

NINETEENTH REPORT

**STANDING COMMITTEE ON LABOUR
(2006-07)**

(FOURTEENTH LOK SABHA)

MINISTRY OF TEXTILES

**Action taken by the Government on the Recommendations/Observations
contained in the Fourteenth Report of the Standing Committee on Labour on
Demands for Grants of the Ministry of Textiles for the year 2006-2007**

Presented to Lok Sabha on 13 December 2006

Laid in Rajya Sabha on 13 December 2006



**LOK SABHA SECRETARIAT
NEW DELHI**

December 2006/ Agrahayana, 1928 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON LABOUR
(2006-2007)**

Shri Suravaram Sudhakar Reddy – CHAIRMAN

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3. Shri Subrata Bose
4. Shri Santasri Chatterjee
5. Shri Thawar Chand Gehlot
6. Shri Munawar Hassan
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SECRETARIAT

- | | | |
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| 2. Shri N.K. Sapra | - | Joint Secretary |
| 3. Shri R.S. Misra | - | Director |
| 4. Shri N.K. Pandey | - | Under Secretary |

INTRODUCTION

I, the Chairman of the Standing Committee on Labour having been authorised by the Committee to submit the Report on their behalf, present this Nineteenth Report on the action taken by the Government on the recommendations contained in the Fourteenth Report of the Standing Committee on Labour (Fourteenth Lok Sabha) on Demands for Grants-2006-2007 relating to Ministry of Textiles.

2. The Report was presented to Lok Sabha and also laid in Rajya Sabha on 17 May 2006. The Ministry of Textiles furnished their replies indicating action taken on the recommendations contained in that Report on 11 September 2006. The report was considered and adopted by the Standing Committee on Labour at their sitting held on 6 December 2006 .

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

- I. Report.
- II. Recommendations/Observations which have been accepted by Government.
- III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's reply.
- IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration.
- V. Recommendations/Observations in respect of which replies of the Government are interim in nature.

4. An analysis of the action taken by Government on the recommendations contained in the Report of the Standing Committee on Labour (Fourteenth Lok Sabha) is given in Appendix.

5. For the facility of reference recommendations/observations of the Committee have been printed in thick type in the body of the Report.

New Delhi;
6 December, 2006
15 Agrahayana, 1928 (Saka)

SURAVARAM SUDHAKAR REDDY
CHAIRMAN
STANDING COMMITTEE ON LABOUR

CHAPTER I

REPORT

1.1 This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Fourteenth Report (Fourteenth Lok Sabha) of the Standing Committee on Labour on Demands for Grants for the year 2006-2007.

1.2 The Fourteenth Report was presented to Lok Sabha and was also laid in Rajya Sabha on 17 May 2006. It contained 15 recommendations. Replies of Government in respect of all the recommendations have been examined and are categorised as under: -

(i) Recommendations/Observations which have been accepted by the Government:

Paragraph Sl. Nos. 1, 3, 9, 10 and 15. (Total 5 – Chapter-II).

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government:

Paragraph Sl. Nos. 2, 6 and 11 (Total 3 - Chapter III)

(iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Paragraph Sl. Nos. 4, 5, 7, 12, 14 (Total 5 - Chapter IV)

(iv) Recommendations/Observations in respect of which replies are of interim in nature:

Paragraph Sl. Nos. 8 and 13 (Total 2- Chapter V)

1.3 **The Committee desire that final replies in respect of the recommendation as indicated at (iv) above, for which only interim replies have been given by the Government should be furnished to the Committee within three months of the presentation of the Report.**

1.4 The Committee will now deal with action taken by the Government on some of these recommendations in the succeeding paragraphs.

A. Textile Workers' Rehabilitation Fund Scheme (TWRFS)

Recommendation (Sl. No.4, Para 3.16)

1.5 The Committee are deeply concerned to note that 32,668 workers of 78 Mills, which were closed during the last 3 years, have not received any relief under Textile Workers Relief

Fund Scheme even though they are eligible to receive relief under the Scheme. To seek benefits under the Scheme State Governments have to give approval for closure of units under Section 25(O) of the Industrial Disputes Act, 1947 or an Official Liquidator has to be appointed under Companies Act, 1956 for the purpose of winding up the unit. As the State Governments are reluctant to give approval to the closure of units since they do not want to be judged as unfriendly to workers and due to prolonged proceedings in BIFR/High Courts before the appointment of Official Liquidator, the workers have to wait very long for receiving benefits under the Scheme. Only 6,864 workers of 23 Mills, which were closed between 1985 and 1998 have been given relief under the Scheme. The Committee take a serious view of this as the very purpose of the TWRFS is defeated due to such inordinate delay in providing relief to the workers. The Committee strongly feel that relief to workers should be provided immediately after the closure of the Mills to enable them to run their families without difficulty while switching over to a new job or for making alternate arrangement for livelihood. The Committee, therefore, recommended that guidelines of the TWRFS should be amended and the requirements of permission under Section 25(O) and appointment of Official Liquidator under Companies Act, 1956 should be done away with. Instead, the job should be entrusted to a very senior officer of the Office of the Textile Commissioner who should visit the mill and after due verification give approval for the disbursement of relief to the eligible workers immediately but within three months positively. The Committee further recommended that for undue delay in the process, personal responsibility of the concerned officer should be fixed. The steps taken and progress achieved should be intimated to the Committee within a period of three months.

1.6 In response to the above recommendation, the Ministry of Textiles in its action taken reply has stated as follows:-

“To ensure the fairness of the Scheme and effectively control malpractices, the involvement of the State Governments and requirements of permission under Section 25(O) and appointment of Official Liquidator under Companies Act, 1956 are essential. Government is also concerned to note that the workers get relief after a long time. Since the textile mills are a subject matter for the State Governments, their involvement cannot be by-passed”.

1.7 The Committee are not convinced with the reply furnished by the Government insofar as the approval of State Governments for closure of mills under section 25 (O) of the Industrial Disputes Act, 1947 is required. They are of the view that some relaxation should be made in the present Act in the larger interest of textile workers so that the benefits of the Textile Workers Relief Fund Scheme (TWRFS) reach the needy workers and the objective of the TWRFS are fulfilled without any procedural hindrance. The contention of the Government that “to ensure the fairness of the Scheme and effectively control malpractices, the involvement of the State Governments and requirements of permission under Section 25(O) and appointment of Official Liquidator under Companies Act, 1956 are essential” is not sustainable. Under the garb of the fairness and involvement of State Governments, disbursement of relief to workers cannot and should not be procrastinated indefinitely. The Committee are least satisfied with the reply given by the Government to their recommendation. When the Government is not in a position to provide relief in time to the affected workers even though they are eligible to receive the same, the very purpose of the Textile Workers Relief Fund Scheme is defeated. The Committee, therefore, reiterate their earlier recommendation and urge the Government to take immediate steps as recommended by them earlier. The steps taken and the progress achieved should be intimated to the Committee within a period of three months.

B. National Textile Corporation Limited

Recommendation (Sl. No.5 Para No.3.28)

1.8 The Committee have noted that out of 52 viable NTC mills, 22 mills are proposed to be modernized in two phases and the remaining 29 mills are proposed to be modernized through joint venture with private entrepreneurs. In this regard, a draft modified revival scheme has been submitted to BIFR for its approval. All the mills are proposed to be modernized before the end of financial year 2007-08. In the first phase 15 mills have been taken up for modernization. However, the order has been placed for purchasing new machinery for the modernization of only 5 mills. As such, it is to be seen whether NTC would be able to complete the modernization of the 15 mills before the end of 2007-08. The Committee are least satisfied of the manner in which the entire programme of modernization is being tackled. The Committee, therefore, recommended that a realistic time-table should be prepared by the Ministry for the early modernization of all viable mills and prompt and concrete steps should be taken accordingly for the expeditious approval of modified Revival Scheme by BIFR. The steps taken and the progress achieved in this regard should be communicated to the Committee within a period of three months positively.

1.9 Reply of the Government to the above recommendation is as follows:-

“For the 22 mills to be modernized by NTC itself, a phased, mill-wise negotiated schedule of implementation has been prepared and the work is projected to be completed by December, 2007 for all 22 mills. Orders are being placed accordingly for all the 22 mills in respect of all the preparatory machinery after finalization of rates and suppliers. Pre-requisite civil, electrical and humidification work will be completed before arrival of new machinery in the mills as per the schedule of implementation. For two items of machinery, viz. Ring Frames and Simplex Frames, orders have been placed for 5 mills on trial run basis, while for the preparatory machines of 12 mills order placement has already been completed in June, 2006 itself. For a few items of machinery where rates and suppliers could not be finalized due to constraints, fresh tenders have already been received and are being finalized immediately.

The Modified Revival Scheme of NTC has been approved by the BIFR in its hearing held on 28th March, 2006, envisaging the following :

- (a) Merger of all the 9 subsidiaries with the Holding Company w.e.f. 01.04.2005.
- (b) Investment in Handicraft Plaza at Ahmedabad and India International Trade Tower in Mumbai with condition that the capital expenditure for these items shall be met out of funds from sale of surplus assets.
- (c) NTC's proposal for Joint Venture is permitted after proper procedure of approvals from the Government.
- (d) Implementation of Revival Scheme has been extended upto 31.03.2008.
- (e) Govt. of India will consider converting unsecured loans into equity to the extent required in order to make the net worth positive as early as possible, besides considering waiver of interest on the unsecured loans provided by it as per the sanctioned Scheme.

Action is being taken by NTC/GOI to implement the Modified Rehabilitation Scheme within the stipulated time frame”.

1.10 While noting the reply of the Ministry for modernization of NTC mills, the Committee observe that the Ministry has not furnished any comment in respect of the modernization of 29 mills which are proposed to be modernized through joint venture with private entrepreneurs. They, while appreciating the Government for preparation of millwise negotiated schedule of implementation in respect of 22 mills in a phased manner, recommend that such a time frame should also be proposed in respect of the 29 mills as well in consultation with private entrepreneurs. The Committee, therefore, reiterate their earlier recommendation and urge upon the Ministry to chalk out a realistic time bound schedule but not more than a year, to modernize all the 52 viable NTC mills by taking definite steps in that direction including the implementation of the modified revival scheme of NTC by BIFR.

C. Decentralised Powerloom Sector

Recommendation (Sl. No 7 PARA – 3.44)

1.11 The Committee are constrained to note that powerloom sector has not received the due attention of the Government it deserves, even though this sector constitutes 68% of the total cloth production of the country and provides employment to about 48.15 lakh persons. The Government has introduced 20% Credit Linked Capital Subsidy Scheme (CLCS) since November, 2003. Only 522 powerloom units have availed the subsidy so far out of 4,30,718 units in the country. Since 2003-04 only Rs.23.90 crore have been availed by Powerloom sector out of Rs.9564.86 crore disbursed to the entire textile sector through TUFs. The reasons identified for the backwardness of powerloom sector are lack of awareness of programmes, lack of confidence in approaching lending agencies, unfamiliarity with rules and paper work, shortage of margin money, insufficiency of collateral, etc. The Committee recommend that the Ministry should take urgent steps to educate the entrepreneurs of Powerlooms through its field offices about the latest developments in the field, benefits of the development schemes including 20% CLCS and means of approaching lending agencies. Lending agencies should be instructed to take proactive steps to go to powerloom units and explain to them the features and utility of lending facilities. The Committee are of the view that modernisation of powerloom sector is very essential for achieving the future target set for the textile sector and to be competitive at the international level particularly to defeat import penetration due to globalization. Therefore, the Committee recommended that an Integrated Scheme should be formulated for the development of the powerloom sector and its financial intervention should take care of needs of Powerloom units with regard to margin money, collateral, etc.

1.12 In response to the above recommendation, the Ministry of Textiles in its action taken reply has stated as follows:-

“It is true that only 522 powerloom units availed the benefit of 20% CLCS till 31-3-2006. However, it may be stated that there is encouraging response since inception of this scheme. While only 4 units availed the subsidy during 2003-04, the figure has risen to 150 units during 2004-05 and 368 units during 2005-06. The entire fund allocated for this scheme has been utilised fully during these years. During the current year it is expected that the number of applications will be much more and the total subsidy may reach around Rs.70-80 crores.

In the 21st IMSC meeting held on 21st July, 2006 under the Chairmanship of Secretary (Textiles), the request of the powerloom industry for raising the project limit of the powerloom units from the existing level of Rs. 1.00 crore to Rs. 2.00 crore and providing of 20% capital subsidy on the same was considered. The committee approved this request and recommended to enhance the project limit to Rs. 2.00 crore from the existing limit of Rs. 1.00 crore and further approved the 20% capital subsidy on the same. The Office of Textile Commissioner has been taking various measures to educate the powerloom entrepreneurs through their field offices (Regional Offices of the Office of the Textile Commissioner & Powerloom Service Centres) by conducting seminars, workshops and through personal visits to the powerloom units to explain the latest developments, various schemes available for the industry and assisting them in preparation of project report, application for Bank loan, etc. The representatives of the

institutions, Banks, etc. are also being invited to attend the seminar and workshops. Model projects have also been prepared by Regional Offices of Textile Commissioner for the benefit of Powerloom sector. Recently, "Handbook on Powerlooms" has also been published by the O/o the Textile Commissioner to cover all topics related to the Powerlooms sector.

The problems of the decentralised Powerlooms sector and the schemes being implemented were discussed in the meeting of the AIPB under the Chairmanship of the Hon'ble Ministry of Textiles, in which officials of different State Governments, representatives of the industry and the officials of Ministry of Textiles, Financial Institutions and Planning Commission participated. Suggestions of the members are examined and necessary action is taken thereafter. Government is more sympathetic to and concerned about the problems of the small-scale powerloom units and, therefore, several modifications have been effected to the TUF Scheme to suit the needs of small-scale units.

1.13 The Committee having been constrained to note that powerloom sector has not received attention of the Government it deserves, even though this sector constitutes 68% of the total cloth production of the country and provides employment to about 48.15 lakh persons had recommended that an Integrated Scheme should be formulated for the development of the powerloom sector and its financial intervention should take care of needs of the Powerloom units with regard to margin money, collateral, etc. The Committee are dismayed to note that the Government has not taken due cognizance of the recommendation of the Committee as its reply is silent on the Integrated Scheme for the development of the Powerloom Sector. Since Powerlooms play a pivotal role in the production of cloth and are a great contributor in the process of national development, it is imperative to activate its modernisation and growth. The Committee, therefore, reiterate their earlier recommendation that an Integrated Scheme should be chalked out and implemented for the development of the Powerloom Sector. Steps taken in this direction may be intimated to the Committee at the earliest.

D. Jute Textile Industry

Recommendation (Sl. No 12 PARA – 3.58)

1.14 The Committee note that Jute Industry supports 4 million farm families besides providing direct employment to about 2.6 lakh industrial workers and livelihood to another 1.4 lakh people. However, actual potential of the jute sector is yet to be realized. In this regard, the Ministry has proposed four major steps, *viz.* creation of Natural Jute Board, setting up of National Institute of Jute Fibre, launching of Jute Technology Mission and opening a Jute Museum. Among these proposals, Jute Technology Mission is at the proposal stage for quite sometime now which speaks volumes about the sincerity of the purpose. The Committee recommended that expeditious steps should be taken now for launching of Technology Mission without any further delay. The urgent steps should as well be initiated for the implementation of other proposals for the development of the Jute Industry.

1.15 In response to the above recommendation, the Ministry of Textiles in its action taken reply has stated as follows:-

“For the purpose of creation of a National Jute Board, as envisaged in the National Jute Policy, 2005, the National Jute Board Bill, 2006 was prepared in consultation with the M/o Law & Justice, Legislative Deptt. The said Bill was introduced in the Lok Sabha on 22.5.2006. The Bill has been referred by the Lok Sabha Sectt. to the Standing Committee on Labour for examination. The Committee made field visits to Kolkata, Guwahati etc. during 19th to 25th July, 2006 and held meetings with various Associations/Stakeholders. The Committee desired the comments/views of this Ministry on various representations received by them and same have been furnished by the Ministry of Textiles. The recommendations of the Standing Committee on Labour is awaited. On receipt of the same, the National Jute Board Bill, 2006 is likely to be discussed in the Parliament during its forthcoming Winter Session, 2006.

As regards the creation of National Institute of Natural Fibres (NINF) it has been decided to establish NINF on a vacant plot under the possession of Ministry of Textiles at Noida. The Jute Manufactures Development Council (JMDC) has been entrusted the task of completing the modalities for establishing the NINF. In this regard, the JMDC has

appointed WEBCON, a consultancy firm to formulate the detailed Project Report for the same.

As regards the establishment of National Jute & Jute Textile Museum is concerned, it has been proposed by Ministry of Textiles that the vacant accommodation available in Indian Jute Industries Research Association (IJIRA) premises is suitable for establishing the proposed Museum. Moreover, it has been proposed that the Museum may be established under the Public-Private Partnership mode by involving the Ministry of Textiles, the Indian Jute Industries Research Association and Indian Jute Mill Associations. The draft MOU has been prepared and sent to the IJIRA and IJMA for their acceptance.

Regarding Jute Technology Mission the same has been approved by the Competent Authority and further follow up action is being taken to formally launch the Scheme”.

1.16 The Committee fail to understand that despite their several recommendations made earlier regarding development of the Jute Sector, including expeditious steps for launching of Jute Technology Mission, it is still at the proposal stage for quite sometime. Even after a lapse of six months, the Mission has only been approved by the Competent Authority and the follow-up steps are reportedly being taken to launch the Mission. This demonstrates the lack of will in this regard. The Committee take a serious view of delays in implementation of such an important developmental scheme which result in loss of competitiveness of the Indian industry at the international level. The Committee, therefore, reiterate their earlier recommendation that immediate and concrete steps should be taken for the launch of the Jute Technology Mission. The Committee desire the Ministry to report the progress made within three months of presentation of this Report.

E. Central Cottage Industries Corporation of India Limited, New Delhi**Recommendation (Sl. No. 15 Para No.3.79)**

1.17 During the study visit of the Committee to CCIC at Mumbai, it was learnt that its showroom at Mumbai has been functioning from a rented accommodation. The owner of the building wants to get the accommodation vacated by CCIC despite the fact that a huge amount is being deposited / given as rent. The matter has been taken to Court by the owner of the building, CCIC has requested the Ministry to take up the matter with the other Ministries like Defence, Civil Aviation, Railways etc. to provide them either a piece of land or any building owned by them in a prime location at Mumbai to set up a showroom and thus facilitate easy access of tourists and others. The Committee strongly urged upon the Government to take up the issue on a priority basis with the other Ministries to arrange a new accommodation for the Mumbai Branch so that its financial position does not suffer any more.

1.18 Reply of the Government to the above recommendation is as follows:-

Setting up of a showroom in Mumbai

“In view of the court cases in respect of Mumbai showroom, the Ministry of Textiles have taken up the matter with other Ministries viz. Defence, Civil Aviation, Railways and Tourism. The MOT has also written to Shilpi Kendra Trust, Mumbai, Trimurti Emporium (A Government of Maharashtra Undertaking) and the National Textiles Corporation to provide either land or building owned by them in a prime location at Mumbai to enable CCIC to set up a showroom”.

1.19. The Committee note with concern that Emporium of Central Cottage Industries Corporation (CCIC) is housed in a rented accommodation and the matter is sub judice due to the dispute between the landlord and the CCIC. They are further constrained to note that despite their observations during a Study Tour which were later incorporated in a report of the Committee, nothing concrete has been done to accommodate CCIC which is the major revenue earner as it attracts Indian and foreign tourists. The Committee feel that merely writing letters to various Ministries would not solve the problem. The matter needs to be pursued zealously at the highest level with other Ministries. The Committee would further like to recommend that Government should better provide one of its own buildings to CCIC , as such a step would not only eradicate the problem of litigation which generally occurs in rented accommodations but also save huge sum of money which is incurred on rent.

CHAPTER-II

RECOMMENDATION/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1 PARA - 3.7)

2.1 The Committee note with concern that often new schemes are launched without proper study about their feasibility and utility. This leads to their improper implementation and numerous modifications later on. Many schemes were withdrawn prematurely and replaced by new schemes. There are many instances of withdrawals, modifications and additions of schemes in the sectors of textiles, handlooms sericulture and handicrafts. As a result, intended benefits do not reach the target population. Moreover, huge amount of budgetary allocations remain unutilized every year due to such uncertainties in the implementation of the schemes. The Committee find that Rs.112.55 crore, 148.13 crore and Rs. 313.39 crore were left unutilized during 2002-03,2003-04,2004-05 and 2005-06 respectively. Thus, the unutilized amount increased in ascending order every year totaling to Rs.695.41 crore in the last four years, which is very high by any reckoning. An ambitious target of US\$ 85 billion by 2010 has been fixed for the textile sector to remain competitive at the international level. However, the pace of implementation of development and welfare schemes does not indicate the growth of the industry towards achieving this target. It is therefore necessary that a thorough field study should be conducted regarding needs of the industry, feasibility of the schemes, difficulties ahead in their implementation, regional imbalances in the acceptance of the schemes, etc. before launching of the schemes. Otherwise this may lead to improper implementation and result in locking of several crores of rupees. The Committee recommend that preparations for the next Five Year Plan should start at the right earnest. Developmental and welfare schemes for the textile sector should be selected carefully after a thorough study based on the past experiences, ground realities and the future need. Instead of loading the sector with a plethora of half-baked schemes, a few effective and well planned schemes should be devised to assist the textile industry, to achieve the desired growth of the sector and to make it globally competitive.

REPLY OF GOVERNMENT

2.2 Ministry of Textiles has sponsored many evaluation studies to assess the effectiveness of the on-going schemes for future planning. Sector-wise information for the Parliamentary Standing Committee on Labour regarding evaluation studies is as follows:

1. Technology Upgradation Fund Scheme (TUFS)

In respect of Technology Upgradation Fund Scheme (TUFS), which is the flagship scheme of Ministry of Textiles, a study has already been assigned to a reputed agency. Certain modifications in TUFS were carried out in the past keeping in view the needs of the industry. Continuation of various schemes of cotton sector during next Five Year Plan will be decided on the basis of past experiences, ground realities and future need of the sector. Government would pay adequate care to the recommendations/observations of the Committee while formulating schemes for 11th Five Year Plan.

2 Technology Mission for Cotton

A study has also been assigned to a reputed agency for evaluation of Technology Mission on Cotton (TMC). Government would pay adequate care to the recommendations/ observations of the Committee while formulating schemes for XI Five Year Plan. And continuation of the scheme during 11th Five Year Plan will be decided accordingly.

3 Handlooms

Currently, an evaluation study is under way for various handloom sector schemes such as Workshed-Cum-Housing Scheme, Weavers Welfare Scheme, Handloom Export Scheme, Deen Dayal Hathkargha Protsahan Yojana and Marketing Promotion Programme for studying the effectiveness of these schemes for future planning. Based on the recommendation of the Evaluation Study, changes in the Schemes would be considered during 11th Five Year Plan.

Moreover, in case of Centrally Sponsored Schemes (CSS), assistance for the handloom sector is required to be shared by the concerned State Governments. Financial constraints in the States have been the major bottleneck in submission of adequate proposals under CSS. However, due to active persuasion and follow-up with the State Governments, including field visits by officers to the States, there has been considerable improvement in the utilization of funds from a level of Rs. 130.83 crore during 2002-03 to Rs. 190.41 crore during 2005-06.

4. Powerlooms

To conceive the plan for XIth Five Year Plan, a study has conducted by SASMIRA on the working and implementation of the schemes relating to Powerlooms sector. The All India Powerloom Board also discusses schemes for the Powerlooms sector. The Hon'ble Minister of Textiles is the Chairman of the Board, and members include State Governments as well as entrepreneurs and financial institutions. Textile Commissioner has also brought to notice the difficulties of the Powerlooms sector, based on the field information. The suggestions received have been discussed by the Sub Group on Powerlooms Sector in the Ministry of Textiles constituted for the 11th Five Year Plan. As suggested by the Committee, formulation and implementation of the schemes during 11th plan will need revamping.

5. Wool Sector

The suggestion of the Hon'ble Committee that there should be a thorough field study before launching a scheme has been noted for compliance and the schemes in the 11th Five Year Plan would be launched only after a thorough study regarding the needs of the industry, feasibility of the scheme, difficulties faced in implementation etc. have been studied properly. The number of schemes will also be kept to the bare minimum as advised by the Committee.

6 Handicrafts

In order to conduct studies to determine the feasibility of the schemes under implementation in the Handicrafts, a mid-term evaluation of major schemes has been conducted, and initiatives have been taken on the recommendations. Further, terminal evaluation of the schemes for their improvement, acceptance and continuance has been ordered. The sub-group on Handicrafts

formed for preparation of next Five Year Plan is deliberating the need for a road map for development of Handicrafts in the 11th Plan.

7 Sericulture

The Central Silk Board (CSB) commissioned an independent Study during September 2005, to undertake an evaluation of the Catalytic Development Programme (CDP) to assess the performance/impact of the programme in the field. The Study was entrusted to The Energy and Resources Institute (TERI), Bangalore to evaluate the performance of CDP in all the implementing States, and they were requested to submit reports in two phases. TERI have made a presentation on their findings during the review meeting of the Catalytic Development Programme held at Bangalore during 22nd and 23rd May, 2006. The final Report is awaited.

Based on the experience gained by implementing the developmental schemes, it has been felt that there are certain gaps in the development of sericulture at the field level. Keeping these aspects in view, the Ministry has decided to formulate the Schemes/components under CDP for the XI Plan through a “bottom-up” approach, rather than a “top-down” approach. In this regard, the approach will be to associate the stakeholders, field level implementing agencies, and the State Departments of Sericulture. This will contribute to the Planning Process, and assist in the effort to formulate practical, effective, State-specific and need-based Schemes. Accordingly, CSB organized Workshops at different locations/Seri-zones from the third week of June to the second week of July 2006, wherein CSB Scientists, State Department Officers, Progressive Farmers, Reelers, Weavers, NGOs, etc. participated and offered suggestions. The proceedings of these Workshops are being consolidated and would be taken into consideration while formulating the Plan document for the XI Plan period.

8 Textile Related Schemes in North Eastern Region

The North Eastern Industrial and Technical Consultancy Organisation (NEITCO), Guwahati is conducting an evaluation study of the textiles related schemes in the North Eastern Region and studying the effectiveness of these schemes for future planning. Based on the recommendations of this evaluation study, changes in the schemes will be considered during 11th Five Year Plan.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No 3 PARA - 3.9)

2.3 The Committee are also concerned to note that two important schemes *viz.*, Apparel Park Export Scheme and Textile Centre Infrastructure Development Scheme could not be implemented properly even though an amount of Rs.120.90 crore has been spent out of Rs.150 crore allocated for them. Apparel Park for Export Scheme was intended for setting up of apparel manufacturing units of international standards at potential growth centres for exports and Textile Centre Infrastructure Development Scheme was for upgrading infrastructure facilities at important textile centres. While in the first scheme, i.e. APES the amount invested was too small and only small clusters were coming up, the second was dependent on State Governments for land, which did not have funds. As a result, the schemes were given-up and a new scheme for Integrated Textile Park has been launched in their place. An amount of Rs.209 crore has

been allocated for this new scheme for the year 2006-2007. The Committee are skeptical about the success of this scheme too in view of the failure of the earlier schemes. The Committee, therefore, recommend that a thorough study should be conducted on the causes of failure of the earlier schemes and accordingly effective steps should be taken to ensure the success of this new scheme.

REPLY OF GOVERNMENT

2.4 The Apparel Parks for Exports Scheme (APES) and the Textile Centers Infrastructure Development Scheme (TCIDS) were launched in the year 2002. It was observed that even after 3 years of implementation, these schemes did not make much progress. A detailed review of the implementation of the Schemes reflected the following shortcomings: Lack of proper targeting, as the project proposals were driven by the State Governments. In many cases, there was no involvement of the industry at the planning and implementation stages. Surprisingly, proposals were received from many of the identified textile clusters. Shortage of resources with the State Government to provide advance money as required under the scheme. Protracted delays in acquisition/purchase of land. The urgency of developing the infrastructure before 2005 was not appreciated, resulting in delays. Funding was totally based on Government of India subsidy; virtually no effort was made for leveraging of market funds.

2.5 Taking into consideration the shortcomings in the APES/TCIDS, these schemes were merged into the new scheme viz. Scheme for Integrated Textile Parks (SITP). Under the new Scheme, the Ministry of Textiles (MOT) would implement the Scheme through Special Purpose Vehicles (SPVs). Industry Associations/Groups would be the main promoters of the ITPs. The SPVs shall have operational autonomy so that they do not become surrogate Public Sector Enterprises or be controlled by Central/State Governments. Further a Project Management Consultant (PMC) has been engaged for implementing the Scheme. The PMC will be responsible for the speedy implementation of the Projects in a transparent and professional manner right from the formulation of project report to the execution of the project.

2.6 The project proposal is formulated by the PMC after conducting a diagnostic study of the requirements for common facility and infrastructure at the specific location, based on demand and potential.

2.7 The Government of India's (GOI) support under the Scheme by way of Grant or Equity will be limited to 40% of the project cost subject to a ceiling of Rs. 40 crore. This could be given as grant or equity to the SPV. However, the combined equity stake of GOI/State Government/State Industrial Development Corporation, if any, should not exceed 49%. 30% of the total GOI share in advance immediately after approval of the project by PAC. However, before the 1st instalment is released, it would be ensured that the project has been appraised by the Financial Institution as a bankable project and the land for the ITP has been procured by the SPV.

2.8 The Scheme for Integrated Textile Park envisages the establishment of 25 Textile Parks of international standard at potential growth centers of India by 2007-08. Twenty Six (26) Integrated Textile Park projects have already been sanctioned at a total project cost of Rs.2428.23 crore, of which Government of India assistance would be Rs.866 crore. The estimated investment in these parks would be Rs.13,445 crore and estimated annual production

would be Rs.19,200 crore. Estimated employment generation would be 5.29 lakh (1.93 lakh direct and 3.36 indirect). These projects are expected to be completed by the end of 2007-2008.

Apart from the Project Approval Committee, a High Level Committee under the Chairmanship of Minister of Textiles has been constituted to monitor and review the implementation of the Scheme periodically

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No 9 PARA – 3.46)

2.9 The Committee regret to note that only 30,000 looms are shuttleless out of 19,34,064 looms in the country. At present a target for only 20,000 more shuttleless looms has been fixed. Considering the size of the powerloom sector, the target set for modernisation of looms is very insignificant. At such a pace of modernisation, it is doubtful whether the country would be able to catch up with countries like China. The Committee, therefore, recommend that an annual target fixed for the modernisation of looms in the country should take into account the global competition and provide necessary assistance accordingly to the powerloom sector in this regard.

REPLY OF GOVERNMENT

2.10 As on 30th June 2006, the number of Shuttleless looms installed in the country was 48,421, out of which 32,000 looms were installed in the powerloom sector. Towards the end of the IXth Plan there were only 5000 shuttleless looms in the decentralised sector. The progress in the Xth Plan has been better compared to the earlier period. This has mainly been due to the implementation of TUFSS and the various awareness programmes being organised continuously. The Regional Offices of the Textile Commissioner have been given a target to instal around 25,000 shuttleless looms during the current year. They have been asked to take necessary steps to ensure the achievements of this target in their region.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No 10 PARA – 3.53)

2.11 The Committee note that 3,723 units have benefited from the Technology Upgradation Fund Scheme and an amount of Rs. 9,564 crore was disbursed to them since 1999. “Textile Vision 2010” envisages additional investments in the textile sector to the tune of Rs. 1,40,000 crore by the year 2010. The Committee, therefore, recommended that Technology Upgradation Fund Scheme should either be extended to the Eleventh Five Year Plan or a similar and better formulated Scheme be initiated for the next Five Year Plan to attract further investment in the textile sector.

REPLY OF GOVERNMENT

2.12 Presently, the Scheme is scheduled to continue upto 31st March 2007. The Scheme is also under evaluation by a reputed agency. On the basis of the evaluation, Government will take a suitable decision at appropriate time. Government will also take into consideration the recommendations of the Committee in this regard.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No. 15 Para No.3.79)

2.13 During the study visit of the Committee to CCIC at Mumbai, it was learnt that its showroom at Mumbai has been functioning from a rented accommodation. The owner of the building wants to get the accommodation vacated by CCIC despite the fact that a huge amount is being deposited / given as rent. The matter has been taken to Court by the owner of the building, CCIC has requested the Ministry to take up the matter with the other Ministries like Defence, Civil Aviation, Railways etc. to provide them either a piece of land or any building owned by them in a prime location at Mumbai to set up a showroom and thus facilitate easy access of tourists and others. The Committee strongly urge upon the Government to take up the issue on a priority basis with the other Ministries to arrange a new accommodation for the Mumbai Branch so that its financial position does not suffer any more.

REPLY OF GOVERNMENT

Setting up of a showroom in Mumbai

2.14 In view of the court cases in respect of Mumbai showroom, the Ministry of Textiles have taken up the matter with other Ministries viz. Defence, Civil Aviation, Railways and Tourism. The MOT has also written to Shilpi Kendra Trust, Mumbai, Trimurti Emporium (A Government of Maharashtra Undertaking) and the National Textiles Corporation to provide either land or building owned by them in a prime location at Mumbai to enable CCIC to set up a showroom.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. Dated 11.09.2006)

CHAPTER-III

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

Recommendation (Sl. No.2 PARA – 3.8)

3.1 The Committee find that a Budget estimate of Rs.1,349.50 crore has been fixed for the plan expenditure of the Ministry of Textiles for the year 2006-07. This is Rs. 164.29 crore more than the last year. Keeping in view the performance of the Ministry, it appears doubtful whether the Ministry would be able to spend this amount for the implementation of Plan schemes in the year 2006-07. During the entire Tenth Plan a period, hundreds of crores of rupees were left unutilized in every plan year. As a result of this, there is slow progress in the implementation of plan schemes and benefits of the schemes do not reach the targeted groups properly. The Committee hope that the Ministry would make all out efforts to spend the entire plan allocation and thereby implement the plan schemes effectively at least during 2006-07. The Committee recommend that a monthly review meeting should be conducted by the Ministry at the highest level to discuss the progress being made in the implementation of the Schemes and in spending the amount allocated for them. State Governments and the Implementing agencies should also be involved in this process.

REPLY OF GOVERNMENT

3.2 During 2005-06, the approved outlay for the Ministry of Textiles was Rs. 1150 crores. The utilisation is 95 percent of the approved outlay (Rs. 1094.39).The utilisation is more than 100 percent in case of Handlooms, Sericulture, NIFT, TUFs, etc. The approved outlay during 2006-07 is Rs. 1349.50 crores. The expenditure so far (till 18.08.06) is Rs. 517.58 crores (38.35 % of the approved outlay). The current pace of expenditure indicates that the approved outlay would be fully utilised during 2006-07.

3.3 The details are given in the Annexure.

A review of the progress of physical and financial targets in respect of the schemes is normally held at the meetings of the Senior Officers (SOM) of the Ministry chaired by the Secretary (Textiles). These are generally organised weekly. These meetings are in addition to various fora at which the review of the Plan schemes is undertaken. For example, periodical review reports are furnished to the Planning Commission. State Governments and implementing agencies are also called for discussions from time to time.

In addition to that, the progress of implementation of schemes is also reviewed at the meetings of the Executive Committee/ Governing Body of the various Boards such as Central Wool Development Board (CWDB) and Central Silk Board (CSB). These bodies include representatives of the State Governments as well as those of the implementing agencies.

A Project Management Consultant (PMC) has been engaged for the implementation of the Scheme for Integrated Textile Parks (SITP). The PMC will submit a monthly progress report

to the Ministry of Textiles. Moreover, a High Level Committee under the Chairmanship of Minister of Textiles has been constituted to monitor and review the implementation of the scheme periodically.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No.6 Para No.3.29)

3.4 The Committee were informed that NTC does not have adequate resources for modernization of all the viable mills. In order to hasten the process of modernization, it was decided by the Government to modernize and run 29 mills by forming joint venture with private partnership. In this regard, it is pertinent to note that the sale of surplus lands of Mumbai fetched NTC about Rs. 2,500 crore. Permission from some State Governments for sale of land and change of land use in respect of other mills is awaited. As such, if expeditious steps are taken at the highest level in the Ministry, sale of land in other States may also materialize soon. Moreover, viable mills which are located in prime locations of cities may be shifted to suburban areas and a huge amount may be mobilized through sale of such lands. If the Ministry implements the above suggestions, NTC would itself be in a position to modernize its remaining 29 mills. The Committee are of the view that floating joint venture with private sector should be the last option before the Government as NTC itself had emerged from the graveyard of failed private mills. It is, therefore, recommended that the feasibility of above suggestions should be examined and suitable steps taken to modernize those mills in a time bound manner.

REPLY OF THE GOVERNMENT

3.5 BIFR, in its sanctioned scheme, has already laid down certain directions for utilization of funds generated through sale of surplus assets. As per the directions, the amount generated is to be utilised in revival/modernization of viable mills, repayment of bonds, settlement of claims of secured creditors and payment to workers under Modified Voluntary Retirement Scheme (MVRS). The redemption of Bonds floated by NTC worth Rs.2028 crores to give MVRS compensation will also start from January 2007. The money realized so far from the sale of land will be utilized in the modernization of 22 mills and redemption of bonds, etc.

3.6 In view of these facts, since NTC is not left with adequate resources for modernization after meeting the above costs, it has been decided to modernize and run 29 mills through the joint venture route with private strategic partnership as the last option available. This has been approved by the BIFR as a part of Modified Rehabilitation Scheme in the hearing held on 28th March, 2006. Also, in line with the suggestion of Standing Committee, Minerva Mills presently situated in a prime location at Bangalore is proposed to be shifted to the suburban area of Hassan.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No 11 PARA – 3.54)

3.7 The Committee find that there are regional imbalances in availing TUFs. While there has been overwhelming response from the States of Gujarat and Tamil Nadu performance in the States of Punjab, Maharashtra, Rajasthan, Haryana and Karnataka is moderate. Other States, viz.

Uttar Pradesh, Madhya Pradesh, West Bengal, Andhra Pradesh performed poorly. Some of the States viz. Bihar, Jharkhand, Chhattisgarh, etc. do not figure in the list at all. Development of textile sector, even if it is not on an equal footing, should be encouraged in States where development is quite low at present. The Committee, therefore, urge the Ministry to take suitable steps in this regard so as to ensure proper and equal development to the possible extent by spreading the benefits available under TUFS, among all the States.

REPLY OF GOVERNMENT

3.8 In this regard it may be mentioned that Gujarat and Tamilnadu **are amongst the major textile centers of the nation.** Similarly, the states with moderate performance **are medium level textile centers of the nation.** The states of Bihar, Jharkhand, Chhattisgarh, North East, Kashmir, Kerala etc., which do not figure in the list of beneficiaries, have hardly any presence of the textile industry in the region. Since the TUFS beneficiaries are in proportion to the presence of textile industry in respective states, it can be safely said that there is no effective interstate disparity.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

CHAPTER-IV**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION****Recommendation (Sl. No.4 Para No.3.16)**

4.1 The Committee are deeply concerned to note that 32,668 workers of 78 Mills, which were closed during the last 3 years, have not received any relief under Textile Workers Relief Fund Scheme even though they are eligible to receive relief under the Scheme. To seek benefits under the Scheme State Governments have to give approval for closure of units under Section 25(O) of the Industrial Disputes Act, 1947 or an Official Liquidator has to be appointed under Companies Act, 1956 for the purpose of winding up the unit. As the State Governments are reluctant to give approval to the closure of units since they do not want to be judged as unfriendly to workers and due to prolonged proceedings in BIFR/High Courts before the appointment of Official Liquidator, the workers have to wait very long for receiving benefits under the Scheme. Only 6,864 workers of 23 Mills, which were closed between 1985 and 1998 have been given relief under the Scheme. The Committee take a serious view of this as the very purpose of the TWRFS is defeated due to such inordinate delay in providing relief to the workers. The Committee strongly feels that relief to workers should be provided immediately after the closure of the Mills to enable them to run their families without difficulty while switching over to a new job or for making alternate arrangement for livelihood. The Committee, therefore, recommends that guidelines of the TWRFS should be amended and the requirements of permission under Section 25(O) and appointment of Official Liquidator under Companies Act, 1956 should be done away with. Instead, the job should be entrusted to a very senior officer of the Office of the Textile Commissioner who should visit the mill and after due verification give approval for the disbursement of relief to the eligible workers immediately but within three months positively. The Committee further recommended that for undue delay in the process, personal responsibility of the concerned officer should be fixed. The steps taken and progress achieved should be intimated to the Committee within a period of three months.

REPLY OF GOVERNMENT

4.2 To ensure the fairness of the Scheme and effectively control malpractices, the involvement of the State Governments and requirements of permission under Section 25(O) and appointment of Official Liquidator under Companies Act, 1956 are essential. Government is also concerned to note that the workers get relief after a long time. Since the textile mills are a subject matter for the State Governments, their involvement cannot be by-passed.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No.5 Para No.3.28)

4.3 The Committee have noted that out of 52 viable NTC mills, 22 mills are proposed to be modernized in two phases and the remaining 29 mills are proposed to be modernized through joint venture with private entrepreneurs. In this regard, a draft modified revival scheme has been submitted to BIFR for its approval. All the mills are proposed to be modernized before the end of financial year 2007-08. In the first phase 15 mills have been taken up for modernization. However, the order has been placed for purchasing new machinery for the modernization of only 5 mills. As such, it is to be seen whether NTC would be able to complete the modernization of the 15 mills before the end of 2007-08. The Committee are least satisfied of the manner in which the entire programme of modernization is being tackled. The Committee, therefore, recommend that a realistic time-table should be prepared by the Ministry for the early modernization of all viable mills and prompt and concrete steps should be taken accordingly for the expeditious approval of modified Revival Scheme by BIFR. The steps taken and the progress achieved in this regard should be communicated to the Committee within a period of three months positively.

REPLY OF THE GOVERNMENT

4.4 For the 22 mills to be modernized by NTC itself, a phased, mill-wise negotiated schedule of implementation has been prepared and the work is projected to be completed by December, 2007 for all 22 mills. Orders are being placed accordingly for all the 22 mills in respect of all the preparatory machinery after finalization of rates and suppliers. Pre-requisite civil, electrical and humidification work will be completed before arrival of new machinery in the mills as per the schedule of implementation. For two items of machinery, viz. Ring Frames and Simplex Frames, orders have been placed for 5 mills on trial run basis, while for the preparatory machines of 12 mills order placement has already been completed in June, 2006 itself. For a few items of machinery where rates and suppliers could not be finalized due to constraints, fresh tenders have already been received and are being finalized immediately.

4.5 The Modified Revival Scheme of NTC has been approved by the BIFR in its hearing held on 28th March, 2006, envisaging the following :

- (a) Merger of all the 9 subsidiaries with the Holding Company w.e.f. 01.04.2005. Investment in Handicraft Plaza at Ahmedabad and India International Trade Tower in Mumbai with condition that the capital expenditure for these items shall be met out of funds from sale of surplus assets.
- (c) NTC's proposal for Joint Venture is permitted after proper procedure of approvals from the Government.
- (d) Implementation of Revival Scheme has been extended upto 31.03.2008.
- (e) Govt. of India will consider converting unsecured loans into equity to the extent required in order to make the net worth positive as early as possible, besides considering waiver of interest on the unsecured loans provided by it as per the sanctioned Scheme.

Action is being taken by NTC/GOI to implement the Modified Rehabilitation Scheme within the stipulated time frame.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No 7 PARA – 3.44)

4.6 The Committee are constrained to note that powerloom sector has not received the due attention of the Government it deserves, even though this sector constitutes 68% of the total cloth production of the country and provides employment to about 48.15 lakh persons. The Government has introduced 20% Credit Linked Capital Subsidy Scheme (CLCS) since November, 2003. Only 522 powerloom units have availed the subsidy so far out of 4,30,718 units in the country. Since 2003-04 only Rs.23.90 crore have been availed by Powerloom sector out of Rs.9564.86 crore disbursed to the entire textile sector through TUFs. The reasons identified for the backwardness of powerloom sector are lack of awareness of programmes, lack of confidence in approaching lending agencies, unfamiliarity with rules and paper work, shortage of margin money and insufficiency of collateral etc. The Committee recommend that the Ministry should take urgent steps to educate the entrepreneurs of Powerlooms through its field offices about the latest developments in the field, benefits of the development schemes including 20% CLCS and means of approaching lending agencies. Lending agencies should be instructed to take proactive steps to go to powerloom units and explain to them the features and utility of lending facilities. The Committee are of the view that modernisation of powerloom sector is very essential for achieving the future target set for the textile sector and to be competitive at the international level particularly to defeat import penetration due to globalization. Therefore the Committee recommend that an Integrated Scheme should be formulated for the development of the powerloom sector and its financial intervention should take care of needs of Powerloom units with regard to margin money, collateral, etc.

REPLY OF GOVERNMENT

4.7 It is true that only 522 powerloom units availed the benefit of 20% CLCS till 31-3-2006. However, it may be stated that there is encouraging response since inception of this scheme. While only 4 units availed the subsidy during 2003-04, the figure has risen to 150 units during 2004-05 and 368 units during 2005-06. The entire fund allocated for this scheme has been utilised fully during these years. During the current year it is expected that the number of applications will be much more and the total subsidy may reach around Rs.70-80 crores.

4.8 In the 21st IMSC meeting held on 21st July, 2006 under the Chairmanship of Secretary (Textiles), the request of the powerloom industry for raising the project limit of the powerloom units from the existing level of Rs. 1.00 crore to Rs. 2.00 crore and providing of 20% capital subsidy on the same was considered. The committee approved this request and recommended to enhance the project limit to Rs. 2.00 crore from the existing limit of Rs. 1.00 crore and further approved the 20% capital subsidy on the same. The Office of Textile Commissioner has been taking various measures to educate the powerloom entrepreneurs through their field offices (Regional Offices of the Office of the Textile Commissioner & Powerloom Service Centres) by conducting seminars, workshops and through personal visits to the powerloom units to explain the latest developments, various schemes available for the industry and assisting them in preparation of project report, application for Bank loan, etc. The representatives of the institutions, Banks, etc. are also being invited to attend the seminar and workshops. Model projects have also been prepared by Regional Offices of Textile Commissioner for the benefit of Powerloom sector. Recently, "Handbook on Powerlooms" has also been published by the O/o the Textile Commissioner to cover all topics related to the Powerlooms sector.

4.9 The problems of the decentralised Powerlooms sector and the schemes being implemented were discussed in the meeting of the AIPB under the Chairmanship of the Hon'ble Ministry of Textiles, in which officials of different State Governments, representatives of the industry and the officials of Ministry of Textiles, Financial Institutions and Planning Commission participated. Suggestions of the members are examined and necessary action is taken thereafter. Government is more sympathetic to and concerned about the problems of the small-scale powerloom units and, therefore, several modifications have been effected to the TUF Scheme to suit the needs of small-scale units.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No 12 PARA – 3.58)

4.10 The Committee note that Jute Industry supports 4 million farm families besides providing direct employment to about 2.6 lakh industrial workers and livelihood to another 1.4 lakh people. However, actual potential of the jute sector is yet to be realized. In this regard, the Ministry has proposed four major steps, viz. creation of Natural Jute Board, setting up of National Institute of Jute Fibre, launching of Jute Technology Mission and opening a Jute Museum. Among these proposals, Jute Technology Mission is at the proposal stage for quite sometime now which speaks volumes about the sincerity of the purpose. The Committee recommend that expeditious steps should at least be taken now for launching of Technology Mission without any further delay. The urgent steps should as well be initiated for the implementation of other proposals for the development of the Jute Industry..

REPLY OF GOVERNMENT

4.11 For the purpose of creation of a National Jute Board, as envisaged in the National Jute Policy, 2005, the National Jute Board Bill, 2006 was prepared in consultation with the M/o Law & Justice, Legislative Deptt. The said Bill was introduced in the Lok Sabha on 22.5.2006. The Bill has been referred by the Lok Sabha Sectt. to the Standing Committee on Labour for examination. The Committee made field visits to Kolkata, Guwahati etc. during 19th to 25th July, 2006 and held meetings with various Associations/Stakeholders. The Committee desired the comments/views of this Ministry on various representations received by them and same have been furnished by the Ministry of Textiles. The recommendations of the Standing Committee on Labour is awaited. On receipt of the same, the National Jute Board Bill, 2006 is likely to be discussed in the Parliament during its forthcoming Winter Session, 2006.

4.12 As regards the creation of National Institute of Natural Fibres, (NINF) it has been decided to establish NINF on a vacant plot under the possession of Ministry of Textiles at Noida. The Jute Manufactures Development Council (JMDC) has been entrusted the task of completing the modalities for establishing the NINF. In this regard, the JMDC has appointed WEBCON, a consultancy firm to formulate the detailed Project Report for the same.

4.13 As regards the establishment of National Jute & Jute Textile Museum is concerned, it has been proposed by Ministry of Textiles that the vacant accommodation available in Indian Jute Industries Research Association (IJIRA) premises is suitable for establishing the proposed Museum. Moreover, it has been proposed that the Museum may be established under the Public-Private Partnership mode by involving the Ministry of Textiles, the Indian Jute Industries Research Association and Indian Jute Mill Associations. The draft MOU has been prepared and sent to the IJIRA and IJMA for their acceptance.

Regarding Jute Technology Mission the same has been approved by the Competent Authority and further follow up action is being taken to formally launch the Scheme.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No. 14 Para No.3.78)

4.14 The Committee note that CCIC has six showrooms at present at Delhi, Kolkata, Mumbai, Bangalore, Secunderabad and Chennai. CCIC also propose to open franchise showrooms in various cities and an advertisement has been given for the purpose. The Committee are of the view that private participation in the marketing of handicrafts may effect the interests of artisans as profit would be their main motive rather than promotion of Handicrafts. Moreover, the handicrafts being sold by CCIC bear a mark of authenticity and reliability. The Committee feel that the image of CCIC may be affected by opening franchise showrooms. The Committee, therefore, recommend that the Government should examine the feasibility of providing financial assistance to CCIC to open more showrooms of their own in major cities, tourist/pilgrimage centres, major airports, railway stations and bus terminals in the country. Steps should also be taken to utilize the occasions like 2010 Commonwealth Games and other International Events for the sale promotion by CCIC. To achieve the above objective, the Committee are of the view that industrial sheds available with CCIC at Noida, which is in the vicinity of 2010 Commonwealth Games Complex, may be utilized as retail showroom to attract sportspersons and other visitors /tourists coming to Delhi. Hence, the Committee recommend that the Ministry should take up the issue with the Government of Uttar Pradesh in the right earnest so as to accomplish the task well before the beginning of the event.

REPLY OF GOVERNMENT

4.15 The Central Cottage Industries Corporation of India Ltd. (CCIC) has an expansion plan to open showroom in major cities / tourist centres under its market operation programmes. Owing to large investments involved in land and buildings at prime commercial locations in cities, it may not be commercially prudent for the CCIC to open more showrooms on their own, CCIC would prefer opening retail showrooms on a franchise basis on a Public – Private Partnership Model, whereby the strengths of private parties can be leveraged to substantially increase sales of handicrafts / handlooms, and provide a larger market for products of small artisans / craftsmen.

CCIC is making efforts to open more showrooms in various cities on a franchise basis, whereby procurement / purchase of products would be done by CCIC, to enable craftsmen / artisans to get good prices for their products.

2010 Commonwealth Games and other International events

The Corporation has supplied gift items and souvenirs during Asian Games and Afro-Asian Games, and shall get in touch with the appropriate authority for the 2010 Commonwealth Games for the supply of gifts and souvenirs.

The CCIC has already started supplying gift items to the 2010 Commonwealth Games Committee.

Opening of Showroom in CCIC's Industrial Sheds at Noida UP.

The matter has been taken up with Uttar Pradesh Government for opening a showroom at CCIC's Industrial Sheds at Noida, UP.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. Dated 11.09.2006)

CHAPTER-V**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE INTERIM IN NATURE****Recommendation (Sl. No 8 PARA – 3.45)**

5.1 The Committee are concerned to note that the funds allocated for the Powerloom sector could not be fully utilised as none of the projects under Group Workshed Scheme has been implemented so far. The Committee take a serious view of such lapses in the implementation of development schemes and recommend that an immediate review should be undertaken on the Scheme and its deficiencies rectified to make it implementable.

REPLY OF GOVERNMENT

5.2 The Group Workshed Scheme was announced during 2003-04 (July 2003). The budget allocation for the scheme during the current plan was only Rs. 6.19 crore.

5.3 The fund for this scheme could not be utilized, since none of the project approved under this scheme by the Project Appraisal & Approval Committee could take off as Group strength was not defined clearly, smaller groups were not encouraged; and the subsidy was back-ended. Convergence with the TCIDS also discouraged the sector to come forward to take benefit due to the State Govt. share under TCIDS. The scheme is further being modified for the implementation in XIth five-year plan with some new elements, and is under active consideration.

(Ministry of Textiles O.M. No.2(7)/2006-Parl. dated 11.9.2006)

Recommendation (Sl. No 13 PARA – 3.70)

5.4 The Committee note that the paid up capital of the Handicrafts and Handlooms Exports Corporation is only Rs.13.82 crore which is subscribed by the Government. It has been informed that Corporation is earning operating profits since 1997-98 and has made a cumulative contribution of Rs.208.24 crore to the Exchequer from 1997-98 to 2004-05. The Committee were informed that there is a move to disinvest HHEC. The performance of HHEC with regard to export of handicrafts and handlooms has declined from Rs.103.83 crore in 2002-2003 to Rs.78.18 crore in the year 2004-2005. The Committee are of the opinion that the proposal of disinvestment of HHEC may be the one reason behind the dismal export performance and expect the Government to take utmost care to put a check on spreading of rumours regarding disinvestment of HHEC particularly amongst the foreign buyers so that the financial position of the Corporation does not suffer for want of fresh orders. The Committee feel that besides checking negative publicity, the Government should act proactively in publicizing the factual position from time to time. The Committee strongly feel that disinvestment of the Corporation will jeopardize the interests of a large number of artisans, weavers and craftsmen and their families who are generally from weaker sections of the society. Moreover, the logic of selling such a profit-making small Public Sector Undertaking is beyond the comprehension of the Committee since it would in no way benefit the Government. The Committee therefore, recommend that the Government should give up the plans to disinvest HHEC and instead take steps to strengthen the organization so as to protect the interests of poor artisans, weavers, etc.

The steps taken in this regard should be intimated to the Committee within a period of three months positively.

REPLY OF THE GOVERNMENT

5.5 The Handicrafts and Handlooms Exports Corporation of India Limited (HHEC) was set up in June 1962 with the twin objectives of export promotion and trade development of handicrafts and handloom products. HHEC is a two star export house engaged in the export of handicrafts and handlooms products (including hand-knotted woolen carpets and ready-made garments).

5.6 The Disinvestment Commission in its report, published in the year 2003, recommended that Government of India should disinvest its entire shareholding in HHEC to a strategic buyer through the competitive bidding route. The comments on the Report of the Disinvestment Commission were sought. Later the Report of the Disinvestment Commission was examined in the Ministry. While agreeing to the report of the Disinvestment Commission, orders of Hon'ble Minister for Textiles (HMOT) were sought. HMOT had directed that since HHEC was set up to help the handloom and handicrafts products, the comments of Development Commissioner (Handlooms) [DC(HL)] and Development Commissioner (Handicrafts) [DC(HC)] may be sought in order to ascertain if the Corporation had served its purpose, and what would be its role in the near future.

DC(HL) had analysed the issue in detail with reference to the primary objectives for which HHEC was set up, and made the following observations:-

Over the years, the exports of handlooms and handicrafts, which is the core activity of the Corporation, has taken a back seat vis-à-vis the total turnover of the Corporation.

It is apparent that the export objective of the Corporation is not being served at the expected level.

The export of handlooms and handicrafts has not been performing well vis-à-vis total turnover or the total export turnover of the Corporation.

5.7 Handloom exports by HHEC constitute only 2% of the country's total handloom exports of Rs.2300. At this level, it becomes difficult to assert that the Corporation's role in the promotion of handlooms or handicrafts exports is essential to the handlooms policy for promotion and growth of handlooms.

5.8 As export of handloom grows in the private sector, the organization has to shed more and more of its developmental or social orientation for a commercial and competitive one. Therefore, there is at present no developmental role that HHEC performs on behalf of or for the Government and its trading in this socio-economic sector is therefore of no particular relevance.

5.9 That HHEC is able to show profits and pay dividends is of credit to its management, but as a factor of its commercial orientation, is also an impediment in its usefulness for developmental goals of policy. Where HHEC was a no profit organization, or of a size that affected the export turnover of the sector, a case could be built up for its continuance as an area of Government. In the present macro economic policy atmosphere however, in which handloom

sector is pursuing a policy of facilitation, product planning, product excellence and direct export market linkages, its role is as good or as useful as any other trading body whose aim is to compete for its own survival and profit. It is anachronistic to Policy.

5.10 In their comments, DC(HC) has observed that over the years the HHEC's role in the product and market development of handicrafts has diminished and has become insignificant. They have further observed that the exports of Indian handicrafts including carpets growing at an average rate while the performance of HHEC being only the only National Apex agency with a mandate for the export of handicrafts is not encouraging. The export of handicrafts items by some State Handicrafts Development Corporations, like Karnataka State Handicrafts Development Corporation is quite comparable or even better than HHEC. In view of the this scenario, DC(HC) has concluded that the relevance of the Corporation for the handicrafts sector is extremely marginal.

5.11 On the basis of the examination and comments received from DC(HL) and DC(HC), Ministry conveyed its agreement with the Report of the Disinvestment Commission to Ministry of Disinvestment. Later, various communications from different MPs had been received for re-consideration of the decision taken by the Ministry. However, the decision taken by the Ministry was maintained. Moreover, Cabinet Secretariat in the 46th meeting of the Core Group of Secretaries on Disinvestment held on 17th October 2003 stated that the proposal was discussed and the Committee recommended the disinvestment of HHEC.

5.12 As per National Common Minimum Programme (CMP) of the UPA Government the Government is pledged to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. Generally, profit-making companies will not be privatized.

5.13 Since HHEC is a profit making Corporation, the Ministry of Disinvestment has been conveyed the recommendations/observations contained in the Report of Standing Committee on Labour (14th Lok Sabha) on Demands for Grants (2006-07) with a request to intimate the action taken in the matter on the recommendations of the Committee.

5.14 The recommendations made by the Committee will be accepted / implemented by the Government subject to approval by the Ministry of Disinvestment.

5.15 The reply to the recommendation is an interim reply. The final reply would be submitted after receiving information from the Ministry of Disinvestment.

(Ministry of Textiles O.M. No. 2(7)/2006-Parl. dated 11.9.2006)

NEW DELHI;

SURAVARAM SUDHAKAR REDDY
Chairman

6 December, 2006
15 Agrahayana, 1928 (Saka)

Standing Committee on Labour

APPENDIX I

**EXTRACTS OF MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE
ON LABOUR HELD ON WEDNESDAY, 6 DECEMBER, 2006**

**The Committee met from 1500 hours to 1700 hours in Committee Room 'E',
Parliament House Annexe, New Delhi.**

PRESENT

Shri Suravaram Sudhakar Reddy – CHAIRMAN

**MEMBERS
LOK SABHA**

2. Shri Subrata Bose
3. Shri Santasri Chatterjee
4. Shri Thawar Chand Gehlot
5. Shri Mohammad Tahir Khan
6. Shri Virendra Kumar
7. Smt. C.S. Sujatha

RAJYA SABHA

8. Shri K. Chandran Pillai
9. Ms. Pramila Bohidar
10. Shri Rahul Bajaj

SECRETARIAT

- | | | | |
|----|-----------------|---|-----------------|
| 1. | Shri N.K. Sapra | - | Joint Secretary |
| 2. | Shri R.S. Misra | - | Director |

2. At the outset, the Hon'ble Chairman welcomed the Members and apprised them about two draft reports on the action taken replies received from the Ministry of Labour and Employment and the Ministry of Textiles on the Thirteenth and Fourteenth Reports on the Demands for Grants for the year 2006-2007.

3. XX XX XX

4. The Committee then considered the draft Nineteenth Report on the Action taken by the Government on the Recommendations/Observations contained in the Fourteenth Report of the

Standing Committee on Labour on Demands for Grants for the year 2006-2007 of the Ministry of Textiles for consideration and adoption. The Committee adopted the report with the following modifications:

Page No.5 schedule	Para No.1.10	Line No.8	<u>Insert</u> the words, ‘time bound but not more than a year’ <u>in place of</u> ‘realistic time-table’
Page No.10 the	Para. No.1.16	Line No.6	<u>Replace</u> the words ‘sincerity’ by Word,‘will’

5. The Committee authorized the Chairman to finalise the Reports by incorporating the above amendments and present the same to Parliament on their behalf.

6. XX XX XX

The Committee then adjourned.

APPENDIX-II

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE
FOURTEENTH REPORT OF THE STANDING COMMITTEE ON LABOUR
(FOURTEENTH LOK SABHA)**

		Total Percentage
I.	Total number of Recommendations	15
II.	Recommendations/Observations which have been accepted by Government (Sl. Nos. 1,3,9,10 & 15) (Total-5)	33.3%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies (Sl. Nos. 2,6 and 11) (Total-3)	20.0%
IV.	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee and which requires reiteration (Sl. Nos. 4,5,7,12 and 14)(Total-5)	33.3%
V.	Recommendations/Observations in respect of which final replies of Government are of interim in nature (Sl. Nos. 8 and 13)(Total -2)	13.5%
		----- 100% -----