

SIXTY-SIXTH REPORT
ESTIMATES COMMITTEE
(1983-84)

(SEVENTH LOK SABHA)

MINISTRY OF COMMERCE
(DEPARTMENT OF TEXTILES)

TEXTILE COMMISSIONER'S ORGANISATION

Action Taken by Government on the recommendations
contained in the Forty-Sixth Report of Estimates
Committee (Seventh Lok Sabha)



सत्यमेव जयते

Presented to Lok Sabha on 25 April, 1984

LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA

66th Action Taken Report of the E.C.
(1983-84) on the Ministry of Commerce
(Deptt. of Textiles) - Textile
Commissioner's Organisation.

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INTRODUCTION

I, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Sixty-Sixth Report on action taken by Government on the recommendations contained in the Forty-Sixth Report of Estimates Committee (7th Lok Sabha) on the Ministry of Commerce—(Department of Textiles)—Textile Commissioner's Organisation.

2. The Forty-Sixth Report was presented to Lok Sabha on 22 April, 1983. Government furnished their replies indicating action taken on the recommendations contained in that Report by 4th January, 1984. The replies were examined by the Study Group on Action Taken Reports of Estimates Committee at their sitting held on 6 April, 1984. The draft Report was adopted by the Committee on 10 April, 1984.

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

- I. Report
- II. Recommendations that have been accepted by Government
- III. Recommendations which the Committee do not desire to pursue in view of Government's replies.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations in respect of which replies of Government are awaited.

4. An analysis of action taken by Government on the recommendations contained in the Forty-Sixth Report of Estimates Committee is given in Appendix. It would be observed therefrom that out of 45 recommendations made in the Report 30 recommendations *i.e.* about 67 per cent have been accepted by Government and the Committee do not desire to pursue, 6 recommendations *i.e.* about 13 per cent in view of the Government replies. Replies of Government in respect of 6 recommendations *i.e.* about 13 per cent have not been accepted by the Committee. Final replies of the Government in respect of 3 recommendations *i.e.* about 7 per cent are still awaited.

NEW DELHI ;

April 18, 1984
Chaitra 29, 1906 (S)

BANSI LAL,

Chairman.
Estimates Committee.

CHAPTER I

REPORT

1.1 This Report of the Estimates Committee deals with Action Taken by Government on the recommendations contained in their Forty-Sixth Report (Seventh Lok Sabha) on the Ministry of Commerce (Deptt. of Textiles)—Textile Commissioner's Organisation, presented to the Lok Sabha on the 22nd April, 1983.

1.2 Action Taken Notes on the recommendations of the Committee have been categorised as follows :—

- (1) Recommendations/Observations that have been accepted by Government :

Sl. Nos. 1,2,4,5,6,7,8,9,12,14,15,16,17,23,24,25,27,28,29,31,32,33,35,36,
37,38,42,43,44,45,

(30 Recommendations—Chapter II)

- (2) Recommendations/Observations which the Committee do not desire to pursue in view of Government's reply :—

Sl. Nos. 10,22,34,39,40,41.

(6 Recommendations—Chapter III)

- (3) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee :—

Sl. Nos. 13,18,19,20,21,30.

(6 Recommendations—Chapter IV)

- (4) Recommendations/Observations in respect of which final replies of Government are awaited :—

Sl. Nos. 3,11,26.

(3 Recommendations—Chapter V)

1.3 The Committee will now deal with the action taken by Government on some of their recommendations.

Capacity Utilisation

Recommendation Sl. No. 13 (Paragraph 2.44)

1.4 The Estimates Committee found that in the Cotton Textile Industry the capacity utilisation of spindles (First Shift) had 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. The Committee observed "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 stressed the need on the part of the Textile Commissioner to "reverse this trend soon by stepping up his developmental activity."

1.5 In their reply to the Committee's aforesaid recommendation, the Ministry of Commerce (Department of Textiles) have stated as under :—

"Utilisation of the installed capacity is, *inter alia*, a direct function of demand. The textile industry has been experiencing recessionary trends for sometime. The Bombay Textile strike commencing from 18th Jan., 1982 has greatly aggravated the problems. Besides these factors the low utilisation has been largely due to (a) old and out-moded machinery (b) shortage of power (c) labour strikes/lock outs/absenteeism etc. in various textile centres.

Government has been liberally allowing the imports of Diesel generating sets for captive power generation. A close liaison is also being maintained with the various cooperative Textile Research Associations to ensure that the existing machinery is better utilised by a system of maintenance and other preventive measures to reduce break-downs. The Government of Maharashtra have also assured adequate power supply to the textile mills which have opened after a long spell of strike and this will gradually help improve most of utilisation.

Besides, the above, the following measures which will help improve utilisation are also under examination : (a) some flexibility to provide more working finance for the needy mills (b) restructuring of excise duty in respect of spinning finer counts and manufacture of finer varieties of cloth."

1.6 After pointing out the declining trend of capacity utilisation in the Cotton Textile Industry during 1978-79 to 1981-82, the Committee had stressed "the need on the part of the Textile Commissioner to reverse that trend by stepping up his developmental activity." Though Government's reply to this recommendation lists the measures that are being taken or are proposed to be taken to improve capacity utilisation, it does not indicate whether, and if so how, the Textile Commissioner proposes to gear up his developmental role to achieve this objective. The Committee reiterate their recommendations and hope that Textile Commissioner will be directed to step up his developmental activity in regard to this industry which has remained neglected for long.

Re-licensing of Capacity

Recommendation Sl. No. 18 (Para No. 2.73)

1.7 The Committee learnt that certain textile mills had been keeping a part of their loomage capacity idle for long time as a deliberate policy because it might not be profitable for them to work the looms to full capacity and in the process a large number of workmen were thrown out of employment. The Committee had mentioned TIT Mills, Bhiwani, as one such glaring instance. The Committee was of the view that such mills should be discouraged from processing outside cloth. The Committee recommended 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. The Committee had also desired that if there were 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.

1.8 The Ministry of Commerce have, in their reply, stated *inter alia* that :

“The suggestion of the Committee that the licensed capacity should be brought down to the level of the actual capacity worked/utilised may create legal complications since loomage capacity of the mills is specified in the licence issued under the I. D. R. Act; it is however, understood that the Ministry of Industry is contemplating to amend the I. D. R. Act to acquire certain enabling provision to deal with such cases in future. In the meantime suitable instructions have already been issued to all the Regional Offices of Textile Commissioner to ensure that requests from mills to process outside cloth are carefully examined.”

1.9 Government's reply that acceptance of the Committee's recommendation for reduction of licensed capacity to the level of the actual capacity worked/utilised “may create legal complications” is not only disappointing but also surprising. Unfortunately the reply of Govt. does not even mention what legal complications the Ministry of Commerce apprehend on this account. It is also not clear whether the Ministry of Commerce had, before sending the reply to the Committee, consulted the Ministry of law on the course of action suggested by the Committee. The Committee, therefore, reiterate their recommendations and desire that if there are any legal impediments that stand in the way of implementation of the Committee's recommendation, the same should be sorted out in consultation with the Ministry of Law and a way paved for implementing the recommendation of the Committee.

Processing Capacity

Recommendation Sl. No. 19 (Para No. 2.74)

1.10 The Committee noted that hitherto the mills were licensed by their spindleage and loomage capacity and the capacity for processing of cloth was not

specifically mentioned in the license. This had led to mills setting up processing facilities much beyond their internal requirements in terms of the spindleage/loomage capacity licensed and using the excess processing capacity thus created for processing of "outside" cloth as a side venture. The Committee recommended 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."

1.11 The Ministry of Commerce have, in their reply, stated that subsequent to the discussions with the Estimates Committee, Government instructed that Textile Commissioner should examine the following aspects before such permission was granted to the composite mills for processing of outside cloth :

- (i) Whether the surplus processing capacity has resulted from a part closure of the installed looms.
- (ii) Whether the mill proposed to retrench workers consequent on shut down of looms and thereby provoked industrial disputes.

Textile Commissioner was also asked to survey whether liberal grant of permission to the composite mills for processing outside cloth had started in any way hampering the growth and profitable activity of individual processing units particularly in the decentralised sector.

1.12 The textile Commissioner has gone into the aforesaid aspect and has since sent his report to Government. According to the Ministry he has recommended certain norms to be followed at the time of granting permission for processing outside cloth. Some of these are listed below :—

- (i) If any mill applied for permission to process outside cloth and the idle capacity of looms is within a certain fixed range of percentage Regional Offices could give permission ensuring that the total cloth (mills own outside) processed shall not exceed the capacity of processing so endorsed on their industrial licence. In cases when the percentage of idle capacity is more, a close examination should be made to find whether there is any malafide intention. If there is a proper settlement of labour dispute and if the mills labour union has no objection and State Government has also no objection, then the permission can be granted.
- (ii) In case of strike and if the spinning and weaving departments are closed partially or otherwise, the processing of outside cloth could be permitted, if the State Government agrees and workers in the processing departments are willing to work.
- (iii) If a mill approaches for such permission after closing down weaving

department partially or otherwise on ground of uneconomic working, the case has to be considered on its merits. In such case, the mill has to secure the consent of the labour representatives and seek to absorb the labour rendered surplus in the weaving sector on the processing side to the extent possible. Refusing permission to process outside cloth in such cases may worsen the unemployment position and the sickness of the mill besides keeping a substantial portion of the available processing capacity idle. Each case may have to be examined on merits keeping *inter-alia* the interests of the labour in mind.

The above norms and some other proposals in this regard submitted to Textile Commissioner are being examined by Government.

In the mean time Government have issued suitable instructions to all the Regional Offices of Textile Commissioner to ensure that requests from mills to process outside cloth are carefully examined.

1.13 The Committee are unable to accept the reply of Government which does not reveal Government's reaction to the Committee's specific and positive recommendation that in the case of textile industry the industrial licenses should not only indicate the spindlage and loomage capacity but also the processing capacity so that application for enhancement processing capacity undergoes the same procedure as is applicable for increasing the spinning or weaving capacity. The Committee would await a more specific reply for Government on this aspect.

Expansion of processing capacity

Recommendations (Sl. Nos. 20 & 21-Paragraph Nos. 2.75 & 2.76)

1.14 In paragraph 2.75 of the original Report the Committee had observed that in the course of the case study in respect of TIT Mills, Bhiwani, it had 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 had desired the Department of Textiles to investigate as to how the Regional Office of the Textile Commissioner, Amritsar had agreed post-haste to increase the processing capacity thereby regularising the expansion of the Processing Capacity, undertaken without proper licence after Jan. 1982.

1.15 In their reply, the Ministry of Commerce (Department of Textiles) have intimated as under :

"The matter has been further investigated and it has been found that no irregularities had been committed in this regard."

1.16 In paragraph 2.76, the Committee had pointed out that the Textile Commissioner had gone on record before the Committee that "in case the TIT Mills, Bhiwani, have added capacity as they had admitted in the application, they have violated the law and we have to take action against them." The Committee desired 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.

1.17 In reply Government have stated as follows :—

"This matter has been further examined in depth and it is observed that the mill had not violated any of the (provisions of the) IDR Act or provisions of the Cotton Textile Control Orders."

1.18 The Committee are not satisfied with the replies of Government which to say the least, are terse and unsubstantiated. The reply to recommendation in para 2.75 only states that the matter has been "further investigated" but does not reveal the facts brought to light as a result of this 'investigation' on the basis of which Government had come to the conclusion that "no irregularities had been committed in this regard." Likewise, the reply to recommendation in para 2.76 merely states that this matter has been "further examined in depth and it is observed that the Mill had not violated any of the provision of the of the (IDR) Act or provisions of the Cotton Textile Control Orders." In this connection the Committee wish to point out that this stand is contrary to what the Textile Commissioner had submitted before the Committee during oral evidence. The Textile Commissioner had then gone on record that "in case the TIT Mills, Bhiwani, had added capacity as they had admitted in the application, they have violated the law and we have to take action against them." The Committee would like to be furnished with full details of these investigations and the basis of the final decisions of the Ministry of Commerce Department of Textiles) in respect of these recommendations.

Techno-Economic Surveys of Textile Mills

Recommendation (Sl. No. 30—(Paragraph No. 5.10)

1.19 The Committee found that during the last five years, Textiles Commissioner had been able to conduct Techno-economic Survey of only 85 mills. the Committee had been informed that such surveys were carried out by him only on selective basis. This was inadequate. The Committee had, therefore recommended that "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." The Committee had desired that "a phased programme for the purpose should be drawn up and put through, without delay."

1.20 The Ministry of Commerce (Department of Textiles) have in their reply, stated that:

“Conducting techno-economic surveys for all the textile mills in the country is a very long drawn process. An attempt is therefore being made to identify weak/sick/marginal units, having financial difficulties and other problems with the help of financial institutions, RBI, Indian Cotton Mills Federation and various Textile Research Associations and give them some immediate help to tide over the crisis. Simultaneously, a system is being evolved as a long term measure to properly locate the units, which need help by suitably devising various indicators like profitability ratios/inventories/unsold stocks/debt equity ratio/net worth/productivity norms etc. so that marginal and other weaker units get help in time. In this regard a standing Committee under the Chairmanship of the Secretary (Textiles) has also been constituted.”

1.21 From the reply of Government it is apparent that techno-economic surveys are proposed to be confined to weak/sick/marginal textile units which may stand in need of help. As already pointed out, conducting of surveys on selective basis would serve only a limited purpose and would not throw up a picture of the health of the textile industry as a whole. While the Committee do concede that a techno-economic survey of all the textile mills is a long drawn out process, they feel that if, as suggested by the Committee, a phased programme is drawn up for this purpose it should not be too difficult for the Textile Commissioner to carry out survey of all the textile mills in the country.

Implementation of Recommendations

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

1.23 The Committee desire that reply in respect of the recommendations contained in Chapter V of the Report may be finalised and final reply of the Government furnished to Committee expeditiously.

CHAPTER II

RECOMMENDATIONS/OBSERVATION THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1 Para 1.20)

After its constitution in Feb. 79 the Development Council for the Textile Industry headed by the Secretary, Department of Textiles met only once on 15th 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 textiles industry, they must meet at least twice a year to study the problems that stand in the way of development of the industry.

Reply of the Government

The recommendation made by the Committee is noted. This Department agrees with the Committee that the Development Council for Textile Industry should meet at least twice a year to study the problems of the industry. The Development Council for Textile Industry was last constituted on 6.3.82. The life of the Council is two years from the date of constitution. In consonance with the proposal of the Estimates Committee, the first meeting of the reconstituted Council was held on 26.2.1983. The next meeting of the Council will be held shortly.

[Deptt. of Textiles, O.M. No. 3/4/83—TPC, dt. 11-11-83]

Recommendation (Sl. No. 2 Para 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 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".

Reply of the Government

Apart from regulatory functions, the Office of the Textile Commissioner has been dealing with developmental work relating to Textile Industry some important features of which are listed below :

- (i) The Textile Machinery Industry which is entirely looked after by Office of Textile Commissioner owes its development to a considerable extent to the services of this office in basically identifying the gaps in the technology of the existing textile machinery. Steps have been taken to encourage manufacture of modern equipment & machine to suit the Indian Textile Industry, allowing foreign collaborations wherever necessary, along with the import of know-how etc. The Textile Commissioner also provides assistance for ensuring speedy execution of the projects undersuch collaboration schemes. These activities have enabled the textile machinery industry during the last nearly three decades to show phenomenal growth.
- (ii) The Technical and Financial Wing in the Textile Commissioner's organisation surveys textile mills whenever necessary to find out the reasons for uneconomic working and suggests remedial measures. It suggests restructuring of the financial set up of the units for improved financial performance and also renders services on the existing cost structure of a unit and suggests the main areas where cost reductions could be effected.
- (iii) The Textile Industry has been the largest beneficiary of the soft loan scheme of the IDBI. The Textile Commissioner's Office has a large role to play in the formulation of the scheme and in encouraging the textile units to avail themselves of the scheme. The Textile Commissioner & his organisation are in touch with the pulse of the textile industry with constant dialogues with the representatives of the various sectors of the textile industry and textile machinery industry. This enables the Textile Commissioner to evolve measures for removing difficulties in these units to help them to develop.
- (iv) To encourage exports by the textile industry and textile machinery industry, the office of textile commissioner periodically analyses cost data to bring the CCS rates upto date in advising Government concerning the formulation of policy for export incentives.

(v) The Textile Commissioner's office is actively connected with the various development research projects of the cooperative textile research associations. The beneficiaries of these research studies are the textile units.

(vi) Some powerloom centres have already been set up with the basic objectives of rendering technical service to the decentralised powerloom industry so as to enable them to adopt modern practices of weaving and also introduce better designs with the ultimate objective of improving their fortunes.

However, the observation of the Committee has been noted to see how the role of the Textile Commissioner and his organisation can be directed in even greater measure accelerated development of the textile industry.

[Deptt. of Textiles O.M. No. 3/483—TPC Dt. 4-1-1984]

Recommendation (Sl. No. 4 Para 1.33)

The person heading Textiles 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.

Reply of the Government

According to the procedure followed for filling up such posts, the competence and experience of the concerned officers are taken into account. Normally, a panel of eligible senior officers is drawn up and carefully scrutinised. The name of the officer selected is sent for the approval of Appointments Committee of Cabinet, as per the approved procedure. Every care is taken to ensure that the most suitable officer is selected from among the available officers.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 5 Para 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 production to meet the demand. The Committee recommend that the Survey should be organised at periodic intervals in future.

Reply of the Government

The Textile Committee under the auspices of Department of Textiles has a Complete Market Research Wing with a full fledged Director as its head, as

also a complement of trained staff. It regularly conducts market surveys for the demand pattern of consumption and thus finds out the consumer preference both in urban and rural areas for different income groups. The data is made available to the cotton textile industry.

The textile industry generally finds this data very useful in planning their pattern of production.

It may also be mentioned in this connection that Government have information regarding the bank yarn requirements needed for the production of handlooms cloth. Having regard to the pattern of consumption of different counts of yarn etc., Government have from time to time issued specific directives to the mill industry to ensure that certain percentage of their total yarn sold in the free market is in the required counts (hand form) necessary for the manufacture of handloom cloth.

2. By and large, the cotton textile production in the country is more less equally divided between the handloom, powerloom and organised mill sectors. The handloom sector mainly concentrates on some of the traditional items which are popular in local areas, for example dhoties, sarees, bed spreads etc. in different parts of the country. Similarly it concentrates on furnishings and bed spreads etc. in areas like Haryana and Punjab. Thus the demand pattern in handloom sector is identifiable. In so far as the powerloom sector is concerned, the entire loomage is exclusively in the decentralised sector mostly owned by small powerloom owners. These are essentially privately owned and any produce such of those varieties which can be marketed by them. Therefore, it may not be desirable or feasible to dictate any pattern of production to the decentralised powerloom sector.
3. It is only in the organised mill sector that a large number of mills are falling under the purview of public sector/Govt./State Textile Undertakings etc. If any control on the pattern of production is to be enforced it is only in this sector that the Govt. could attempt it. In such a contingency, it should also have a simultaneous responsibility to ensuring that such cloth is also consumed/disposed of at the earliest possible time in the market. So long as this tie-up arrangement is not possible to implement successfully, it may not be desirable to stipulate any pattern of production to be organised mill industry as, it may lead to considerable difficulties resulting in accumulation of unsold stocks and results in their viability being affected etc.
4. It is further understood that only during the Second World War period, when the industry was of small size and the requirements of defence forces being quite large, such type of enforcement to produce certain types of textile needed by the Defence Forces such as O. G. Shirtings/drills were vigorously enforced. Any directive to manufacture only certain types of textiles may not lead to the desired results in the present day situation.

5. Therefore, while the demand pattern is known through the exhaustive market research reports published from time to time by the Textile Committee, it may not be in the larger interests to decide the manufacturing programmes of the textile mills by the Govt.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 6 Para 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 Committees 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 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 Textiles 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.

Reply of the Government

The suggestion of the Committee is noted.

[Department of Textiles, O.M. No. 3/4/83-TPC Dated 11th Nov., 1983.]

Recommendation (Sl. No. 7 Para 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 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.

Reply of the Government

The recommendation of the Estimates Committee is noted. In the plan

projections for the 7th Plan due attention is being given in this regard.

[Deptt. of Textiles O.M. No. 3/4/83-TPC Dt. 15-12-1983]

Recommendation (Sl. No 8 Para 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 Mills Sector, the Textiles 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 emphasis 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.

Reply of the Government

It may be mentioned in this regard that due to certain constraints in the plant and equipment existing in some of the mills, they may not be in a position to fulfil the obligations of hank yarn. It is, therefore, necessary that provision of transfer of obligation is retained. Government ensures that the obligation so fixed is fulfilled in overall terms, so that the handloom industry is assured of adequate supplies of hank yarn in the desired counts.

[Deptt. of Textiles O.M.No. 3/4/83-TPC Dt. 15-12-1983]

Recommendation (Sl. No. 9 Para 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.

Reply of the Government

Textile Commissioner ensures the proper implementation of Handloom Reservations. Constant watch is maintained by the various Regional Offices at the time of their regular visits/inspection the mills to ensure that the latter do not violate the Handloom Reservation Orders. As regards the suggestion of the Committee for more effective enforcement and stricter penalties, the proposed legislation for reservation of certain varieties of fabrics for exclusive production in the Handloom Sector contains stringent penal clauses. The

courts may also direct that any article or material or machinery including powerlooms, which were involved in the contravention of the provisions of the Act would be forfeited to Government. The draft of the proposed legislation is being processed in consultation with the Law Ministry so that it can be introduced in parliament soon.

(Department of Textiles O.M. No.3/4/83—TPC Dated 11th Nov., 1983.)

Recommendation (Sl. No. 12 Para 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 Textile (Control) Order 1948 and the Textiles (Production) by Powerlooms. Control Order 1956 prior permission of Textile Commissioner for the installation of powerloom 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 location". 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.

Reply of the Government

The Powerloom Industry is vastly dispersed in its nature and it is precisely because of this reason that the State Governments have been given the necessary powers to prevent its unauthorised growth. There appears to be some clandestine assembling of looms by small spare parts manufacturers assisted by some small foundries and workshops. It is further understood that even the powerloom owners also assemble/make such looms by manufacturing parts in their own workshops. While the office of the Textile Commissioner does exercise due vigilance to curb the growth of unauthorised powerloom, it is difficult for that Office to have complete control over such activities in view of the limited staff available. It is precisely because of these difficulties the state government have been delegated with the relevant" powers. The Government is also contemplating to control the situation by (a) suitably rationalising excise duty structure (b) enlisting the active cooperation of the State Governments and other concerned Powerloom Associations.

[Deptt. of Textiles O.M. No. 3/4/83-TPC Dt. 15.12.83]

Recommendation (Sl. No. 14 Para 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, on 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.

Reply of the Government

By and large the IDR units are submitting the returns regularly. It is only in respect of small units essentially located in Punjab and Haryana this problem is being faced. Instructions have already been issued to the various Regional Offices of the Textile Commissioner's office that they should frequently remind and pursue the defaulting mills to submit the returns in time. Indian Woollen Mills Federation and WVEPC, have also been suitably advised to direct their Member Constituents to comply with the submission of returns in time. As a result of these steps there has already been some improvement in the submission of returns.

[Deptt. of Textiles O. M. No. 3/4/83-TPC Dt. 15-12-1983]

Recommendation (Sl. No. 15 Para 2.70)

Section 20 (C) of the Cotton Textiles (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 and 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 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.

Reply of the Government

Under the provisions of clause 20 (C) of the Cotton Textile Control Order, 1948, while granting or refusing permission to the composite mills to process outside cloth, the following matters need to be borne in mind :

- (a) the need to satisfy the demand for processed cloth from the domestic and export markets
- (b) the need to satisfy the requirement of the Central Government
- (c) any other relevant circumstances

Prior to 5.1.1971, there was a sub-clause (c), which ran as follows :

"Desirability of utilising adequately the processing capacity available with the independent processors engaged exclusively in processing in the local area".

The K. K. Shah Committee went into the question of processing of outside cloth and the restrictions imposed on the textile mills during the year, 1966 and felt that "it would be a retrograde step to have restrictions that have the effect of preventing the handloom and powerloom sectors from getting their cloth processed in mills." The Shah Committee also felt that the excise differential gave adequate protection to the independent processors. Subsequent to this report, Government deleted subclause (c) on 5.1.1971.

The permission has been liberally granted to all applicants who had applied for such permission, keeping in view the demand for processed cloth from the domestic and export markets.

It is observed that out of the cloth processed by the mills, the outside cloth processed forms only 5% of the total processing capacity in the mill sector. Even out of this quantity, the powerloom cloth constitutes a small percentage. The picture may, of course, be different in some isolated cases, which would need to be gone into on merits taking into account the attendant circumstances.

Subsequent to the discussions with the Estimates Committee, Government instructed that Textile Commissioner should examine the following aspects before such permission was granted to the composite mills for processing of outside cloth :—

- (a) whether the surplus processing capacity has resulted from a part closure of the installed looms.
- (b) whether the mill proposed to retrench workers consequent on shut down of looms and thereby provoked industrial disputes.

Textile Commissioner was also asked to survey whether liberal grant of permission to the composite mills for processing outside cloth had started in any way hampering the growth and profitable activity of individual processing units, particularly in the decentralised sector.

The Textile Commissioner has gone into the aforesaid aspects and has since sent his report to Government. He has recommended certain norms to be followed at the time of granting permission for processing outside cloth. Some of these are listed below :—

- (i) if any mill applies for permission to process outside cloth and the idle capacity of looms is within a certain fixed range of percentage, Regional Offices could give permission ensuring that the total cloth (mills own+outside) processed shall not exceed the capacity of processing so endorsed on their industrial licence. In case when the percentage of idle capacity is more, a close examination should be made to find whether there is malafide intention. If there is a proper settlement of labour dispute and if the mill's labour union has no objection and State Government has also no objection, then the permission can be granted.

- (ii) In case of strike and if the spinning and weaving departments are closed partially or otherwise, the processing of outside cloth could be permitted, if the State Government agrees and workers in the processing departments are willing to work.
- (iii) If a mill approaches for such permission after closing down weaving department partially or otherwise on ground of uneconomic working, the case has to be considered on its merits. In such case, the mill has to secure the consent of the labour representatives and seek to absorb the labour rendered surplus in the weaving sector on the processing side to the extent possible. Refusing permission to process outside cloth in such cases may worsen the unemployment position and the sickness of the mill besides keeping a substantial portion of the available processing capacity idle. Each case may have to be examined on merits keeping *Inter-alia* the interests of the labour in mind.

The above norms and some other proposals in this regard submitted by Textile Commissioner are being examined by Government.

The suggestion of the Committee that the licensed capacity should be brought down to the level of the actual capacity worked/utilised may create legal complications since loomage capacity of the mills is specified in the licence issued under the I. D. R. Act. It is, however, understood that the Ministry of Industry is contemplating to amend the I.D.R. Act to acquire certain enabling provisions to deal with such cases in future.

In the meantime suitable instructions have already been issued to all the Regional Offices of Textile Commissioner to ensure that requests from mills to process outside cloth are carefully examined.

[Department of Textiles O. M. No. 3/4/83-TPC Dated 4th January, 1984]

Recommendation (Sl. No. 16 Para 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.

Reply of the Government

Under the provisions of clause 20 (c) of the Cotton Textile Control Order, 1948, while granting or refusing permission to the composite mills to process outside cloth, the following matters need to be borne in mind :

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

- (b) the need to satisfy the requirement of the Central Government.
- (c) any other relevant circumstances.

Prior to 5.1.1971, there was a sub-clause (c) which ran as follows :

“Desirability of utilising adequately the processing capacity available with the independent processors engaged exclusively in processing in the local area.”

The K.K. Shah Committee went into the question of processing of outside cloth and the restrictions imposed on the textile mills during the year 1966 and felt that “it would be a retrograde step to have restrictions that have the effect of preventing the handloom and powerloom sectors from getting their cloth processed in mills”. The Shah Committee also felt that the excise differential gave adequate protection to the independent processors. Subsequent to this report, Government deleted sub-clause (c) on 5.1.1971.

The permission has been liberally granted to all applicants who had applied for such permission, keeping in view the demand for processed cloth from the domestic and export markets.

It is observed that out of the cloth processed by the mills the outside cloth processed forms only 5% of the total processing capacity in the mill sector. Even out of this quantity, the powerloom cloth constitutes a small percentage. The picture may, of course be different in some isolated cases, which would need to be gone into on merits taking into account the attendant circumstances.

Subsequent to the discussions with the Estimates Committee Government instructed that Textile Commissioner should examine the following aspects before such permission was granted to the composite mills for processing of outside cloth :

- (1) whether the surplus processing capacity has resulted from a part closure of the installed looms.
- (2) whether the mill proposed to retrench workers consequent on shut down of looms and thereby provoked industrial disputes.

Textile Commissioner was also asked to survey whether liberal grant of permission to the composite mills for processing outside cloth had started in any way hampering the growth and profitable activity of individual processing units, particularly in the decentralised sector.

The Textile Commissioner has gone into the aforesaid aspects and has since sent his report to Government. He has recommended certain norms to be followed at the time of granting permission for processing outside cloth. Some of these are listed below :—

- (i) If any mill applies for permission to process outside cloth and the idle capacity of looms is within a certain fixed range of percentage, Regio.

nal Offices could give permission ensuring that the total cloth (mills own+outside) processed shall not exceed the capacity of processing so endorsed on their industrial licence. In case when the percentage of idle capacity is more, a close examination should be made to find whether there is any malafide intention. If there is a proper settlement of labour dispute and if the mills labour union has no objection and State Government has also no objection, then the permission can be granted.

- (ii) In case of strike and if the spinning and weaving departments are closed partially or otherwise, the processing of outside cloth could be permitted, if the State Government agrees and workers in the processing departments are willing to work.
- (iii) If a mill approaches for such permission after closing down weaving department partially or otherwise on ground of uneconomic working, the case has to be considered on its merits. In such cases, the mill has to secure the consent of the labour representatives and seek to absorb the labour rendered surplus in the weaving sector on the processing side to the extent possible. Refusing permission to process outside cloth in such cases may worsen the unemployment position and the sickness of the mill besides keeping a substantial portion of the available processing capacity idle. Each case may have to be examined on merits keeping *inter-alia* the interests of the labour in mind.

The above norms and some other proposals in this regard submitted by Textile Commissioner are being examined by Government.

The suggestion of the Committee that the licensed capacity should be brought down to the level of the actual capacity worked/utilised may create legal complications since loomage capacity of the mills is specified in the licence issued under the I.D.R. Act. It is, however, understood that the Ministry of Industry is contemplating to amend the I. D. R. Act to acquire certain enabling provisions to deal with such cases in future.

In the meantime suitable instructions have already been issued to all the Regional Offices of Textile Commissioner to ensure that requests from mills to process outside cloth are carefully examined.

[Department of Textiles O. M. No. 3/4/83—TPC Dated 4th January, 1984]

Recommendation (Sl. No. 17 Para 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.

Reply of the Government

Under the provisions of clause 20 (c) of the Cotton Textile Control Order, 1948, while granting or refusing permission to the composite mills to process outside cloth, the following matters need to be borne in mind :—

- (a) the need to satisfy the demand for processed cloth from the domestic and export markets,
- (b) the need to satisfy the requirement of the Central Government
- (c) any other relevant circumstances

Prior to 5.1.1971, there was a sub-clause (c) which ran as follows :

"Desirability of utilising adequately the processing capacity available with the independent processors engaged exclusively in processing in the local area".

The K.K. Shah Committee went into the question of processing of outside cloth and the restrictions imposed on the textile mills during the year 1966 and felt that "it would be a retrograde step to have restrictions that have the effect of preventing the handloom and powerloom sectors from getting their cloth processed in mills". The Shah Committee also felt that the excise differential gave adequate protection to the independent processors. Subsequent to this report, Government deleted sub-clause (c) on 5.1.1971.

The permission has been liberally granted to all applicants who had applied for such permission, keeping in view the demand for processed cloth from the domestic and export markets.

It is observed that out of the cloth processed by the mills, the outside cloth processed forms only 5% of the total processing capacity in the mill sector. Even out of this quantity the powerloom cloth constitutes a small percentage. The picture may, of course be different in some isolated cases, which would need to be gone into on merits taking into account the attendant circumstances.

Subsequent to the discussions with the Estimates Committee, Government instructed that Textile Commissioner should examine the following aspects before such permission was granted to the composite mills for processing of outside cloth :—

- (1) whether the surplus processing capacity has resulted from a part closure of the installed looms.
- (2) whether the mill proposed to retrench workers consequent on shut down of looms and thereby provoked industrial disputes.

Textile Commissioner was also asked to survey whether liberal grant of permission to the composite mills for processing outside cloth had started in any way hampering the growth and profitable activity of individual processing units, particularly in the decentralised sector.

The Textile Commissioner has gone into the aforesaid aspects and has since sent his report to Government. He has recommended certain norms to be followed at the time of granting permission for processing outside cloth. Some of these are listed below :—

- (i) If any mill applies for permission to process outside cloth and the idle capacity of looms is within a certain fixed range of percentage, Regional Offices could give permission ensuring that the total cloth (mills own+outside) processed shall not exceed the capacity of processing so endorsed on their industrial licence. In case when the percentage of idle capacity is more, a close examination should be made to find whether there is any mala fide intention. If there is a proper settlement of labour dispute and if the mills labour union has no objection and State Government has also no objection, then the permission can be granted.
- (ii) In case of strike and if the spinning and weaving departments are closed partially or otherwise, the processing of outside cloth could be permitted, if the State Government agrees and workers in the processing departments are willing to work.
- (iii) If a mill approaches for such permission after closing down weaving department partially or otherwise on ground of uneconomic working, the case has to be considered on its merits. In such cases, the mill has to secure the consent of the labour representatives and seek to absorb the labour rendered surplus in the weaving sector on the processing side to the extent possible. Refusing permission to process outside cloth in such cases may worsen the unemployment position and the sickness of the mill besides keeping a substantial portion of the available processing capacity idle. Each case may have to be examined on merits keeping *inter-alia* the interests of the labour in mind.

The above norms and some other proposals in this regard submitted by Textile Commissioner are being examined by Government.

The suggestion of the Committee that the licensed capacity should be brought down to the level of the actual capacity worked/utilised may create legal complications, since loomage capacity of the mills is specified in the licence

issued under the I.D.R. Act. It is, however understood that the Ministry of Industry is contemplating to amend the I.D.R. Act to acquire certain enabling provisions to deal with such cases in future.

In the meantime suitable instructions have already been, issued to all the Regional Offices of Textile Commissioner to ensure that requests from mills to process out-side cloth are carefully examined.

[Department of Textiles O.M. No. 3/4/83—TPC Dated 4th January, 1984]

Recommendation (Sl. No. 23 Para 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 recommended that as drill and shirting are also consumed by weaker section 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.

Reply of the Government

Under the earlier controlled cloth, scheme, sarees, dhoties, long cloth, shirting and drill were produced. Under the present scheme, production of shirting and drill has been discontinued and production is confined to sarees, dhoties and long cloth with roughly half the production being in the form of sarees, after taking into account the combined production of the mill sector and the handloom sector. The decision to discontinue drill and shirting from the scope of the scheme was taken because these two had a higher urban orientation and the subsidy implication per sq metre would have been higher. However the NTC mills have been permitted to print upto 50 million sq. metres of long cloth, which could possibly be used as shirting in rural areas. The Government has recently approved a Pilot Project for manufacture of polyester cotton blended shirting under the controlled clothes scheme.

It has been felt that the production pattern of controlled cloth, should be on the basis of consumer' preference. The functioning of the present Controlled Cloth Scheme including the prices, distribution, consumer preference etc. was to be reviewed by a Special Group set up with Textile Commissioner as the Convener and National Council of Applied Economic Research. While the report of the Special Group has since been received, which is under examination and consideration of Government, the report of NCAER is still awaited.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 24 Para 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 the 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 N. T. C. 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.

Reply of the Government

As already stated in reply to the Recommendation No. 23 (Para 3.14) the Government set up a Special Group with Textile Commissioner as Convener to review the functioning of the Controlled Cloth Scheme. The National Council of Applied Economic Research was also entrusted with the job of conducting a comprehensive study on the Controlled cloth Scheme. While the special Group has since submitted its report, which is under consideration of Government, NCAER's report is still awaited.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 25 Para 3.16)

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

Reply of the Government

As already stated in reply to the Recommendation No. 23 (Para 3.14) the Government set up a Special Group with Textile Commissioner as Convener to review the functioning of the Controlled Cloth Scheme. The National Council of Applied Economic Research was also entrusted with the job of conducting a

comprehensive study on the Controlled Cloth Scheme. While the Special Group has since submitted report, which is under consideration of Government, NCAER's report is still awaited.

[Deptt. of Textile O.M. No. 3/4/1983—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 27 Para 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 Textile 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.

Reply of the Government

The current rate of import duty on textile machinery works out to 76% *ad-valorem* in terms of the budget announced in April, 1983. It may be submitted that practically all the textile machinery needed for the rehabilitation and modernisation is being manufactured indigenously and the machines are of high quality. The imports are only confined to certain types of sophisticated shuttleless looms besides somewoolen/worsted machinery. Government have recently reduced the import duty on the import of certain sophisticated textile machinery; namely shuttleless looms of 260 cms and above, open end spinning machinery, air jet and water jet looms to 20% subject to the condition that 75% of the production out of these machineries is exported for a period of 8 years. So far as the woollen machinery is concerned, specific items have been identified, which are not manufactured in the country and which are likely to be manufactured in the near future on accounts of limited demand. Ministry of Industry have recommended in June 1983 to the Ministry of Finance for consideration of concessional duty treatment on these machineries.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 28 Para 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 manufacture of ready-made-garments. The progress in implementation of this scheme should be accelerated under a time bound programme.

Reply of the Government

The recommendation of the Committee is noted for necessary action.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 29, Para 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.

Reply of the Government

The Task Force set up to review the working of Export Promotion Council's submitted its report in April, 1983. Necessary action on the recommendations of the Task Force has been is being taken by Government.

[Department of Textiles O.M. No. 3/4/83—TPC Dt. the 16th Dec. 1983]

Recommendation (Sl. No. 31, Para 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 Textiles 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.

Reply of the Government

The Office of Textile Commissioner carries out periodical techno-economic surveys of the textiles mills, However, conducting techno-economic surveys for all the textile mills in the country is a longdrawn process. An attempt is therefore being made to identify weak/sick/marginal units, having financial difficulties and other problems with the help of financial institutions, R. B. I.

Indian Cotton Mills Federation and various Textiles Research Association and give them some immediate help to tide over the crisis. Simultaneously, a system is being evolved as a long term measures to properly locate the units, which need help by suitably devising various Indicators like profitability ratio inventories/unsold stocks/debt equity ratio/net worth/productivity norms etc., so that marginal and weaker units get help in time. In this regard a Standing Committee under the Chairmanship of the Secretary (Textiles) has also been constituted.

[Deptt. of Textiles O.M. No. 3/4/83-TPC Dt. 4/1/1984]

Recommendation (Sl. No. 32, Para 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.

Reply of the Government

The suggestion of the Committee to include the woollen textile machinery in the next census of textile machinery to be undertaken in 1984 has been accepted for the action. Textile Commissioner has already initiated action in consultation with the Indian Woollen Mills Federation, Bombay.

[Department of Textiles O.M. No. 3/4/83-TPC Dated the 11th Nov., 1983]

Recommendation (Sl. No. 33, Para 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 that 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.

Reply of the Government

The Textile Commissioner has been actively associated with the work relating to the rehabilitation and modernisation of textiles industry. Some time

back the joint Committee of TNMA/ICMF discussed the problems impeding the modernisation of textile industry at a pace, which was essential and felt that in the interests of both the textile and textile machinery industries, there should be a plan for achieving the objectives of continuous rehabilitation and modernisation. It was with this background that Development Council for Textile Machinery in its meeting held during December, 1979 appointed a high powered Committee to go into various aspects of this problem. High powered Committee appointed a Sub-Committee under Chairmanship of Textile Commissioner, which has in its report, recommended the following for effective modernisation of textile industry :—

- (i) With the help of Census report of the Office of Textile Commissioner intensive study covering the entire gamut of the textile industry has been possible. This has enabled the Committee to arrive at fairly accurate figures of the modernisation backlog. The Committee has assessed machinery requirement to complete the backlog of modernisation in the Textile industry.
- (ii) The Soft Loan Scheme should be at a reasonable reduced rate to enable the mills to avail of the facilities to a better extent.
- (iii) Adequate funds be kept at the disposal of IDBI to meet the projected modernisation needs.
- (iv) The Committee has supported the proposal of ICMF for creation of "Modernisation Reserve Fund" out of pre-tax profits and excise duty refunds to enable the mills to undertake modernisation programme on a sustained basis. This proposal with such modifications as may be necessary, is placed before Government.
- (v) The limits in respect of IDBI re-discounting scheme may be suitably increased from current limit of Rs. 1 crore to Rs. 2 crores, keeping the interest rate at a reasonable level.
- (vi) There should be adequate budgetary provision for the public sector units to undertake large scale rehabilitation and modernisation programme.
- (vii) The Committee has recommended the continuous import of sophisticated modern textile machinery, of types which are not manufactured indigenously.
- (viii) Finance from international sources, including World Bank and its agencies.
- (ix) Whenever there is a prolonged closure, lay off, strike, lock out etc. there should be an automatic moratorium in the interest payments on an industry-wise basis.

The above proposals are under examination of Government. Besides, a mechanism for periodical consultation with the IDBI is being worked out so that the Textile Commissioner will be kept in picture about the progress made unit-wise in regard to modernisation undertaken with assistance of soft loan scheme of IDBI.

[Deptt. of Textiles O.M. No. 3/4/83-TPC Dt. 4.1.1984]

Recommendation (Sl. No. 35, Para 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 in 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 of provide sufficient incentive to the textile mills to take to modernisation in a big way.

Reply of the Government

It is submitted that to compal textile mills to modernise will be a difficult proposition. Individual units in the textile industry take decisions concerning modernisation after assessing the availability of finance and the terms on which the same is available and their own ability to realise adequate return from such modernisation. While it is felt that it would not be possible to have statutory compulsion in the units to effective modernisation, it is possible to device measures that will work as an incentive to the mills for modernisation. With a view to providing impetus for modernisation in the textile industry, Government have recently reduced the import duty on the import of certain sophisticated textile machinery, namely shuttleless looms of 260 cms and above, open end spinning machinery, air get looms to 20% subject to the condition that 75% of the production out of these machineries is exported for a period of 8 years. The question for tax rebates are also being examined by Government. Other measures for providing incentives to the textile mills to carry out modernisation and rehabilitation such as making soft loan scheme more acceptable to mills, creation of Modernisation Reserve Fund from out of the pre-tax profits of the units or by fundding the excise levy collected from the units have also been mooted and are under consideration.

[Deptt. of Textiles O.M. No. 3/4/1983-TPC Dt. 4-1-1984]

Recommendation (Sl. No. 36 Para 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 reasons for return of the Mills to its owners in 1967. The file should be tread, otherwise responsibility for its loss should be fixed. As the Committee learn that the mill is again slipping into financial difficulties and on the verge of becomming 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 prodent and against the interest of the economic health of the unit.

Reply of the Government

The matter is very old and the Ministry has made a serious attempt to locate the file. So far, the file could not be located. Efforts are, however, being made to pursue this matter and locate this file. In the absence of this file it is regretted that it has not been possible for the Ministry to proceed further in this matter.

[Department of Textiles O.M. No. 3/4/13-TPC Dt. the 15th Dec, 1983]

Recommendation (Sl. No. 37 Para 5.30)

According to the latest assessment of the modernisation of this mill will ential a total expenditure of nearly Rs. 4 crores in three phases. Out of Rs. 105 lakh sanctioned to the mill in the first phase, a sum of Rs. 50 lakh 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 now industries at Kota, the Department of Textiles has reported that it is not aware of any such diversion of funds and that 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 of independent inquiry into the matter of utilisation of loans granted to this mill in view of the allegation 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.

Reply of the Government

Textile Commissioner has since submitted the report, which is under examination of Government.

[Department of Textiles O.M.No.3/4/83—TPC Dated the15th Dec., 1983]

Recommendation (Sl. No. 38 Para 5.39)

According to the revised guidelines issued by the 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.

Reply of the Government

Textile Commissioner has since submitted the report, which is under examination of the Government.

[Department of Textiles O.M.No.3/4/83—TPC Dated the 15th Dec., 1983.]

Recommendation (Sl. No. 42 Para 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.

Reply of the Government

A scheme from UNIDO for undertaking an UNDP aided R & D project for the textile machinery industry was under consideration by the Textile machinery Manufacturers & Association. The scheme estimated matter and see that the a three-way participation—— UNIDO, Government of India and Textiles Machinery Manufacturers' Association. The Association has reported to the Department of Heavy Industry that the industry agrees with the government's view that there is need to set up indigenous research and development institute, although individual efforts have already achieved certain worthwhile results. Since the machinery industry is passing through a recession currently, the industry now feels that it is not possible to make heavy investments at this juncture for establishment of a new and independent research institution. They are of the view that efforts should be made to set up a separate R&D wing in collaboration with one of the existing and centrally located engineering research institutions with the concurrence of the government. UNIDO would also be approached for preparation of project report at an appropriate time. The matter was further considered in the Department of Heavy Industry and the Association has been advised, to appoint a team of specialists to visit some of the engineering research institutions in the country and evaluate the existing facilities with a view to exploring the possibility of setting up a separate research wing for textile machinery industry in collaboration with one of those institutes. The Association is reported to be taking action accordingly.

[Department of Textiles O.M.No.3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl.No. 43 Para 5.6)

The Committee were informed that Officers of the Textile Commissioner's

Organisation were being deputed from time to time to the Tex-tile 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 perfunctary. 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.

Reply of the Government

All the Regional Offices of the Textile Commissioner have already been instructed to tighten the inspection machinery and see that violation of regulations, particularly regarding price stamping on cloth are dealt with more sternly.

[Department of Textiles, O.M. No.3/4/83-TPC Dated the 11th Nov., 1983.]

Recommendation (Sl. No. 44 Para 6.7)

It is indeed surprising that though a public Grievances Cell was set up in the Headquarters office of the Textiles 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 can not 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 Cell and Public is therefore unaware that machinery has been created which could look into grievances and take remedial action. The Committee suggest that this awareness should be or created by repeated advertisements in the press and over the Radio and T.V.

Reply of the Government

Necessary Press Note has already been issued by Textile Commissioner, Bombay regarding the existence of a Public Grievances Cell in his office. Similarly, Director General, All India Radio and Director General Doordarshan Kendra, New Delhi have been requested to make arrangements for adequate publicity of the existence of the Grievance Cell in the office of Textile Commissioner.

[Department of Textiles. O.M. No.3/4/83-TPC Dated the 11th Nov., 1983.]

Recommendation (Sl. No. 45 Para 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.

Reply of the Government]

As per suggestion of the Estimates Committee, action has been initiated to examine feasibility of rationalising/reducing the number of statistical returns and making them further simpler. IOMF is also being consulted in the matter.

[Department of Textiles, O.M. No. 3/4/83-TPC Dated the 11th Nov., 1983.]

CHAPTER III

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

Recommendation (Sl. No. 10 Para 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.

Reply of the Government

In order to reserve any item for Handloom Sector, it is necessary to have precise definition. With this end in view some of the technical institutions were addressed for getting precise definition. They are of the opinion that there is no precise definition available for Kota Doria Sarees. In fact, Doria Sarees are simple striped sarees with a particular type of weave and since in the initial stages they were produced in Kota, they got the name of Kota Doria Sarees. The definition available for Doria sarees would be applicable to any striped sarees with this type of weave and produced anywhere in many States and it is understood that it is also produced in significant quantities by powerlooms. In view of the fact that the definition available is rather wide and could include any type of striped sarees with this weave, it may present difficulties in implementation of the orders even if this item is included.

[Department of Textiles O. M. No. 3/4/83-TPC Dated 11th Nov., 1983]

Recommendation (Sl. No. 22 Para 2.77)

Incidentally, it came to the notice of the Committee that the M/s. T. I. T. 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.

Reply of the Government

The mill is basically an old unit with considerable outmoded machinery. Prior to the closure of part of their weaving Department it was observed that the mills had been incurring considerable losses. To improve the situation and

to avoid further financial losses, the mill had reached an agreement with the State Government. Labour Commissioner and the concerned Labour Unions and decided to stop a part of their loomage. All the statutory liabilities and compensation for the labour have been duly and fully paid. Subsequent to the closure of part of the weaving Department and taking up processing of outside cloth the mill had improved their financial position. This also enabled them to offer more yarn to the decentralised sector. Since the State Government and the Labour Union had all agreed, there does not appear to be any *mala fide* intention in this regard. The mill can supply to the Financial Institutions for a loan to rehabilitate and modernise their mills, which will be examined on its merits.

[Deptt. of Textiles O. M. No. 3/4/83-TPC Dt-15-12-1983]

Recommendation (Sl. No. 34, Para 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.

Reply of the Government

It is submitted that to compel the textile mills to modernise will be a difficult proposition. Individual units in the textile industry take decisions concerning modernisation after assessing the availability of finance and the terms on which the same is available and their own ability to realise adequate returns from such modernisation. While it is felt that it would not be possible to have statutory compulsion on the units to effect modernisation, it is possible to devise measures that will work as an incentive to the mills for modernisation. With a view to providing impetus for modernisation in the textile industry, Government have recently reduced the import duty on the import of certain sophisticated textile machinery, namely shuttleless looms of 260 cms and above, open end spinning machinery, air jet and water jet looms to 20% subject to the condition that 75% of the production out of these machineries is exported for a period of 8 years. The suggestion for tax rebates are also being examined by Government. Other measures for providing incentives to the textile mills to carry out modernisation and rehabilitation such as making soft loan scheme more acceptable to mills, creation of Modernisation Reserve Fund out of the pre-tax profits of the units or by refunding the excise duty collected from the units have also been mooted and are under consideration.

[Deptt. of Textiles O.M. No. 3/4/83-TPC Dt. 4-1-1984]

Recommendation (Sl. No. 39, Para 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.

Reply of the Government

The policy regarding take-over/nationalisation of sick industries has been laid down in the Policy Guidelines on sick industries by Ministry of Industry *vide* their O. M. No. 7/23/81-CUS. So far as textile industry is concerned the office of Textile Commissioner undertakes periodical techno-economic surveys of the textile units and suggests remedial measures. In pursuance of the guidelines on sick industries the Department of Textiles has constituted a Standing Committee to monitor sickness, study the extent of sickness in the textile industry and suggest policy measures, which should be taken to alleviate sickness in the textile industry. There are already 112 textile mills owned by the Central Government. Besides, Government have recently taken over the management of 13 textile mills of Bombay in the State of Maharashtra. Under overall Policy guidelines of the Ministry of Industry, take over of mills is resorted to ordinarily only with a view to eventual nationalisation. It is not envisaged that such unit will be taken over on a temporary basis.

[Department of Textiles O. M. No. 3/4/83-TPC Dated the 4th January, 1984.]

Recommendation (Sl. No. 40 Para 5.51)

The Committee find that as against the licensed capacity of about 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 utilising 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."

Reply of the Government

The production of complete textile machinery touched a level of Rs. 260 crores during the year 1981. There was, however, a downward trend during 1982, because of the recessionary forces prevailing in the textile industry, coupled with Bombay textile strike. If this trend continues, further drop in production in 1983 is very much likely. Utilisation of installed capacity would itself drop down, unless the health of the textile industry revives. The solution would, therefore, lie in the direction of increasing the demand for textile machinery, both at home and abroad. When the demand picks up and stabilises, it

would be possible for the machinery manufacturers to respond adequately and make fuller use of the installed capacity. The matter of fuller utilisation of capacity is constantly being monitored by the office of the Textile Commissioner and the Department of Heavy Industry with a view to providing inputs, wherever justified and required. In the present situation, cancellation of licensed capacity as such cannot bring about the desired results. Further, freeze on the creation of additional capacity may not also be desirable, because of continuous need for upgradation of technology and consequent need to encourage manufacture of modern machinery, which is the very basis for the survival of the textile machinery industry.

[Dept. of Textiles O. M. No. 3/4/83-TPC Dt. 15-12-1983]

Recommendation (Sl. No. 41, Para 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%). 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 some time, it does not offer an abiding solution to this problem. The Committee would, therefore, suggest that 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.

Reply of the Government

The entire range of woollen machinery is not being manufactured in the country. The technology available in the present range of Indigenous woollen machinery is also not up to the contemporary standards. The demand for woollen machinery has also been limited and not sustained. Efforts have been made in the past to motivate manufacturers of cotton textile machinery to diversify into manufacture of contemporary woollen machinery of modern technology. These efforts have not yielded satisfactory results on account of the hesitation on the part of the industry to take up manufacture of items for which demand is limited and no economic scale of production is possible. The suggestion of the Committee that a woollen machinery manufacturing unit should be set up with a view to catering to the export market has been carefully considered by the Government. The matter has also been taken up with the Textile Machinery Manufacturers' Association. The industry has expressed doubts about the success of such a venture. However, some of the manufacturers are still being encouraged and necessary clearances have been granted by the Government, to take up the manufacture of specified items of modern

and sophisticated woollen machinery even by allowing foreign technology support, wherever required. The possibility of setting up of a large scale unit of woollen machinery in India as envisaged by the Estimates Committee exclusively to cater to the export market is a difficult proposition, since our products may not prove competitive with machinery manufactured abroad, particularly, when these markets are themselves passing through an acute recessionary phase.

[Deptt. of Textile O.M. No. 3/4/83—TPC Dt. 15-12-1983]

CHAPTER IV

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

Recommendation (Sl. No. 13, Para 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.

Reply of the Government

Utilisation of the installed capacity is, *inter alia*, a direct function of demand. The Textile industry has been experiencing recessionary trends for sometime. The Bombay Textile strike commencing from 18th Jan. 1982 has greatly aggravated the problems. Besides these factors the low utilisation has been largely due to (a) old and outmoded machinery (b) shortage of power (c) labour strikes/lockouts absenteeism etc. in various textile centres.

Government has been liberally allowing the imports of Diesel generating sets for captive power generation. A close liaison is also being maintained with the various cooperative Textile Research Associations to ensure that the existing machinery is better utilised by a system of maintenance and other preventive measures to reduce breakdowns. The Government of Maharashtra have also assured adequate power supply to the textile mills which have opened after a long spell of strike and this will gradually help improve most of utilisation.

Besides, the above the following measures which will help improve utilisation are also under examination (a) some flexibility to provide more working finance for the needy mills (b) restructuring of excise duty in respect of spinning finer counts & manufacture of finer varieties of cloth.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 18 Para 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.

Reply of the Government

Under the provisions of clause 20 (c) of the Cotton Textile Control Order, 1948 while granting or refusing permission to the composite mills to process outside cloth, the following matters need to be borne in mind :—

- (a) the need to satisfy the demand for processed cloth from the domestic and export markets,
- (b) the need to satisfy the requirement of the Central Government,
- (c) any other relevant circumstances.

Prior to 5.1.1971, there was a sub-clause (c) which ran as follows :

Desirability of utilising adequately the processing capacity available with the independent processors engaged exclusively in processing in the local area.

The K.K. Shah Committee went into the question of processing of outside cloth and the restrictions imposed on the textile mills during the year 1966 and felt that "it would be a retrograde step to have restrictions that have the effect of preventing the handloom and powerloom sectors from getting their cloth processed in mills". The Shah Committee also felt that the excise differential gave adequate protection to the independent processors. Subsequent to this report, Government deleted sub-clause (c) on 5.1.1971.

The permission has been liberally granted to all applicants who had applied for such permission, keeping in view the demand for processed cloth from the domestic and export markets.

It is observed that out of the cloth processed by the mills the outside cloth processed forms only 5% of the total processing capacity in the mill sector.

Even out of this quantity, the powerloom cloth constitutes a small percentage. The picture may, of course be different in some isolated cases, which would need to be gone into on merits taking into account the attendant circumstances.

Subsequent to the discussions with the Estimates Committee Government instructed that Textile Commissioner should examine the following aspects before such permission was granted to the composite mills for processing of outside cloth :—

- (1) whether the surplus processing capacity has resulted from a part closure of the installed looms
- (2) whether the mill proposed to retrench workers consequent on shut down of looms and thereby provoked industrial disputes.

Textile Commissioner was also asked to survey whether liberal grant of permission to the composite mills for processing outside cloth had started in any way hampering the growth and profitable activity of individual processing units, particularly in the decentralised sector.

The Textile Commissioner has gone into the aforesaid aspects and has since sent his report to Government. He has recommended certain norms to be followed at the time of granting permission for processing outside cloth. Some of these are listed below :—

- (i) If any mill applies for permission to process outside cloth and the idle capacity of looms is within a certain fixed range of percentage, Regional Offices could give permission ensuring that the total cloth (mills own + outside) processed shall not exceed the capacity of processing so endorsed on their industrial licence in case when the percentage of idle capacity is more a close examination should be made to find whether there is any *malafide* intention. If there is a proper settlement of labour dispute and if the mills labour union has no objection and State Government has also no objection, then the permission can be granted.
- (ii) In case of strike and if the spinning and weaving departments are closed partially or otherwise, the processing of outside cloth could be permitted, if the State Government agrees and workers in the processing departments are willing to work.
- (iii) If a mill approaches for such permission after closing down weaving department partially or otherwise on ground of uneconomic working, the case has to be considered on its merits.

In such cases, the mill has to secure the consent of the labour representatives and seek to absorb the labour rendered surplus in the weaving sector on the processing side to the extent possible. Refusing permission to process outside

cloth in such cases may worsen the unemployment position and the sickness of the mill besides keeping a substantial portion of the available processing capacity idle. Each case may have to be examined on merits keeping *inter alia* the interests of the labour in mind.

The above norms and some other proposal in this regard submitted by Textile Commissioner are being examined by Government.

The suggestion of the Committee that the licensed capacity should be brought down to the level of the actual capacity worked/utilised may create legal complication since loomage capacity of the mills is specified in the licence issued under the I. D. R. Act, it is, however, understood that the Ministry of industry is contemplating to amend the I. D. R. Act to acquire certain enabling provisions to deal with such cases in future.

In the meantime suitable instructions have already been issued to all the Regional Offices of Textile Commissioner to ensure that requests from mills to process outside cloth are carefully examined.

[Deptt. of Textiles O.M. No. 3/4/13-TPC Dt. 4-1-1984]

Recommendation (Sl. No. 19 Para 2.74)

The Committee note that hitherto the mills were licensed by their spindleage and loomage capacity and the capacity for processing of cloth was not specifically mentioned in the licence. This had led to mills setting up processing facilities much beyond their internal requirements in terms of the spindleage/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 procession should be required to undergo the same procedure as are applicable." for granting permission for increasing the weaving or spinning capacity of the unit.

Reply of the Government

Under the provisions of clause 20 (C) of the Cotton Textile Control Order 1948, while granting or refusing permission to the composite mills to process outside cloth, the following matters need to be borne in mind :—

- (a) the need to satisfy the demand for processed cloth from the domestic and export market,
- (b) the need to satisfy the requirement of the Central Government,
- (c) any other relevant circumstance.

Prior to 5.1.1971, there was a sub-clause (c), which ran as follows :—

“Desirability of utilising adequately the processing capacity available with the independent processor engaged exclusively in processing in the local area.”

The K. K. Shah Committee went into the question of processing of outside cloth and the restrictions imposed on the textile mills during the year, 1966 and felt that “it would be a retrograde step to have restrictions that have the effect of preventing the handloom and powerloom sectors from netting their cloth processed in mills”. The Shah Committee also felt that the excise differential gave adequate protection to the independent processors. Subsequent to this report, Government deleted sub-clause (C) on 5.1.1971.

The permission has been liberally granted to all applicants who had applied for such permission, keeping in view the demand for processed cloth from the domestic and export markets.

It is observed that out of the cloth processed by the mills, the outside cloth processed forms only 5% of the total processing capacity in the mill sector. Even out of this quantity the powerloom cloth constitutes a small percentage. The picture may, of course, be different in some isolated cases which would need to be gone into on merits taking into account the attendant circumstances.

Subsequent to the discussions with the Estimates Committee, Government instructed that Textile Commissioners should examine the following aspects before such permission was granted to the Composite mills for processing of outside cloth :—

- (1) Whether the surplus processing capacity has resulted from a part closure of the installed looms.
- (2) whether the mill proposed to retrench workers consequent on shut down of looms and thereby provoked industrial disputes.

Textile Commissioner was also asked to survey whether liberal grant of permission to the composite mills for processing outside cloth had started in any way hampering the growth and profitable activity of individual processing units, particularly in the decentralised sector.

The Textile Commissioner has gone into the aforesaid aspects and has since sent his report to Government. He has recommended certain norms to be followed at the time of granting permission for processing outside cloth. Some of these are listed below :—

- (i) If any mill applied for permission to process outside cloth and the idle capacity of looms is within a certain fixed range of percentage Regional Offices could give permission ensuring that the total cloth (mills own + outside) processed shall not exceed the capacity of processing so endorsed on their industrial licence. In case when the percentage of idle capacity is more, a close examination should be made to

find whether there is any mala fide intention. If there is a proper settlement of labour dispute and if the mills labour union has no objection and State Government has also no objection, then the permission can be granted.

- (ii) In case of strike and if the spinning and weaving departments are closed partially or otherwise, the processing of outside cloth could be permitted, if the State Government agrees and workers in the processing departments are willing to work.
- (iii) If a mill approaches for such permission after closing down weaving department partially or otherwise on ground of uneconomic working the case has to be considered on its merits. In such case, the mill has to secure the consent of the labour representatives and seek to absorb the labour rendered surplus in the weaving sector on the processing side to the extent possible. Refusing permission to process outside cloth in such cases may worsen the unemployment position and the sickness of the mill besides keeping a substantial portion of the available processing capacity idle. Each case may have to be examined on merits keeping *inter-alia* the interests of the labour in mind.

The above norms and some other proposals in this regard submitted by Textile Commissioner are being examined by Government.

The suggestion of the Committee that the licensed capacity should be brought down to the level of the actual capacity worked/utilised may create legal complications. Since loomage capacity of the mills is specified in the licence issued under the IDR Act. It is, however, understood that the Ministry of Industry is contemplating to amend the I. D. R. Act to acquire certain enabling provisions to deal with such cases in future.

In the meantime suitable instructions have already been issued to all the Regional Offices of Textile Commissioner to ensure that request from mills to process outside cloth are carefully examined.

[Department of Textiles O.M. No. 3/4/83-TPC Dated the 4th January, 1984]

Recommendation (Sl. No. 20 Para 2.75)

In the course of this 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 Jan. 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 dt. 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 Deptt. of Textiles to investigate as to how the Regional Office of the Textile Commissioner, Amritsar agreed post-haste to increase the processing capacity there-by regularising the expansion of the Processing Capacity, undertaken without proper licence after Jan. 1982.

Reply of the Government

The matter has been further investigated and it has been found that no irregularities had been committed in this regard.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 21 Para 2.76)

(Recommendation/conclusion as given in the body of the Report may please be reproduced here)

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.

Reply of the Government

This matter has been further examined in depth and it is observed that the mill had not violated any of the IDR act or provisions of the Cotton Textile Control Orders.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

Recommendation (Sl. No. 30 Para 5.10)

The Committee find that during the last five years, Textiles 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.

Reply of the Government

Conducting techno-economic surveys for all the textile mills in the country is a very long drawn process. An attempt is therefore being made to identify weak/sick/marginal units, having financial difficulties and other problems with the help of financial institutions, R.B.I., Indian Cotton Mills Federation and various Textile Research Association and give them some immediate help to tide over the crisis. Simultaneously, a system is being evolved as a long term measure to properly locate the units, which need help by suitably devising various indicators like profitability ratios/inventories/unsold stocks/debt equity ratio/net worth/productivity norms etc. so that marginal and other weaker units get help in time. In this regard a Standing Committee under the Chairmanship of the Secretary (Textiles) has also been constituted.

[Deptt. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES ARE STILL AWAITED

Recommendation (Sl. No. 3, Para 1.32)

The Committee note that while the organisation of the Development Commissioner (Handloom) 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 Woolen 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.

Reply of the Government

The issue in question, being an important matter, needed careful examination/consideration from the administrative and financial angles in consultation with the concerned authorities/Departments such as the Department of Personnel and Administrative Reforms, Ministry of Finance etc. The matter is under examination in this Department.

[Department of Textile O.M. No. 3/4/83—TPC Dated 15-12-1983]

Recommendation (Sl. No. 11 Para 2.42)

According to the present policy one spinning capacity upto 50,000 spindles has been de-licensed in the case of cotton mills whereas in the cases of woollen mills the spinning capacity delicensed is only upto 2,400 spindles. The Textile commissioner assured the Committee that Government would consider an increase in the level of licensed capacity in respect of woollen mills. The Committee would like to be apprised of the action taken in pursuance of this assurance.

Reply of the Government

The Study Group set up by Government has *inter alia* recommended that the present delicensed limit of 2400 spindles for the worsted sector may be rai-

sed to 4000 spindles for areas other than backward areas and 5600 spindles for backward areas. For non worsted sector, the enhancement of the present delicensed limit of 2400 spindles to 3200 spindles has been recommended only for backward areas. These recommendations are being examined in consultation with the KVIC, DC (Handlooms) etc., whose interests may be affected by the proposed changes.

[Department of Textiles O.M. No. 3/4/83—TPC Dated the 11th Nov., 1983]

Recommendation (Sl. No. 26 Para 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 revived in consultation with State Governments and placed on a sounder footing.

Reply of the Government

The question of allocation of controlled cloth on the basis of per capita income and population below the poverty line was referred to various States and Union Territories for their specific comments/opinions. So far fourteen State Governments/Union Territories have furnished their views. The response from State Governments/Union Territories Administrations received till now indicates a strong tilt in opinion that economic backwardness should be the major determining factor in the allocation of controlled cloth. States and Union Territories like Punjab, Delhi, Haryana, Gujarat have expressed their opinion in favour of continuance of the present system of allocations. However, the issue is still under careful examination/consideration of Government.

[Dept. of Textiles O.M. No. 3/4/83—TPC Dt. 15-12-1983]

NEW DELHI ;

April, 18, 1984
Chaitra 29, 1906 (S)

BANSI LAL, -

Chairman,
Estimates Committee.

APPENDIX

(Vide Introduction to the Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE 46th REPORT OF ESTIMATES COMMITTEE (SEVENTH LOK SABHA)

I. Total No. of recommendations.	45
II. Recommendations/observations that have been accepted by Government	
Nos. 1,2,4,5,6,7,8,9,12,14,15,16,17,23,24,25,27,28,29,31,32,33,35,36,37,38,42,43,44,45.	
Number :	30
Percentage to total :	67
III. Recommendations/observations which the Committee do not desire to pursue in view of Government's replies	
No. 10,22,34,39,40,41	6
Percentage to total :	13
IV. Recommendations/observations in respect of which replies of Government have not been accepted.	
Nos. 13,18,19,20,21,30	
Number :	6
Percentage to total :	13
V. Recommendations/observations in respect of which final replies of Government are still awaited.	
Nos. 3,11,26	
Number :	3
Percentage to total :	7

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Sl. No.	Name of Agent
BIHAR		UTTAR PRADESH	
1.	M/s Crown Book Depot, Upper Bazar, Ranchi (Bihar).	11.	Law Publishers, Sardar Patel Marg, P. B. No. 77, Allahabad, U.P.
GUJARAT		WEST BENGAL	
2.	The New Order Book Company, Ellis Bridge Ahmedabad-6.	12.	Mrs Manimala, Buys and Sells 128, Bow Bazar Street, Calcutta-12.
MADHYA PRADESH		DELHI	
3.	Modern Book House, Shiv Vilas Palace, Indore City.	13.	Jain Book Agency, Connaught Place, New Delhi.
MAHARASHTRA		14.	J.M. Jain & Brother, Mori Gate, Delhi.
4.	M/s Sunderdas Gian Chand, 601, Girgaum Road, Near Princess Street, Bombay-2.	15.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi-1.
5.	The International Book Service, Decan Gymkhana, Poona-4	16.	Bookwell 4, Sant Nirankari Colony, Kingsway Camp, Delhi-9.
6.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	17.	The Central News Agency, 23/90, Connaught Place, New Delhi.
7.	M/s Usha Book Depot, Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar, Khan House, Bombay-2.	18.	M/s Rajendra Book Agency, 1V-D/59, 1V-D, 50, Lajpat Nagar, Old Double Storey, New Delhi-110024.
8.	M & J Services, Publishers, Representative Accounts & Law Book Seller, Mohan Kunj, Ground Floor, 68, Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-14.	19.	M/s Ashoka Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110033.
9.	Subscribers Subscription Services India, 21, Raghunath Dadaji St., 2nd Floor, Bombay-1.		
TAMIL NADU		20.	Venus Enterprises B-2/85, Phase-II, Ashok Vihar, Delhi.
10.	The Manager, M. M. Subscription Agencies. No. 2, 1st Lay Out Sivananda Colony, Coimbatore-641012.		