile industry and we are watching the performance of these targets on the ground to see whether this industry is getting modernised, according to the estimate of the projection in the Sixth Plan. But I cannot go to a Unit and say that you must replace so many of your looms by such and such year. That is a private investment decision which they have to take. Interaction and dialogue with the representatives of the industry takes place from time to time. But Unit by unit we do not have any investment action plan."

5.18 Commenting on the reasons for slow pace of modernisation in the country, the Secretary, Department of Textiles opined:

"Much of these modernisation programmes are also suffering because of heavy duty on import of machinery which is not produced within the country. Today, the rate of duty is 62 per cent. Because of the cost of escalation and the import duty, there is not much incentive even for the more forward looking exporting mills to try to invest on these machineries. If this persists for another four to five years' time, India will be pushed out of the International export market."

5.19 Asked if the prospects of modernisation of textile industry looked so bleak, should not the Textile Commissioner put some pressure on Mills which refuse or delay modernisation, the witness said:

"There is no law in our country today by which we can compel an investor to invest. We cannot cancel the licenses for non-investment."

5.20 It was represented to the Committee that IDBI's Soft Loan Scheme was no longer soft. The rate of interest on loans under this Scheme has been raised from 7.5 per cent to 11.85 per cent and after adding service charges, the interest worked out to around 14 per cent.

5.21 Reacting to the Committee's suggestion to bring down the rate of interest to make the soft loan, more attractive, the Department of Textiles stated, in a Note, that:—

"The rate of interest charged is uniform for the eligible industries i.e. textiles, cement, sugar, jute etc. There is



a case for giving concession in some form to speed up modernisation of the textile industry. It could be lower interest rates, or longer period of repayment or tax concessions in the form of modernisation reserve fund or higher investment allowance or concessional import duty on critical machinery and equipments. Since giving of any such concessions involves similar demand from other sectors of economy, besides having administrative implications, it is for the Government in the Finance Ministry to decide the best way and in what form the concessions could be given to enable faster modernisation."

5.22 Asked if the Textile Commissioner exercised any check to ensure that the funds of the textile mills were not diverted to set up new industries, the witness pointed out.

"Most of the companies in India have several kinds of industrial undertakings owned by them. The companies owning Textile mills have the freedom in our country to invest their funds as they like. If the profit in the textile industry is not attractive enough, they can put up a sugar factory with the same money. There is no prohibition on using profits of one industrial undertaking to set up another industry."

5.23 The Indian Cotton Mills Federation is understood to have submitted in September 1979 a scheme to the Central Government to enable the textile industry to modernise itself. The salient features of this scheme are:

- (a) Mills be permitted to appropriate and set apart upto 30 per cent of their pre-tax profits before depreciation and the amount so funded be considered eligible for tax rebate in the year of appropriation.
- (b) The mill company be made eligible for investment allowance under section 32-A of the Income tax Act, only in the year of installation of the machinery.
- (c) The amount so earmarked be frozen in a separate Bank account and withdrawals permitted only for acquisition of new machinery. About 20 per cent of the capital outlay for modernisation be re-imbursed to the units in the form of rebate on excise duty."

5.24 Department of Textile intimated, in a Note, that the aforesaid proposal was referred to Ministry of Finance but did not find favour with them for the following reasons:—

- (i) The scheme would not help weaker mills and would be more beneficial to the mills which are already doing well.
- (ii) It would involve similar claims from other industries for similar concessions. Extension to all industries in the organised sector would have very heavy revenue implications.
- (iii) Such a concession could be misused by companies. Further such a scheme would be difficult to administer and may lead to hardships in cases of delay in modernisation and vest the field authorities with vast discretionary powers.

5.25 The Committee note that the census of Textile machinery undertaken by the Office of the Textile Commissioner in 1979 covered only the Cotton Textile Industry and not the Woollen Textile Industry. The Secretary, Department of Textiles admitted in evidence that "the Woollen Industry has been neglected so far. Now we have woken up to this awareness." The Committee were assured that carrying out of such a census would be a five-yearly event. The Committee trust that when in 1984 the next census of textile machinery is undertaken by the Office of the Textile Commissioner, the Woollen textile machinery would also be covered.

5.26 The Committee find that one of the functions assigned to the Textile Commissioner is to give technical guidance and render advice to the industry in its programme of modernisation and rehabilitation and to recommend financial assistance where required. It transpired during evidence that the Textile Commissioner had not drawn up even overall plan of action for modernisation. In fact the Textile Commissioner could not even indicate as to how many mills, out of 228 textile mills to whom soft loan of Rs. 245.39 crores was disbursed till March, 1982, had been completely modernised. The Committee would like the Textile Commissioner to be actively involved in the modernisation and rehabilitation of the industry. The Committee would await the steps proposed to be taken by him in this regard.

5.27 There is no law in our country as yet by which a textile mill could be forced to invest on modernisation. The licences of mills which refuse or delay modernisation could not be cancelled. There is also at present no prohibition on a textile mill diverting its funds

for setting up new industrial undertakings. The Committee recommend that as the health of textile industry and the export prospects of Textiles depend to a great extent on the modernisation of the industry, it will be in the national interest to devise legal and other means to ensure that modernisation is not deliberately neglected by the industry.

5.28 The Committee understand that the Indian Cotton Mills Federation had submitted in September 1979 to the Central Government a comprehensive scheme for the modernisation of the textile industry but it did not find favour with the Government. The Department of Textiles has however conceded that there is a case for giving concession in some form to speed up modernisation of the textile industry. The Committee recommend that as modernisation is vital to the development of textile industry in India, Government should without delay come out with well considered package of measures to provide sufficient incentive to the textile mills to take to modernisation in a big way.

#### *C. Management Take over/Nationalisation of Sick Textile Mills*

5.29 In the revised Guidelines issued by Government in October, 1981, it was stipulated that:

- (a) "The financial institutions and banks will initiate necessary corrective action based on a diagnostic study to be undertaken by them. In cases of growing sickness, the financial institutions will also consider assumption of management responsibilities where they are confident of restoring the unit to a healthy state. The Government can also be approached for assistance in cases where rationalisation of labour strength/wages, provision of infrastructural support, etc. is required.
- (b) Where the banks and financial institutions are unable to prevent sickness or ensure revival of a sick unit, the matter will be reported to the Central Government. The Government would thereafter decide whether the unit should be nationalised or whether any other alternative, including workers' participation in the management, can revive the undertaking. A decision to nationalise would be based on two main criteria, first that the unit can be made viable in a reasonable period of time and, secondly, that such a step is definitely in the public interest.

- (c) When it is decided to nationalise the undertaking, its management may be taken over under the provisions of the Industries (Development and Regulation) Act, 1951, for a maximum period of six months to enable Government to complete the necessary formalities, including legislation. Where it is decided not to nationalise the undertaking and no other solution is available for its revival, the matter would be dealt with in accordance with normal banking procedures."

5.30 The Committee undertook a case study of one Mill viz. Mewar Textile Mill, Bhilwara (Rajasthan). Following a complaint made in February, 1981 by the Mill Mazdoor Sangh, alleging mismanagement of Mewar Textile Mill, Bhilwara, the Ministry of Commerce had, in May, 1981, called for a detailed Report from the Textile Commissioner's Office. The Textile Commissioner's Office thereupon carried out a Techno-economic survey of the Mill from 24th to 27th July, 1981. The survey Report, *inter alia*, found that:—

- (i) This Mill was taken over by Government in 1960 due to financial difficulties but subsequently handed back to the old management in 1967.
- (ii) The mill is not keeping even one month's stock in hand except in the year 1977. Meagre stock not only affects the smooth working but also leads to lack of attention to quality of cotton purchase. The advantage of bulk purchase is also lost, and advance planning of sales strategy for profitability is also lost.
- (iii) the levels of stock of stores and spares are obviously high in relation to its consumption.
- (iv) The sales of the Mill have been declining for the last two years (1979 and 1980).
- (v) Percentage of capacity utilisation of spindles had declined from 77.3 per cent in 1979 to 55.4 per cent in 1980, that of looms had gone down from 89.66 per cent in 1979 to 66.33 per cent in 1980.
- (vi) While the Mill earned Profit of Rs. 23.65 lakhs in 1978 and Rs. 8.22 lakhs in 1979, it incurred a loss of 34.18 lakhs in 1980. In 1981 (upto 30-6-81), it had incurred a loss of Rs. 26.59 lakhs.
- (vii) The working capital position of the company is very much unsatisfactory and it is negative in all the years except 1978 and 1979.

- (viii) Amount due to Cotton merchants for cotton purchased by the Mill on credit comes to Rs. 60,33,784. The rate of interest payable to cotton merchants is 15 per cent. This would undoubtedly be a burden on Mill finances.
- (ix) All provident funds dues have been paid. As on 15-7-1981 no amount is outstanding ESI contributions for the period 28-9-80 to 28-3-81 have been made.
- (x) The lay off compensation payable by the Mill amounted to Rs. 87,79,3.48 and the number of workers involved were 1059.
- (xi) Amount of Rs. 39,555.70 deducted from salaries and wages for the month of June, 1981 is to be paid by the Mill to the cooperative society of workers.
- (xii) Shri Sampatmal Lodha was appointed as a Managing Director of the Company for a further period of 5 years from 30-6-1978. Approval of the Ministry of Law, Justice and Company Affairs to this appointment is still awaited.
- (xiii) A modest modernisation programme entailing an expenditure of Rs. 116.51 lakhs is a must for the mill, without which in the time of difficult marketing condition, it may lapse into sickness.
- (xiv) The working of this Mill may be reviewed after two years.

5.31 The Committee enquired whether capacity utilisation of Looms in this Mill had shown some improvement in 1981. In reply, Department of Textile furnished statistical information which showed the following position:—

Year	No. of looms installed.	Highest utilisation.	Lowest utilisation.
1980	300	290 (July)	13 (Feb.)
1981	300	288 (Dec.)	158 (Jan.)
1982	300	291 (Aug. & Sept.)	41 (March)

5.32 During evidence the Committee desired to know the amount of soft loan sanctioned to this Mill for carrying out modernisation. In reply, the Secretary, Department of Textiles said that according

to the latest assessment total cost of modernisation to be executed in three phases was nearly Rs. 4 crores. In the first phase, Rs. 105 lakhs had been sanctioned. Out of that Rs. 50 lakhs had been released by the IRCI so far against which they had installed machinery. One nominee each of the Bank of Rajasthan and the IRCI had been nominated on the Board of Directors of Company.

5.33 Asked if the Textile Commissioner had ensured that this Mill had actually installed the machinery for which it got a loan of Rs. 50 lakhs, the witness pleaded:—

“This is not our job at all. It is entirely the responsibility of the financial institution which advances these loans. They are satisfied that nothing has been mis-utilised.”

5.34 The Committee asked if it was a fact that the Mill had diverted its funds to setting up new industries at Kota. The Department of Textile reported, in a Note furnished after evidence, that:—

- (a) This Department is not aware of any such diversion of funds. Banking Division of the Ministry of Finance to whom a reference was made, have also intimated that they have not received any complaint regarding siphoning of funds from Mewar Textile Mills.
- (b) The Ministry of Commerce has not received information regarding any cases of diversion of funds by companies. It may be mentioned that a company owning a textile undertaking is free to set up one or more non-textile undertakings. Any financial impropriety involved in such transactions would have to be looked into by the Banks and the financial institutions which are assisting the company, violation, if any, of Company Law would have to be looked into by the Department of Company Affairs.

5.35 Asked when this Mill was taken over by Government because of financial difficulties, why was it handed over back to its owners in 1967, the witness said:—

“The management of the undertaking was taken over under the provisions of the Industrial (Development and Regulation) Act on 16th March, 1960 and it was returned to the owners on 31st December, 1967. Unfortunately, these papers between 1960 and 1967 could not be located, though we tried to get in the Ministry. But I can only speculate. Normally what happens is that when the management of a Unit is taken over, immediately there is no decision whether it will be nationalised or not.”

5.36 The Committee asked that when the Techno-Economic Survey by the Textile Commissioner had revealed serious shortcomings in the management of this Mill, would it not be better to take over this Mill so as to prevent it from becoming sick again. The Secretary Department of Textiles, assured the Committee that:—

“I would submit that this particular mill is under our constant review. We are only at the moment watching to what extent the implementation of the package of proposals made by the inter-institutional Group can enable the particular unit to come back to health. If it does not come back to health, there is no doubt that measures like taking over management and nationalisation may have to be taken.”

5.37 The Committee note that the Mewar Textile Mill, Bhilwara was taken over by the Government in 1960 as it was facing financial difficulties. The Mill was however, handed back to the old management on 31st December, 1967. The Committee consider it unfortunate that the relevant file of the Textile Commissioner's Organisation/Department of Textiles is missing and therefore it was not possible for the Secretary (Textiles) to explain to the Committee the reason for return of the Mill to its owners in 1967. The file should be traced; otherwise responsibility for its loss should be fixed. As the Committee learn that the Mill is again slipping into financial difficulties and is on the verge of becoming sick, they feel that the decision of the Government in 1967 to handover the Mill to its owners was, to say the least, not prudent and against the interest of the economic health of the unit.

5.38 According to the latest assessment, the modernisation of this Mill will entail a total expenditure of nearly Rs. 4 crores in three phases. Out of Rs. 105 lakhs sanctioned to the Mill in the first phase, a sum of Rs. 50 lakhs is stated to have already been released to it for installation of machinery. In reply to a query by the Committee, whether this mill had diverted its funds for setting up new industries at Kota, the Department of Textiles has reported that it is not aware of any such diversion of funds and that the Banking Division of the Ministry of Finance to whom a reference was made had intimated that they had not received any such complaint. The Committee desire that the Textile Commissioner should make an independent inquiry into the matter of utilisation of loans granted to this Mill in view of the allegations regarding diversion of the Financial resources of this Mill including the soft loans received by it for setting up of new units elsewhere and take appropriate action.

5.39 According to the revised guidelines issued by Government in October, 1981, a decision to nationalise is to be based on two main criteria: first, that the unit can be made viable in a reasonable period of time, and second, that such a step is definitely in the public interest. The Committee were assured by the Secretary, Department of Textiles that the working of the Mewar Textile Mill, Bhilwara was under constant review and if it did not come back to health "measures like taking over management and nationalisation may have to be taken." The Committee hope that the working of this mill will be reviewed by the Textile Commissioner objectively in July, 1983 and in the light thereof a final decision about taking over the management of this Mill will be taken by Government.

5.40 While noting the Government's policy on nationalisation of Textile Mills, the Committee suggest that it should nevertheless be made clear that Government would not hesitate taking over the Management of Mills temporarily in case there is indication of mismanagement which might lead to modernisation of capacity and/or retrenchment/lay off of workers, so that the management would always be on their guard to avoid such a contingency.

#### D. Development of Textile Machinery Industry

5.40 A. The country's present installed capacity of the Textile machinery for complete textile machinery is estimated at Rs. 280 crores against the licensed capacity of about Rs. 400 crores. The actual production of textile machinery was as under:

Year	(Rs. in Crores) Value of Textile machinery produced
1977	85.08
1978	121.72
1979	158.26
1980	207.95
1981	258.67

5.41 The textile machinery target planned for the 6th Five Year Plan is Rs. 287.00 crores by 1984-85.

5.42 During evidence the Textile Commissioner stated that India is a net exporter of Textile machinery and gave the following year-



wise figures of Textile machinery in support of his view:

(Rs. in Crores)

Year	Export	Import
1977-78	10.06	8.25
1978-79	12.04	13.67
1979-80	13.50	13.92
1980-81 (Provisional)	18.50	14.00
1981-82 (Provisional)	25.00	Not available

5.43 The number of applications for import of textile machinery recommended and rejected by the office of the Textile Commissioner during recent years was as under:

Year	Applica- tion re- ceived (Nos.)	Applica- tion recom- mended (Nos.)	Value recom- mended (Rs. in crores)	Applica- tion re- jected (Nos.)
1979-80	193	155	68.76	38
1980-81	355	285	66.08	70
1981-82	297	213	53.45	84

5.44 The Textile machinery industry is stated to be not only meeting most of the requirements of the Textiles Industry in India but also exporting the machinery, spares and accessories. During the last 4 years (1978 to 1982), 48 foreign collaborations were approved to update the technology of existing textile machinery and adopt manufacture of sophisticated machinery in the country. These agreements covered mainly the spinning machinery. The Department of Textiles has, in a Note, claimed that the Textile machinery industry "is now capable of offering complete range of spinning machinery comparable to the machinery offered by developed countries."

5.45 The work relating to the development of Textile machinery industry was transferred from the Ministry of Industry (DGTD) to the office of the Textile Commissioner about 25 years ago. Apart

from maintaining close liaison with the Textile Machinery Manufacturers Association, a standing Committee under the Chairmanship of the Industrial Adviser of the Textile Commissioner's Organisation has been set up to discuss the problems of the user and producer industries in as far as the textile machinery is concerned. In addition, there is a Development Council for Textile Machinery Industry under the Chairmanship of the Secretary, Department of Heavy Industry. Textile Commissioner's office, the user and producer industries, IDBI, and other concerned interests are represented on this Council.

5.46 The Committee wanted to know if the textile machinery industry in India had been experiencing any recession. In reply, the Textile Commissioner said in evidence:

"This slackness in demand is a fact of life, which has happened during the last 12 months following near crisis in the user industry because of the closure of 60 mills in Bombay and the financial crisis that the industry has faced in 1980 and as a result, the order book of the machine manufacturers got thinned, because a lot depends upon the demand by the user industry."

5.47 Referring to the manufacture of woollen textile machinery, a representative of a Federation of Woollen Mills said in evidence:

"Unlike cotton mills or art silk mills, none of the machineries needed by the woollen mills are being made in India with the result that we have to import these machineries from the developed countries such as Europe or Japan and we have to pay a very heavy import duty, that is, about 62 per cent of the cif price of the machinery. There should be a concessional rate of duty if we are serious that the woollen industry has to be rehabilitated, modernised, and made viable. So far, in this direction nothing has happened."

5.48 Explaining why textile machinery industry had lagged behind in the manufacture of machinery for woollen industry, Textile Commissioner said in evidence that a large majority of woollen machinery is imported for the simple reason that the local manufacturers do not find it economic to make it, considering the volume of requirement and the volume of the demand by the industry. To overcome this problem the textile Machinery Manufacturers Association was, it was stated, trying to persuade its members to combine the local demand alongwith the possibility of export to have an economic size but the scope was not much

5.49 As regards the suggestion for concessional rate of duty, the Secretary, Department of Textiles informed the Committee that the rate of import duty in woollen Textile machinery at present is at the same rate as in the case of cotton Textile machinery, that is about 62 per cent. The witness revealed that "certain items of Woollen Textiles machinery which are not being produced in the country and which are not likely to be produced in the near future in the country have been identified for grant of concessional rate of duty." This proposal is stated to be under consideration of the Department of Heavy Industry. The items that have been identified and recommended to the Department of Heavy Industry for allowing concessional rate of duty are Auto Card Hopper Feeder, Frames, Rectifier Combs, Repco Machines, Jumbo Hank Reeling Machine, Fancy Yarn Tivister, Raising and Boushing Machine, Auto Looms for flush fabric and worsted Card.

5.50 Asked how could India compete with countries like Korea, Thailand, Switzerland and Taiwan in the export of Textiles unless Government allowed free hand to textile mills to import whatever sophisticated machinery they needed for modernisation and expansion. In reply, the Textile Commissioner claimed in evidence that:—

"The licenses for import of textile machinery are being granted very liberally. In fact, it constitutes one of those core industries where we want to increase self-reliance and establish local know how and capability to produce. . . The guiding principle is whether we are producing a particular item of machinery either of the desired quality or the quantity and where an item of machinery meets both the tests we restrict or prohibit import. . . . Such of the items which are not likely to be produced in the near future are brought under the open general license because there is no fear that the local industry will be hurt by such import."

5.51 The Committee find that as against the licensed capacity of Rs. 400 crores, the installed capacity of the Textile machinery industry for the manufacture of complete textile machinery is estimated at Rs. 280 crores. The Committee would like the Government to go into the reasons for the shortfall in the creation of the capacity to the extent of about Rs. 120 crores. If there are no prospects of the licensees utilizing their licences fully, the licences in excess of the installed capacity may be cancelled and issued to fresh applicants to the extent of the projected need. . .

5.52 A representative of the Federation of Woollen Mills represented to the Committee during evidence that unlike cotton mill or art silk mills, none of the machineries needed by the Woollen Mills were being manufactured in India with the result that they had to import the same by paying a heavy import duty (62 per cent). The Secretary, Department of Textiles stated that to overcome this problem Government had identified certain items of Woollen Textile machinery which were not being produced or were not likely to be produced in India in the near future, for grant of concessional rate of import duty. The Committee feel that while the grant of concessional rate of import duty on certain items may be expedient for sometime, it does not offer an abiding solution to this problem. The Committee would, therefore, suggest that the Development Council for Textile Machinery Industry should explore the possibility of its export so that capacity of economic size could be set up for manufacture of woollen textile machinery.

#### *E. Research and Development*

5.53 The following seven Research Associations are engaged in research activities relating to textiles and silk:—

1. Ahmedabad Textile Industry's Research Association, Ahmedabad (ATIRA);
2. The Bombay Textile Research Association, Bombay (BTRA);
3. The Silk and Art Silk Mills Research Association, Bombay (SASMIRA);
4. The South India Textile Research Association Coimbatore (SITRA);
5. The Wool Research Association, Bombay (WRA);
6. The North India Textile Research Association, Ghaziabad (NITRA);
7. The Man-made Textile Research Association, Surat. (MTRA)

5.54 There is a separate Research Association for research in Jute. It is located at Calcutta.

5.55 The Textile Research Associations were transferred to the user Ministry i.e. Ministry of Commerce w.e.f. 1 April, 1978.

5.56 Presently, research proposals made by these Research Associations are scrutinised by the Screening Committees set up by the Ministry of Commerce. These Committees have representatives of

the Department of Science and Technology, CSIR, Planning Commission, Textile Commissioner, DGTD and representatives of the different Research Associations operating in the same field besides the representatives of the Ministry itself. In addition, a coordination Council for Textile Research Associations headed by the Secretary (Textiles) has been set up. The Planning Commission also periodically reviews the progress of these Associations to the extent the Plan funds are involved.

5.57 The 6th Plan outlay for the Textile Research Associations was Rs. 14.60 crores (Plan outlay Rs. 7.40 crores and Non-Plan Rs. 7.20 crores). Actual expenditure during the first three years of the Plan was as under:—

<i>Year</i>	<i>Expenditure</i>
1980-81	Rs. 207.96 lakhs
1981-82	Rs. 280.02 lakhs
1982-83 (estimated)	Rs. 339.31 lakhs

5.58 Government of India give grants to these Research Associations on the basis of 1/3rd of the capital expenditure and 50 per cent of the total recurring expenditure in each case.

5.59 Asked why does not the textile machinery industry in India set up a Research Institute of the own for development of indigenous technology, the Textile Commissioner said in evidence:—

“There was a proposal that Government and industry should set up a Research Association. The money for this can come from the industry by voluntary contribution. There will be no need to impose a tax or a levy. There would be need for some scientists and infrastructure for proper research. Textile machinery manufacturers were being asked for the last many years to set up a Research Association but they told us that they were working on in-house research. Government has now been able to persuade them to set up an All India Research Association for entire textile machinery industry.”

5.60 Now that the industry has been persuaded to set up an independent Research Association for Textile machinery, the Committee hope that the Department of Textiles will take initiative in the matter and see that the Association is set up early.

## CHAPTER VI

### MISCELLANEOUS MATTERS

#### A. Consumer Protection

6.1 In September, 1977, an Ex-Mill price stamping scheme was introduced by Government whereby the textile mills are required to stamp ex-mill prices and Excise duty on the face-plait as well as on every metre of piece length of non-controlled cotton cloth. As regards cloth produced under the cheap cloth scheme it was decided by Government in September, 1979 that such cloth will be stamped with an all inclusive maximum consumer price by not only the NTC but also the organised private sector. Government have agreed in principle to extend the scheme of stamping price to artsilk cloth as well as woollen cloth. Office of the Textile Commissioner is in the process of discussing relevant details with the representatives of Artsilk and Woollen Textile Industry.

6.2 As regards fixation of fair prices of all types of cloth produced in India with a view to ensure greater consumer protection, the Department of Textiles has, in a Note, pleaded that:—

“Except in relation to controlled cloth, the consumer protection is limited to the price displayed for the guidance of the consumer and not any fair price fixation. It has not been found expedient to fix fair prices of cloth other than the controlled cloth because of the huge complexities in evolving and administering any such scheme which involves many thousand varieties of cloth produced by a large number of producers in the organised as well as the decentralised sector and frequent fluctuations in the cost of production and varying trade practices, etc.”

6.3 Asked if the requirement of stamping of prices on cotton cloth were being rigidly followed and violations, if any, firmly dealt with by the Textile Commissioner, the Department of Textiles intimated that Regional Offices of the Textile Commissioner had been deputing officers to the mills from time to time to keep a watch on the observance of various regulations including price stamping. Suitable action was taken whenever an irregularity came to notice. Since 1975 about 700 irregularities are stated to have come to notice. The concerned mills were warned except in respect of the following

cases where the irregularity was serious enough to warrant prosecution:—

(a) No. of FIR's lodged with the local police authorities	41
(b) No. of cases in which the proceedings have been launched before the courts of law by the local police authorities	13
(c) No. of cases decided by the Courts (out of these 5 ended in a conviction and one in acquittal).	6

6.4 A Public Grievances Cell has been in existence in the Office of the Textile Commissioner since 1969. The Cell was strengthened and placed under the charge of a Deputy Director in 1977. This step was taken at the instance of the Ministry. The Regional Offices and Power Loom Service centres were also directed to set up such cells. A Vigilance Branch under the charge of a Director is also functioning at the Headquarters.

6.5 The Committee wanted to know how many complaints/grievances had been received by the Public Grievances Cells at the Headquarters and Regional Offices during each of the last 5 years and of these how many were referred to the Vigilance Branch. In reply, the Department of Textiles intimated that:—

‘Although the Public Grievances Cell have been set up in the Headquarters of the Textile Commissioner Regional Offices as well as Powerloom Service Centres and necessary arrangements for receipt of public complaints have been made, the members of the public have chosen not to make use of these arrangements and continue to seek redressal of their grievances through personal contracts with the concerned superior officers of the Organisation and written communications sent in ordinary course.’

6.6 The Committee were informed that Officers of the Textile Commissioner's Organisation were being deputed from time to time to the textile mills to keep a watch on the observance of various regulations including that for price stamping. The Committee however received an impression that the inspections of the mills by the Officers, are perfunctory. The Committee would like the Textile Commissioner to tighten the inspection machinery and see that

violation of regulations, particularly that for price stamping on cloth, are dealt with more sternly than hitherto, to inspire confidence in the minds of consumers and serve as a deterrent to the defaulters.

6.7 It is indeed surprising that though a Public Grievances Cell was set up in the Headquarters office of the Textile Commissioner in 1969 and such cells were also established in the Regional Offices, members of the public have not availed themselves of these arrangements at all. The Committee cannot accept the position that all is well with the Textile Commissioner's Organisation. It seems that adequate publicity has not been given to the existence of such a Cell and public is therefore unaware that a machinery has been created which could look into their grievances and take remedial action. The Committee suggest that this awareness should be created by repeated advertisements in the Press and over the Radio and T.V.

#### B. Periodical Returns

6.8 An association of Mills represented to the Committee that "there are too many returns to be submitted to the Textile Commissioner by the Mills."

6.9 From the statement showing Returns called for from the Mills by the Textile Commissioner, it is noticed that out of a total of 24 periodical returns called for from Mills, one statement on census of machinery in cotton Mills is called for annually, 4 statements on (i) spinning and weaving of waste, (ii) capacity, consumption and Production of Man-made fibre fabrics. (iii) Capacity, consumption and production of Woollen Industry and (iv) Hank yarn obligation, are called quarterly. A statement on construction particulars of new sorts of controlled cloth is called by the Textile Commissioner "as and when required." The remaining 18 returns are called for monthly. Of these 18 monthly returns, as many as 10 are for indicating production and stocks of man-made staple fibre, viscose filament yarn, Acetate filament yarn, Nylon filament yarn and Polyester filament yarn.

6.10 The Committee wanted to know if it was not possible to evolve one consolidated, simple and meaningful return from the Mills. In reply, the Department of Textiles has, in a note stated:—

"It is not possible to evolve one consolidated return since the variety of data collected is really very large. However, an annual review is held with the representatives of



various sectors of the Textile Industry for making charges in the form of the returns."

6.11 The Committee are surprised to find that as many as 24 periodical returns are being called for from the Textile Mills by the office of the Textile Commissioner. 18 out of these 24 returns are monthly. The Committee recommend that the need for calling so many returns from the Textile Mills may be re-examined with a view to devise a few simple and meaningful returns.

NEW DELHI;  
April 7, 1963  

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Chaitra 17, 1905 (S).

BANSI LAL,  
Chairman,  
Estimates Committee.

## APPENDIX

### Statement of Recommendations and Observations

S. No.	Para No.	Recommendations and Observations
1	2	3
1	1.20	After its constitution in February, 1979 the Development Council for the Textile Industry headed by the Secretary, Department of Textiles met only once on 15 October, 1980. This Council was reconstituted in March, 1982. The reconstituted Council did not meet at all. The Committee recommend that as Development Councils are a vital link in the institutional framework for the development of textile industry, they must meet at least twice a year to study the problems that stand in the way of development of the industry.
2	1.31	The Textile Commissioner should effectively combine the regulatory and developmental roles for the proper organisation, management and growth of the textile industry. Disagreeing with the views submitted before the Committee by an Association of Mills that the Textile Commissioner's Office "is doing more policing work than developmental work", the Secretary, Department of Textiles told the Committee that the exercise of the regulatory powers vested in him by the various control orders "enable him to have a developmental angle". After thorough examination of the functions of the Textile Commissioner and the results thereof the Committee have received a strong impression that the resources and powers of the Textile Commissioner's Organisation are employed in a manner that at best development of industry could be regarded as an incidental gain and there is no deliberate and

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sustained effort in that direction. The Committee therefore recommend that the developmental role of the Textile Commissioner should be clearly spelt out and given a statutory basis so as to make him accountable for the development of the industry.

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| 3 | 1.32 | <p>The Committee note that while the organisation of the Development Commissioner (Handlooms) organisation of the Development Commissioner (Handicrafts) enjoy the status of "attached" offices of the Ministry of Commerce, the Textile Commissioner's organisation which deals with the cotton, Art silk and Woollen textile industry is a "subordinate" office of that Ministry. They recommend that the status of the Textile Commissioner's organisation may be upgraded to bring it at par with the organisation of the Development Commissioners. This will not only strengthen the Textile Commissioner's Organisation but will enable the Textile Commissioner to take independent decisions within the framework of the Government's Textile Policy.</p> |
| 4 | 1.33 | <p>The person heading the Textile Commissioner's Organisation should be an expert in the field and noted for his dynamism and devotion. This Report of the Committee would convince anybody that this is not the position today. The Committee are constrained to observe that the performance of the Textile Commissioner before them was, to say the least, unsatisfactory.</p>                                                                                                                                                                                                                                                                                                                                                                                  |
| 5 | 2.16 | <p>The Committee are surprised that though the office of the Textile Commissioner is responsible for exercising control over the pattern of production of textiles, no demand survey has been organised so far to adjust the pattern of Production to meet the demand. The Committee recommend that the Survey should be organised at periodic intervals in future.</p>                                                                                                                                                                                                                                                                                                                                                                                            |

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2.16A

The Committee are constrained to point out that according to the Preliminary Material on the subject of Textile Commissioner's Organisation furnished to the Committee by the Department of Textiles, one of the functions of the Textile Commissioner was "to exercise control over the pattern of production...of textiles". During the course of examination of the subject by the Committee as well as during evidence of the representatives of the Department of Textiles before the Committee, at no stage was any correction made to this function as stated in the Preliminary Material. However, on the completion of the examination of the subject and after the adoption of the report by the Committee when the Draft report was sent to the Department for factual verification they have sought to make a correction to the effect that the function of the Textile Commissioner is not "to exercise control over" but "to monitor", the pattern of production...of textiles. Even though the correction may have a factual basis, the Committee take a serious view of the correction at this late stage in regard to an important function of the Textile Commissioner. They hope that such lapses would not recur and the Department would in future be careful in furnishing material and data to the Committee.

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2.17

The Committee note that the Sixth Five Year Plan lays down the over all target for the plan period of five years, but such targets have not been broken down into annual targets for the industry. It is assumed that yearly additional Production will be uniform in all the years equal to a fifth of the additional Production envisaged for the Plan period as a whole. Thus it is obvious that there is no scientific evaluation of the growth potential and prospects of the industry on a year to year basis as part of planned development. The Committee recommend that depending upon the state of development of the

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		industry at the base year of the plan and the tempo and spacing of development during the Plan, yearly targets should be fixed by the Textile Commissioner and the progress monitored for timely corrective steps to achieve the targets.
8	2.18	The Committee understand that at present 50 per cent of the Hank Yarn produced by Textile Mills is earmarked for the Handloom Sector to ensure availability of adequate yarn to this Sector. While denying the charge that yarn meant for Handloom Sector was being diverted for use in the Mill Sector, the Textile Commissioner stated that some of the Textile Mills did pass on a portion of their obligation of producing hank yarn to other Mills. The Committee would emphasise in this connection that it should be ensured that the obligation imposed on every mill is discharged either by itself or through others. If there is scope for malpractice in the transfer of this obligation, this practice should stop.
9	2.19	At present 11 items are stated to have been reserved for production in the Handloom Sector. These items include dhoties, saris, bed-sheets, towels etc. The Committee were informed in evidence that a Bill will be introduced in Parliament soon to include some more items reserved for production in the handloom Sector. The Committee desire that the existing policy of reservation should be made more effective by introducing harsher penalties for transgression by others into reserved areas and greater administrative vigilance exercised to identify the defaulters.
10	2.20	The Committee learnt that some of the Mills had started producing Kota Sarees for which the Handloom Sector was well known. This ought to be restricted exclusively to the Handloom Sector.
11	2.42	According to the present policy the spinning capacity upto 50,000 spindles has been delicensed

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| 12 | 2.43 | <p>in the case of cotton mills whereas in the case of woollen mills the spinning capacity delicensed is only upto 2400 spindles. The Textile Commissioner assured the Committee that Government would consider an increase in the level of delicensed capacity in respect of woollen mills. The Committee would like to be apprised of the action taken in pursuance of this assurance.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 13 | 2.44 | <p>The Committee are convinced that part of the blame for haphazard growth of unauthorised powerlooms to the extent of 5.77 lakhs in the decentralised sector in the country lies with the Textile Commissioner because under the Cotton Textiles (Control) Order, 1948 and the Textiles (Production by Powerlooms) Control Order, 1956 prior permission of the Textile Commissioner for the installation of powerlooms for production of cloth was necessary. The Committee are not convinced with the explanation that the "Textile Commissioner is organisationally not equipped to deal with this problem, particularly when violations have taken place on a large scale in widely dispersed locations." The Committee feel that had the Textile Commissioner been alert, this problem should not have assumed such a proportion. The Committee trust that the Textile Commissioner will not be found negligent in the discharge of his duties and responsibilities in future.</p> <p>The Committee find that in the Cotton Textile industry the capacity utilisation of spindles (First Shift) has come down from 88 per cent in 1978-79 to 73 per cent in 1981-82 and that of looms (First Shift) from 91 per cent in 1978-79 to 80 per cent in 1981-82. It is a matter of great concern that there has been persistent deteriorating trend and particularly in the Year of Productivity (1982) the capacity utilisation in the Cotton Textile Industry in India has touched a new low in recent years. The Committee would</p> |

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- stress the need on the part of the Textile Commissioner to reverse this trend soon by stepping up his developmental activity.
14. 2.45 The Committee are surprised to note that though the Woollen Mills have not been submitting to the Textile Commissioner statistics of capacity utilisation, no action was taken by him against the defaulting mills. The result is that firm statistics of capacity utilisation in respect of Woollen Textile Industry are not available. The Committee cannot but deplore this in-action on the part of the Textile Commissioner and hope, that as assured in evidence, he would take such steps as may be necessary to obtain information and build up statistics in this regard without fail in future.
15. 2.70 Section 20(C) of the Cotton Textile (Control) Order, 1948 lays down the criteria for the guidance of the Textile Commissioner in granting or refusing permission to a mill to undertake or carry out any processing of cloth not produced by it. The Committee note that from 1971 onwards the Textile Commissioner has been pursuing a policy of liberally permitting the mills indiscriminately to process "outside" cloth without regard to the criteria prescribed in the Control Order. The Committee regard this as irregular involving violation of a statutory order. In case liberalisation to such an extent was really intended, the Control Order would have been suitably amended by Government which it should be noted was not done.
16. 2.71 In view of the fact that processing of "outside" cloth by mills displaces a large number of small scale independent processors, the Committee recommend that great care has to be exercised in granting such permission and it should be ensured that there is need for it and that it doesn't harm the existing small scale units.

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17            2.72            The Committee have been informed that the liberation in the matter of permitting the processing of "outside" cloth was as a result of the recommendation of the Study Team under the Chairmanship of Shri K. K. Shah (1965-66). The Committee however note the statement made before them that there was no recommendation in the Report of the Study Team to the effect that a mill should be allowed to process "outside" cloth even if it deliberately closed down its looms, thus creating unemployment and loss of production in one segment of its operation. The Committee recommend that while granting permission to a composite mill to process "outside" cloth, the Textile Commissioner should ensure that the applicant will does not keep un-utilised its licensed spinning or weaving capacity. In this connection the Committee would recall that while conceding that this aspect has not so far been gone into, the Secretary assured the Committee that instructions would be issued in this regard. The Committee expect that this should be acted upon forthwith.

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2.73

The Committee learn that certain Textile Mills have been keeping a part of their loomage capacity idle for long time as a deliberate policy because it may not be profitable for them to work the looms to full capacity and in the process a large number of workmen are thrown out of employment. The Committee would like to mention TIT Mills, Bhiwani as one such glaring instance. Such mills should be discouraged from processing "outside" cloth. The Committee recommend that in such cases, the licensed capacity of the mill should be reduced to the level of looms that are actually worked over a certain period and the capacity relicensed to new units. If there are any legal impediments to such a course of action being taken, these should be



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sorted out in consultation with the Ministry of Law and the Textile Control Order amended accordingly.

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2.74

The Committee note that hitherto the mills were licensed by their spindlage and loomage capacity and the capacity for processing of cloth was not specifically mentioned in the licence. This has led to mills setting up processing facilities much beyond their internal requirements in terms of the spindlage/loomage capacity licensed and using the excess processing capacity thus created for processing of "outside" cloth as a side venture. The Committee recommend that necessary steps should be taken to indicate in the industrial licence, processing capacity also and applications for enhancement of licensed capacity for processing should be required to undergo the same procedure as are applicable for granting permission for increasing the weaving or spinning capacity of the unit.

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2.75

In the course of their case study in respect of TIT Mills, Bhiwani, it has come to the notice of the Committee that following order of the Ministry of Industry that processing capacity of the Textile Mills will also be subject to licensing capacity in January, 1982 a press not was issued directing the mills to intimate the capacity for processing of cloth installed by them. This Mill by a letter dated 7th April, 1982 addressed to the Regional Office of the Textile Commissioner, Amritsar requested for increasing the processing capacity endorsement from 10 lakh to 15 lakh metres of cloth in view of the fact that after February, 1982 it had installed additional capacity for processing. The Regional Office of the Textile Commissioner, Amritsar acceded to the request and the processing capacity of the TIT Mills, Bhiwani was accordingly increased in July, 1982. The Committee would like the Department of Textiles to investigate as to how the Regional

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- Office of the Textile Commissioner, Amritsar agreed post-haste to increase the processing capacity thereby regularising the expansion of the Processing Capacity, undertaken without proper licence after January, 1982.
- 21            2.76            The Textile Commissioner has gone on record before the Committee that in the case the TIT Mills, Bhiwani "have added capacity, as they have admitted in the application, they have violated the law and we have to take action against them". The Committee would like to be informed of the result of the investigation against the Regional Office of the Textile Commissioner, Amritsar and of the action taken against this Mill for violating the law.
- 22            2.77            Incidentally, it came to the notice of the Committee that the TIT Mills, Bhiwani, was facing financial difficulties. The Committee recommend that in case the difficulties are genuine, Textile Commissioner should ensure adequate financial assistance, especially for modernisation in the interest of maintaining production and sustaining employment. In case the Government feel that the condition of the Mill is such that financial assistance alone would not help, they should consider taking over the management of the Mill to put its working on sound footing.
- 23            3.14            The Committee find that while stepping up the level of production to 650 million sq. metres under the Controlled Cloth Scheme, Government have taken away drill and shirting from the ambit of this Scheme. The Committee recommend that as drill and shirting are also consumed by weaker sections of society their production under the Controlled Cloth Scheme may not be stopped altogether but may be undertaken on a lesser scale keeping in view its consumption level.

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24	3.15	<p>The Committee are of the view that the controlled Cloth Scheme can be beneficial to the weaker sections only if the cloth produced under the scheme is of reasonably good quality and carries a sale price which is within the reach of the people for whom it is meant. The Committee find that the price hike announced in July, 1981 resulted in increase in sale price of this cloth ranging from 65 to 165 per cent. The Secretary, Department of Textiles conceded in evidence that this increase had the effect of narrowing down the price differential between the sale prices of controlled cloth and the cloth produced by Private Mills to such an extent that people started going in for better cloth of a somewhat higher price than for controlled cloth. There was some reluctance on the part of State level agencies also to lift controlled cloth. The Committee understand that despite NTC having offered discounts, controlled cloth worth Rs. 3.81 crores has got accumulated. The Committee hope that cost of production of controlled cloth as well as its market price will be kept under reasonable limits so as to be within the reach of the weaker sections of our society for whom it is meant.</p>
25	3.16	<p>As the Central Government had been paying substantial amounts as subsidy on production of controlled cloth, the Textile Commissioner cannot entirely disown responsibility for its proper distribution. The Committee were informed by the Secretary, Department of Textiles that they had already requested the National Council of Applied Economic Research to carry out a sample survey as to what extent controlled cloth was reaching the people for whom it was meant. The Committee were also assured that some advisory and social bodies will also be asked to undertake general survey in some selected areas to find out the position. The Committee would</p>

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like to be apprised of the steps taken to strengthen and streamline the distribution system.

26. 3.17 The Committee have been informed that at present allocation of Controlled Cloth quota to various States/Union Territories is being done by the Textile Commissioner on the basis of their population alone. The *per capita* income varies from State to State. The number of people belonging to Weaker Section of Society in various States is also not uniform. The Committee, therefore, feel that allocation of Controlled Cloth on the basis of total population of a State is not a very satisfactory arrangement. The Committee would recommend that the basis for allocation of controlled cloth may be reviewed in consultation with State Governments and placed on a sounder footing.
27. 4.15 At present the rate of duty on import of textile machinery (in the absence of which modernisation could not make much headway) is as high as 62 per cent. The Secretary, Department of Textiles conceded that "because of the cost escalation and the import duty, there is not much incentive even for the more forward looking export mills to try to invest in these machines". The Committee were informed that the Department of Textiles had already evolved a policy paper in this regard which would be considered by the Government at the Cabinet level. The Committee desire that an early decision may be taken in this matter.
28. 4.16 While the Committee welcome the decision to set up 50 export-oriented units in the Textile Sector under the scheme approved by Government in September, 1982, they find that so far only one such unit has gone into operation for the manufacture of ready-made garments. The

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progress is implementation of this scheme should be accelerated under a time bound programme.

29 4:17 The Committee regret to note that the Task Force which was set up by Government in July, 1981 to review the functioning of the Export Promotion Councils (including those in the textile sector) and submit its recommendations within 4 months i.e. by November, 1981, has not submitted its Report to Government so far. The Committee cannot but deplore this delay. The Committee would like the Ministry to direct the Task Force to submit its report without any further delay and take such action in pursuance of the recommendation of the Task Force as may be called for within the next six months.

30 5:10 The Committee find that during the last five years, Textile Commissioner has been able to conduct Techno-economic Surveys of only 85 mills. The Committee have been informed that such Surveys are carried out by him only on selection basis. This is inadequate. The Textile Commissioner should carry out these surveys on a continuing basis covering all the textile mills in stages so that in course of time a complete picture about the health of the entire textile industry and of individual mills become available to the Textile Commissioner and the Ministry for periodical policy appraisals. A phased programme for this purpose should be drawn up and put through without delay.

31 5:11 Neither the Secretary (Textiles) nor the Textile Commissioner was able to indicate to the Committee as to how many Textile Mills had already become sick and how many were on the verge of sickness. The evidence of representatives of the Ministry left an impression on the Committee that the economic health of the individual mills as also of the textile indus-

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try as a whole is not being properly monitored by the Textile Commissioner and the Department of Textiles, and the responsibility in this regard is sought to be laid on the financial institutions. According to the Secretary, Department of Textiles "it is not possible for obvious physical reasons for the Textile Commissioner to have a track of all the textile mills all over the country". The Committee find that in the revised guidelines issued by Government in October, 1981, the administrative Ministries have been assigned a specific responsibility for prevention of sickness and remedial action in relation to sickness in industrial sectors within their respective charge. The Committee therefore, recommend that, while the monitoring of the textile units assisted by the Financial Institutions is done by them, the Textile Commissioner must remain responsible for monitoring the economic health of the entire textile industry in the country.

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5.25

The Committee note that the census of Textile machinery undertaken by the Office of the Textile Commissioner in 1979 covered only the Cotton Textile Industry and not the Woollen Textile Industry. The Secretary, Department of Textiles admitted in evidence that "the Woollen Industry has been neglected so far. Now we have woken up to this awareness." The Committee were assured that carrying out of such a census would be a five-yearly event. The Committee trust that when in 1984 the next census of textile machinery is undertaken by the Office of the Textile Commissioner, the Woollen textile machinery would also be covered.

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5.26

The Committee find that one of the functions assigned to the Textile Commissioner is to give technical guidance and render advice to the industry in its programme of modernisation and

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rehabilitation and to recommend financial assistance where required. It transpired during evidence that the Textile Commissioner had not drawn up even overall plan of action for modernisation. In fact the Textile Commissioner could not even indicate as to how many mills, out of 228 textile mills to whom soft loan of Rs. 245.39 crores was disbursed till March, 1982 had been completely modernised. The Committee would like the Textile Commissioner to be actively involved in the modernisation and rehabilitation of the industry. The Committee would await the steps proposed to be taken by him in this regard.

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5.27

There is no law in our country as yet by which a textile mill could be forced to invest on modernisation. The licences of mills which refuse or delay modernisation could not be cancelled. There is also at present no prohibition on a textile mill diverting its funds for setting up new industrial undertakings. The Committee recommend that as the health of textile industry and the export prospects of Textiles depend to a great extent on the modernisation of the industry, it will be in the national interest to devise legal and other means to ensure that modernisation is not deliberately neglected by the industry.

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5.28

The Committee understand that the Indian Cotton Mills Federation had submitted in September 1979 to the Central Government a comprehensive scheme for the modernisation of the textile industry but it did not find favour with the Government. The Department of Textiles has however conceded that there is a case for giving concession in some form to speed up modernisation of the textile industry. The Committee recommend that as modernisation is vital to the development of textile industry in India,

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Government should without delay come out with well considered package of measures to provide sufficient incentive to the textile mills to take to modernisation in a big way.

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5.37

The Committee note that the Mewar Textile Mill Bhilwara was taken over by the Government in 1960 as it was facing financial difficulties. The Mill was however, handed back to the old management on 31st December, 1967. The Committee consider it unfortunate that the relevant file of the Textile Commissioner's Organisation/ Department of Textiles is missing and therefore it was not possible for the Secretary (Textiles) to explain to the Committee the reason for return of the Mill to its owners in 1967. The file should be traced; otherwise responsibility for its loss should be fixed. As the Committee learn that the Mill is again slipping into financial difficulties and is on the verge of becoming sick, they feel that the decision of the Government in 1967 to hand over the Mill to its owners was, to say the least, not prudent and against the interest of the economic health of the unit.

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5.38

According to the latest assessment, the modernisation of this Mill will entail a total expenditure of nearly Rs. 4 crores in three phases. Out of Rs. 105 lakhs sanctioned to the Mill in the first phase, a sum of Rs. 50 lakhs is stated to have already been released to it for installation of machinery. In reply to a query by the Committee, whether this mill had diverted its funds for setting up new industries at Kota, the Department of Textiles has reported that it is not aware of any such diversion of funds and that the Banking Division of the Ministry of Finance to whom a reference was made had intimated that they had not received any such complaint. The Committee desire that the Textile Commissioner should make an independent in-



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quiry into the matter of utilisation of loans granted to this Mill in view of the allegations regarding diversion of the financial resources of this Mill including the soft loans received by it for setting up of new units elsewhere and take appropriate action.

38            5.39            According to the revised guidelines issued by Government in October, 1981, a decision to nationalise is to be based on two main criteria: first, that the unit can be made viable in a reasonable period of time, and second, that such a step is definitely in the public interest. The Committee were assured by the Secretary, Department of Textiles that the working of the Mewar Textile Mill, Bhilwara was under constant review and if it did not come back to health "measures like taking over management and nationalisation may have to be taken." The Committee hope that the working of this mill will be reviewed by the Textile Commissioner objectively in July, 1983 and in the light thereof a final decision about taking over the management of this Mill will be taken by Government.

39            5.40            While noting the Government's policy on nationalisation of Textile Mills, the Committee suggest that it should nevertheless be made clear that Government would not hesitate taking over the Management of Mills temporarily in case there is indication of mismanagement which might lead to modernisation of capacity and/or retrenchment/lay off of workers, so that the management would always be on their guard to avoid such a contingency.

40            5.51            The Committee find that as against the licenced capacity of about Rs 400 crores, the installed capacity of the Textile machinery industry for the manufacture of complete textile

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machinery is estimated at Rs. 280 crores. The Committee would like the Government to go into the reasons for the shortfall in the creation of the capacity to the extent of about Rs. 120 crores. If there are no prospects of the licensees utilizing their licences fully, the licences in excess of the installed capacity may be cancelled and issued to fresh applicants to the extent of the projected need.

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5.52

A representative of the Federation of Woollen Mills represented to the Committee during evidence that unlike cotton mills or art silk mills, none of the machineries needed by the Woollen Mills were being manufactured in India with the result that they had to import the same by paying a heavy import duty (62 per cent). The Secretary, Department of Textiles stated that to overcome this problem Government had identified certain items of Woollen Textile machinery which were not being produced or were not likely to be produced in India in the near future, for grant of concessional rate of import duty. The Committee feel that while the grant of concessional rate of import duty on certain items may be expedient for sometime, it does not offer an abiding solution to this problem. The Committee would, therefore, suggest that the Development Council for Textile Machinery Industry should explore the possibility of its export so that capacity of economic size could be set up for manufacture of woollen textile machinery.

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5.60

Now that the industry has been persuaded to set up an independent Research Association for Textile machinery, the Committee hope that the Department of Textiles will take initiative in the matter and see that the Association is set up early.

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- 43      6.6      The Committee were informed that Officers of the Textile Commissioner's Organisation were being deputed from time to time to the textile mills to keep a watch on the observance of various regulations including that for price stamping. The Committee however received an impression that the inspections of the mills by the officers, are perfunctory. The Committee would like the Textile Commissioner to tighten the inspection machinery and see that violation of regulations, particularly that for price stamping on cloth, are dealt with more strenly than hitherto, to inspire confidence in the minds of consumers and serve as a deterrent to the defaulters.
- 44      6.7      It is indeed surprising that though a Public Grievances Cell was set up in the Headquarters office of the Textile Commissioner in 1969 and such cells were also established in the Regional Offices, members of the public have not availed themselves of these arrangements at all. The Committee cannot accept the position that all is well with the Textile Commissioner's Organisation. It seems that adequate publicity has not been given to the existence of such a Cell and Public is therefore unaware that a machinery has been created which could look into their grivances and take remedial action. The Committee suggest that this awareness should be created by repeated advertisments in the Press and over the Radio and T.V.
- 45      6.11      The Committee are surprised to find that as may as 24 periodical returns are being called for from the Textile Mills by the office of the Textile Commissioner. 18 of out of these 24 returns are monthly. The Committee recommend that the need for calling so many returns from the Textile Mills may be re-examined with a view to devise a few simple and meaningful returns.