

**STANDING COMMITTEE ON LABOUR  
(2008-09)**

**(FOURTEENTH LOK SABHA)**

**MINISTRY OF TEXTILES**

*[Action taken by the Government on the Recommendations/Observations contained in the  
Twenty-Seventh Report of the Standing Committee on Labour on the subject  
'Sickness/Closure of Textiles Mills']*

**THIRTY-FOURTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*November , 2008/Kartika, 1930 (Saka)*

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*Presented to Lok Sabha on 12.12.2008*

*Laid in Rajya Sabha on 12.12.2008*



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*November , 2008/Kartikaa, 1930 (Saka)*

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**COMPOSITION OF THE STANDING COMMITTEE ON LABOUR  
(2008-2009)**

**Shri Suravaram Sudhakar Reddy-CHAIRMAN**

MEMBERS

**LOK SABHA**

2. Shri Furkan Ansari
3. Shri Ramdas Bandu Athawale
4. Shri Subrata Bose
5. Shri Santasri Chatterjee
6. Shri Thawar Chand Gehlot
7. Shri Munawar Hasan
8. Smt. Sushila Kerketta
9. Shri Mohammad Tahir Khan
10. Shri Virendra Kumar
11. Shri Rajesh Kumar Manjhi
12. Shri Basangouda R. Patil
13. Shri Devidas Pingle
14. Shri Chandra Dev Prasad Rajbhar
15. Shri Mohan Rawale
16. Shri Dhan Singh Rawat
17. Shri Kamla Prasad Rawat
18. Smt. C. S. Sujatha
19. Shri Paras Nath Yadav
20. Vacant
21. Vacant

**RAJYA SABHA**

22. Chowdhary Mohammad Aslam
23. Shri Rudra Narayan Pany
24. Shri Narayan Singh Kesari
25. Shri K. Chandran Pillai
26. Shri Gandhi Azad
27. Smt. Renubala Pradhan
28. Shri Arjun Kumar Sengupta
29. Vacant
30. Vacant
31. Vacant

## SECRETARIAT

1. Shri S.K. Sharma - Secretary
2. Shri Brahm Dutt - Joint Secretary
3. Shri N.K. Pandey - Deputy Secretary

## INTRODUCTION

I, the Chairman of the Standing Committee on Labour having been authorized by the Committee to submit the Thirty-Fourth Report on their behalf, present this Report on the action taken by the Government on the recommendations contained in the Twenty-Seventh Report of the Standing Committee on Labour (Fourteenth Lok Sabha) on the subject 'Sickness/Closure of Textile Mills'.

2. The Twenty-Seventh Report was presented to Lok Sabha and also laid in Rajya Sabha on 17<sup>th</sup> April, 2008. The Ministry of Textiles furnished their replies indicating action taken on the recommendations contained in that Report on 11<sup>th</sup> August, 2008. The report was considered and adopted by the Standing Committee on Labour at their sitting held on 3<sup>rd</sup> November, 2008.

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

New Delhi;  
3<sup>rd</sup> November, 2008  
12 Kartika, 1930 (Saka)

SURAVARAM SUDHAKAR REDDY,  
CHAIRMAN,  
STANDING COMMITTEE ON LABOUR.

## CHAPTER I

### REPORT

1 This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Twenty-Seventh Report on the subject 'Sickness/Closure of Textile Mills' relating to the Ministry of Textiles, which was presented to Lok Sabha and Laid in Rajya Sabha on 17.4.2008.

2 The Ministry of Textiles were requested to furnish action taken replies to the recommendations contained in the Twenty-Seventh Report within three months from the presentation of the Report i.e. by 17<sup>th</sup> July, 2008. The action taken replies of the Government in respect of all the 9 recommendations contained in the Report were received on 11<sup>th</sup> August, 2008. These have been categorized as under:-

- (i) Recommendations/Observations which have been accepted by the Government--Paragraph Sl. Nos. 1, 2, 3, 4,5,6,7 and 8.
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's reply --Nil.
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration--Nil.
- (iv) Recommendations/Observations in respect of which replies of the Government are interim in nature – 9.

**3. The Committee desire that the final replies in respect of the recommendation for which only interim replies have been furnished by the Government may be furnished to them at the earliest and in any case not later than 3 months of the presentation of the Report.**

4. The Committee will now deal with the action taken by the Government on some of their recommendations which need reiteration or merit comments in the succeeding paragraphs.

**A. UNLAWFUL CLOSURE OF TEXTILE MILLS**

**(Rec.Sr. No. 4, Para 1.34)**

5. The Committee had observed that a large number of textile mills are being closed illegally in the country which not only affects the balanced growth of the textile sector but the livelihood of the workers is also put at stake. Moreover, the Union Government is not maintaining any data regarding mills which have been closed illegally. The Committee took a serious view of the issue and recommended that a data base be prepared covering pockets of small, medium and large scale garment and textile industries across the country and appropriate coordination mechanism be established with ESIC, EPFO, Office of State Labour Commissioner, Small Scale Industries and Textile Department of State Governments, Associations of Entrepreneurs and Industries so as to have information about the closure of mills whether legally or illegally. Based on this data base, the owners of illegally closed mills could be asked to go in for systematic closure of their mills so that the workers of these mills are not deprived of their rightful benefits under TWRFS.

6. In their action taken reply, the Ministry has stated that the Ministry is fully in agreement with the concerns of the Committee to require upon the necessity to accord rightful benefits to the workers of the closed mills. Nevertheless it is submitted that the major bottlenecks in existing guidelines of TWRFS is the mandate of State Governments concurrence under the provisions of Industrial Disputes Act declaring legal closures. Accordingly, the Ministry has proposed suitable modifications in the relevant provisions of the scheme to extend the benefits to workers of such closed mills. For this, the Office of Textiles Commissioner in liaison with various authorities in the field has done a survey of the Mills which have been closed for a long period. The number of such mills is around 200 and on that basis, the Ministry of Textiles is in the process of expanding the scope of TWRFS so that workers of any textile mills lying closed for a period of five years got the benefits of TWRFS. This measure will benefit, in one stroke, nearly 65,000 workers of closed textile mills.



7. The Committee take note of the survey carried out by the Ministry/office of Textiles Commissioner for getting accurate data of the mills which are lying closed for a long period. However, their owners did not declare them closed as per the laid down procedure. The Committee are of the opinion that their concern to prepare a data base covering pockets of small, medium and large scale garment and textiles industries across the country by establishing appropriate coordination mechanism with other Departments of Central and State Governments, has not been adequately addressed by the Ministry. The Committee emphasize that such surveys should be conducted with regular intervals and an appropriate coordination mechanism be established with ESIC, EPFO, office of State Labour Commissioner, State Textiles Departments, associations of entrepreneurs, industries and recognized trade unions so as to have real data of textile mills in the country and the updated information of their closure. This database will not only help the Ministry in assessing the actual strength of the textile mills but also enable them to extend the benefits to all the workers of closed mills under TWRFS.

**B. MODERNISATION OF NTC MILLS**

**(Rec. Sr. No.6, Para 2,40)**

8. The Committee had observed that in continuation of the closer of NTC mills, 12 more viable mills have been closed with the sole reason that most of their employees have opted for voluntary retirement scheme. In light of this, the Committee recommended that the Government should review its decision regarding these 12 mills which were originally in the list of modernization but had to be left due. The Committee further observed that the pace of modernization of NTC mills was also far from satisfactory as out of 18 mills earmarked for the revival through the joint venture, only 5 mills had been assigned to three private partners for modernization till then. Regarding rest of the mills no concrete action for their revival seemed to be in the offing. The Committee, therefore, called upon the Government to review afresh the whole process of modernization of the mills. The entire process of modernization should be completed in a time bound manner and also the interests of the workers regarding their wages and service conditions should be protected.

9. In their action taken reply, the Ministry has stated that a review has been carried out in consultation with NTC and a detailed proposal is under consideration for submission to the competent authority, and once approval is available, further action will be initiated.

10. The Committee take note of the review carried out regarding the modernization process of the NTC mills and the assurance for further action to be initiated after its approval by the Competent Authority. However, they find that nothing has been said about reviewing the decision regarding the 12 mills which were originally in the list of modernization but were dropped for the sole reason that most of its employees had opted for VRS. The Committee take a serious view of the 12 viable units being dropped from modernisation list without any proper and sustainable reason. The Committee, therefore, strongly reiterate their earlier recommendation and urge the Government to take effective steps for deployment of requisite manpower and revival/modernization of these mills at the earliest. The Committee would like to be apprised of the concrete steps taken in this regard at the earliest.

C. PERFORMANCE OF THE RETAIL SHOWROOMS OF N.T.C.

**(Rec. Sr. No.7, Para 2.41)**

11. Considering the dismal performance of the retail shops of NTC during the year 2006-2007 as compared to the previous year, the Committee felt that this unpredictable and incoherent performance in sales reflects weak marketing strategy of the Government. The Committee, therefore, urged upon the Government to pay utmost attention on the sale and marketing policy of the NTC by improving its image, performance and delivery mechanism. The Committee further found that Defence, Railways, Tele-communications, Para-military forces, Health, etc. of the Union Government and several departments of the State Governments are the bulk consumers of cloth on a regular basis. The Committee recommended that all the Government organizations should be impressed upon to opt for the NTC products at competitive rates without compromising on quality. The Committee expected that such steps would definitely help to bail out the NTC from its present situation.

12. In their action taken reply, the Ministry has stated that at present, NTC is running 100 showrooms in different parts of the country. Due to heavy curtailment of weaving activities, the availability of fabrics from NTC mills was not sufficient to meet the requirement of showrooms. Recently, N.T.C. has decided to revamp the showrooms in a phased manner. It may also be mentioned here that, at present, there are only two mills, viz., Tata & Coimbatore Murugan Mills supplying fabrics being manufactured by them to all the showrooms. However, the recommendation has been noted and once the production increases, steps as recommended can be taken.

13. The Committee find that the performance of all the 100 showrooms of NTC has come down due to non-availability of sufficient quantity of fabrics from NTC mills as a result of heavy curtailment of weaving activities. The NTC has recently decided to revamp the showrooms in a phased manner. Since, production activities in the NTC mills are to be revived soon, the Committee desire that till all the modernized NTC mills start production, steps should be taken to ensure continuous supply of atleast the required quantity of fabrics to all the 100 showrooms so that they do not close their operation for want of supply of fabrics.

**D. THE BRITISH INDIA CORPORATION LIMITED, KANPUR**

**(Rec. Sr. No.9 Para 2.51)**

14. The Committee had observed that BIC Ltd. was referred to BIFR in the year 1992 and declared sick. Despite a lapse of sixteen years, nothing concrete has been done to bail out the BIC units from the sickness. Even the permission of Government of Uttar Pradesh for conversion of BIC land into freehold from leasehold could not be obtained due to which the rehabilitation scheme for BIC as approved by BIFR in the year 2002 could not be implemented. Even the modified rehabilitation scheme is in limbo due to procedural wranglings and objections by the stakeholders. The Committee, therefore, strongly recommended that a time bound action plan be chalked out wherein the modified rehabilitation scheme be implemented in letter and spirit. The Committee also desired the Union Government to impress upon the State Government of Uttar Pradesh for conversion of leasehold land into freehold at the earliest. The Committee further recommended that the BIC mills be reopened at the earliest.

15. In their action taken reply, the Ministry has informed that a detailed review of the performance of BIC was done by the BIFR in its meeting held on 14.2.08. Based on the recommendations of BIFR, a detailed Rehabilitation Scheme has been finalized and is awaiting the approval of the competent authority. It has already been circulated to the concerned Ministries / Departments inviting comments/suggestions. The concern expressed by the Standing Committee has also been brought to the notice of Uttar Pradesh Government, again requesting them to expedite permission for conversion of the land to freehold. As regards revival of the Elgin Mills, a separate proposal is under consideration of Board for Reconstruction of Public Sector Enterprises (BRPSE).

16. The recommendations of the Standing Committee have been carefully noted and all possible efforts are being made to make the BIC mills operational and profitable.

17. The Committee take note of the efforts being made by the Government for revival of BIC mills, which includes pursuing the finalization of the 'Modified Rehabilitation Scheme (MDRS)' and conversion of land by State Government of Uttar Pradesh from leasehold to freehold. However, the Committee are of the opinion that the whole process of revival of BIC mills needs to be expedited by coordinating with all the agencies involved like, State Government of Uttar Pradesh, Ministry of Finance, Stakeholders etc. Simply writing letters to various departments/agencies is not going to take the matter to its conclusion until and unless initiatives are taken at the highest level. The Committee, therefore, expect the Ministry to devise a time bound action plan wherein all the procedural formalities are completed viz. approval of MDRS by the competent authority, conversion of land from leasehold to freehold in Kanpur followed by sale of surplus assets for generation of funds, etc. so that BIC mills are finally revived from the prolonged sickness. The Committee also desire that the Government should, meanwhile, provide need based working capital to the company to start the production activities immediately. This step will definitely help the company in rebuilding its lost market base and the salaries/dues of the workers/employees will also be paid in time. The Committee would like to be apprised of the final outcome in one month of the presentation of this report.

## CHAPTER-II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### **(Rec. Sr. No. 1, Para 1.9)**

The Committee observe that the textile industry is a pioneering industry in the country which as a whole has been plagued by multiple problems. Some of the causes attributed are excess capacity, low productivity of both machine and labour due to lack of modernization, stagnant demand and inability on the part of sick units to access export market, increase in the cost of inputs, etc. The Committee feel that under-utilization of the installed capacity is the major hindrance in the path of production and sustainable growth of the sector. The Committee find that as on 31 January 2007, 1,818 textile mills are in existence in the country with a capacity of 35.37 million spindles, 4,48,000 rotors and 6,900 looms. The capacity utilization in the spinning sector is between 80 and 93 per cent while in the weaving sector it is between 41 and 63 per cent. The Committee are of the opinion that the reasons for this under-utilization may be beyond the control of the private entrepreneurs also, nonetheless the overall performance of the textile sector is being affected in the country. As the large number of mills are closed year after year due to one or the other reason, it becomes incumbent to ensure that the mills which are functional and are in production, utilise their optimum capacity. The Government cannot shrug off its responsibility for under-utilisation of textile production capacity - whether in the public or in the private sector. It is rather obligatory for the Government to take all possible steps to facilitate and encourage the capacity production in the textile sector and provide conducive environment for the growth of this sector. The Committee, therefore, strongly recommend that the Government should formulate a multi-pronged strategy so that optimum production of textile in the public as well as private sectors could be attained. For the purpose, all the obstacles that hinder the production growth and efficient functioning of the textile sector may be removed. The Committee would appreciate if the Government formulates a strategy in this regard at the earliest and chalk out a time bound programme for its implementation.

#### **Reply of the Government**

The report of the Working Group on Textiles & Jute Industry for the Eleventh Five Year Plan (2007-12) observes that "the Indian textile industry is on the threshold of the exponential growth process. The factors like buoyant domestic economy, conducive policy environment and elimination of quotas in the international market are fueling its growth raising expectation of an unprecedented growth level. The textile industry at this juncture needs an 'approach' which is based on 'out of box thinking' for addressing the issues which might hamper its growth."



In view of this, after a critical examination and the SWOT(Strength, Weakness, Opportunities and Threat) analysis of the Indian Textiles industry; after extensive interactions with all the major segments of the industry; after obtaining their views and after taking into consideration the recommendations of the various industry specific Sub-Groups, the Working Group has suggested a strategy for the textile industry to facilitate a growth at 16 percent in value terms and reach the level of US\$ 115 billion by the terminal year of the Eleventh Plan as follows: -

- (i) Continuation of the schemes to consolidate and provide competitive edge to our inherent strength in wide and diverse raw material base of cotton, man-made, silk, wool and jute.
- (ii) Facilitate the modernization and technological upgradation of the different segments of the industry to make it internationally competitive.
- (iii) Address the problem of infrastructure bottlenecks by suggesting continuation of the textile specific infrastructure schemes.
- (iv) To suggest schemes / policies for meeting the demand / supply gap in the critical inputs like textile machinery and human resources which have the capacity to hamper the growth of the industry.
- (v) Labour law reforms to attract investment in large size units.
- (vi) Liberalize procedures to attract Foreign Direct Investment (FDI) in specific areas of textile industry needing FDI to bridge the gap between domestic investment and required investment.
- (vii) Brand promotion and support for quality design to increase the value addition of the industry.

The implementation of the strategies proposed in this report would unleash the investment to the extent of Rs.1,50,600 crore and lead to speedy development of the textiles and jute sector resulting in achieving the desired objectives and targets;

As regards textile production in the Public Sector, revival / rehabilitation / modernization of the mills functioning under the National Textiles Corporation and British India Corporation are in process, as per the recommendations of BIFR/BRPSE. Due to various cases of litigation and non-receipt of requisite permission from some of the State Governments, the Ministry of Textiles is unable to implement the scheme at the intended pace. However, all efforts are being made to complete this exercise expeditiously so that production could be optimized to the extent possible.

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

**(Rec. Sr. No. 2, Para 1.21)**

The Committee are concerned to note that indiscriminate dumping of clothes and steep appreciation in the value of Indian Rupee against the US dollar have, of late been major contributory factors in the sickness of the textile sector in the country. The import of clothing from China which was to the tune of 11.54 million US dollar in the year 2005-2006 almost doubled at 21.03 million US dollar during the year 2006-2007. These multiplying imports at cheaper rates have weakened the sales of the manufacturers of domestic market and as a result thereof, a large number of mills are turning sick. The Committee are constrained to observe that the Government is not paying due attention to the woes of the Industry, as no assessment of the impact of all such imports has been made during the last two years. On the other hand, the current rupee appreciation has resulted in the erosion of India's competitive advantage and substantially dampening the exports. There has been a negative trend in the export of textile products by 16 per cent. Not only exports, the strengthening rupee is now hitting those who are mainly manufacturing the textile products for the domestic market. The import substitutes of textile products are becoming much cheaper and the profit margin of the manufacturers have reduced drastically. Besides, it is also having its cascading effect on intermediates and raw materials segment. The sale of domestic yarn, for example has also been severely impacted on account of lower demand from export segment for made-up and readymade garments. Thus, considering all these factors, the Committee are of the firm opinion that if the corrective steps are not taken urgently, the textile sector is bound to be hit irreparably. In order to tide over the crisis, the Committee, strongly recommend that the short, medium and long term strategies be *drawn up* which may include special package for assistance to different sectors of textile industry particularly for its export oriented products, expanding the scope of TUFs and SITP, equipping the textile industry with the state-of-the-art technology, ensuring the uninterrupted power supply at reasonable and subsidized rates and a periodic assessment of the impact of import of clothes.

**Reply of the Government**

As per the latest provisional data published by the DGC&IS the exports of textiles and clothing items (HS classification No. 50-63) in 2007-08 touched US\$ 21.46 billion as against US\$ 19.14 billion in 2006-07, thereby registering a growth of over 12% in US\$ terms. However, in Rupee term, this was a decline of 0.34% compared to 2006-07. This was due to the steep and persistently hard position of the Indian Rupee (INR) vis-à-vis the US\$ during 2007. The exchange rates variation had both good and bad effects on our international trade. Certain sectors where import content is meagre, found themselves in an adverse situation due to a strong INR vis-à-vis the US\$. Textiles is one such sector which faced adversities due to the weak position of US\$, a situation

beyond the control of the Ministry of Textiles. Moreover, imports in the Indian textiles sector are still negligible compared to domestic production and exports. The appreciation in the INR was a temporary phase which has reversed drastically during the current financial year (refer graph below).

### U.S. Dollar to Indian Rupee Exchange Rate

Range: [1d](#) [5d](#) [3m](#) [1y](#) [2y](#) [5y](#)

[Invert Currencies](#)



There are no reports of indiscriminate dumping of imported clothes in India and the imports of textiles and clothing is very negligible compared to the size and volume of domestic production and exports.

During 2007, the Government initiated a number of relief measures to cushion exporters of textiles and clothing against the adverse effects of the strong INR, and also to ensure that the productivity and the profitability of the textile sector remains undisturbed due to exchange rates variations. These packages included:-

- I. (a) Reduction in custom duty on Polyester filament yarns and polyester staple fibres from 7.5% to 5%.
- (b) Reduction in custom duty on other man made filament yarns namely, acrylic, viscose etc (excluding nylon filament yarns) from 10% to 5%.
- (c) Reduction in custom duty on other man made staples fibres namely, acrylic viscose etc (excluding nylon staple fibres) from 10% to 5%.
- (d) Reduction in custom duty on spun yarns of man made staple fibres and filament yarns (excluding nylon fibres) from 10% to 5%.
- (e) Reduction in custom duty on Polyester chips from 7.5% to 5%.
- (f) Fibre intermediates viz Dimethyl terephthalate (DMT), Pure terephthalic acid (PTA), and Mono ethylene glycol (MEG) from 7.5% to 5%; and
- (h) Para-xylene from 2% to zero.

- (i) Exemptions have been granted on service tax in respect of cleaning services (fumigation) and warehousing services.
- II. Duty Entitlement Pass Book (DEPB) rates were enhanced by 3% for 9 sectors including textiles (also handlooms), Readymade Garments (RMGs) and handicrafts. For other items, DEPB rates were enhanced by 2%.
- III. Export Credit Guarantee Corporation (ECGC) premium reduced by 10%.
- IV. Immediate refund of terminal Excise Duty has been ordered;
- V. Concessional export credit with extended periodical coverage has been effected;
- VI. Refund of Service Tax in various sectors related to exports of goods, have been notified.
- VII. Amount of Rs.600 crore released for clearing arrears of Central Sales Tax (CST) reimbursement and terminal excise duty.
- VIII. Duty drawback rates enhanced by 10-40% of the existing rates.
- IX. Subvention on credit rate allowed upto 2%.

Apart from these short term measures, a number of proactive steps as part of medium term strategy and long term strategy had already been initiated by the Government for enhancing the performance and global market share of the textiles exports segment during the 11<sup>th</sup> Five Year Plan. These include following measures:

- (i) The Technology Upgradation Fund Scheme (TUFS) has been made operational from 1-4-1999 to facilitate the modernisation and upgradation of the sector. TUFS has been extended to cover the XI Five Year Plan period. For the speedy modernisation of the textiles processing sector, Government introduced, w.e.f 20.4.2005, a credit linked capital subsidy scheme @10% under TUFS, in addition to the existing 5% interest reimbursement.
- (ii) The fiscal duty structure has been generally rationalised to achieve growth and maximum value addition within the country. Except for mandatory excise duty on man-made filament yarns and man-made staple fibres, the whole value addition chain has been given the option of excise exemption.
- (iii) The import of specified textiles and garment machinery has been allowed at a concessional rate of customs duty to encourage investment and to make our textiles product competitive in the global market. The cost of machinery has also been reduced through fiscal policy measures.
- (iv) The duty-free import of 21 items of trimmings and embellishment items is allowed to garment exporters. This can be upto 3% of their actual export performance during the previous year.
- (v) The entire textiles sector, except for man-made fibre and filament yarn, was provided optional exemption from excise duty in 2004-05. In 2005-06, Central Value-added Tax (CENVAT) on Polyester Filament Yarn has been reduced from 24% to 16%. These modifications in fiscal levies aim at attracting more investments for modernization of textile sector.

- (vi) To facilitate import of state of the art textiles machinery for manufacturing internationally competitive product in post quota regime, the customs duty on textile machinery has been brought down to 10% in 2005-06 except 23 machinery appearing in List 49 which attract Basic Customs Duty (BCD) of 15%.
- (vii) Government has launched the Debt Restructuring Scheme w.e.f. Sept., 2003 with the principal objective to permit banks to lend to the textile sector at concessional rates of interest.

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

**(Rec. Sr. No. 3, Para 1.29)**

The Committee observe that the entire process involved in the identification of sickness of textile mills is intrinsically deficient. It has been stated by the Government that with a view to timely detect sick and potentially sick companies which may or may not be closed and also for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of such companies and the expeditious enforcement of the measures so determined, Board for Industrial and Financial Reconstruction (BIFR) has been set up. Thereafter, BIFR appoints operating agencies for preparation of rehabilitation proposals in respect of potentially viable units. Simultaneously, it has also been stated that the Government does not have any specific monitoring mechanism to detect sickness at incipient stage. The reason advanced for absence of monitoring mechanism that, "these days in free economy, mills are not required to submit the financial performance data, so it may not be possible to have any monitoring mechanism". The contention of the Government, being factually incorrect and misleading is not plausible. The Committee are not able to understand as to how BIFR has been taking decisions regarding revival/closure or other options about a mill in the absence of vital data about the financial performance of the company.

The Committee are of the opinion that BIFR has miserably failed in its duties in so far as the revival of sick mills in the country is concerned. It has been an agonizing experience that any matter referred to BIFR is never attended to with the priority and speed it warrants. The Committee feel that this body is not only oblivious of the sufferings of the workers and their families but is totally callous about them. The figures of the cases referred to BIFR substantiate the inference of the Committee. Out of 848 cases referred to BIFR upto October 2006, only 60 cases were declared 'no longer sick' while 156 cases were declared 'sick', 159 'non-maintainable' and 220 cases recommended for 'winding up'. The Committee are also distressed to find that Government has not been able to put in place any mechanism which may detect and determine the root causes leading to sickness in the textile sector beforehand. The process involved in the BIFR is unintelligible, cumbersome and negative. It comes into operation only after the sickness in the unit becomes all pervasive. In such a situation, it is not possible to stem the rot. The engagement of NITRA, ATIRA, BTRA, SITRA- all research bodies- for studying the reasons for sickness of NTC mills and suggest viability or otherwise of the mills have done least good to the cause of textile sector as these are the exercises undertaken by them either in the aftermath of the closure of the mills or which are on the verge of closure. These are all futile exercises and thus do not help the healthy growth of the sector. The Committee, therefore, strongly recommend that the functioning of BIFR be closely scrutinized by the Government. They also call upon for bringing in needed changes for expeditiously achieving the desired results in a time bound manner and also making the officials of BIFR individually accountable for any delay beyond the stipulated time in arriving at a decision about the future of a company. Besides, sickness in the entire textile sector should be viewed holistically. Its root causes are analyzed threadbare and an effective mechanism is put in place to assess the possible reasons for sickness before it spreads its pang and quick remedial measures

are taken so that textile sector remains unscathed from the uncertainties and vagaries associated with the Industry. For the purpose, the possibility of participation of workers or their representatives from the Central Trade Unions may be explored as their expertise in the field can be best utilized by inducting them in the Management/Governing body. The Committee are of the firm view that the advice of workers representatives, who have first hand knowledge of men, machine, materials and the industrial environment, would go a long way in minimizing the risk of sickness in the mills.

### **Reply of the Government**

Regarding viewing holistically the sickness in the entire sector, it may be mentioned that the Government seeks to foster a policy regime, which is industry friendly. Government has not only framed innovative schemes such as Technology Upgradation Fund Scheme and Scheme for Integrated Textiles Parks but also has taken fiscal and monetary measures duty concessions and incentives. However, today the Indian textiles trade stands integrated with global trade. In such a milieu, the industry has got vast opportunities at its disposal. At the same time, there are challenges and threats. In such a competitive environment, an industry can survive if it utilizes its inherent strength in a judicious manner. Since textiles is the oldest and the largest industry segment of the country, at any point of time, there will be incidents of sickness and closure in the country despite the best efforts of the Government. Fashion changes, modes of trade change, technology changes, conditions of trade changes, competition becomes tough. However, the mill which adapts itself to such changes survives, otherwise sickness and closure follows. Government is aware of its responsibilities and takes steps accordingly.

As regards exploring the possibility of participation of workers in the Management/Government, it may be mentioned that it is for management to decide who will represent in their various bodies. A large number of mills are in the private sector. Accordingly, it is not possible and advisable for Government to this end. However, Trade Union leaders are being represented in various organizations under control of the Government.

As far as public sector is concerned, the recommendation has been noted. Workers representatives will be continued to be increasingly involved in various production activities of the company

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

#### **(Rec. Sr. No. 4, Para 1.34)**

The Committee note with concern that a large number of textile mills are being closed illegally in the country. This not only affects the balanced growth of the textile sector but the livelihood of the workers is also put at stake. Moreover, the Union Government is not maintaining any data regarding mills which have been closed illegally. The plea of the Government that since 'the subject matter pertains to State Governments, the role of the Union Government is negligible in this regard', is not acceptable to the Committee. Considering the national importance of the subject and greater role of the State Government, the Union Government cannot and should not shy away from its responsibility of having the data of such illegal closure of mills. The Committee are but inclined to infer that the Government is not at all serious on this issue otherwise with a little effort and coordination with the Departments like ESIC, State Labour Commissioner and Textiles Department of State Governments, information regarding such mills could have been easily gathered. The Committee take a serious view of the casual approach of the Government regarding such an important sector providing employment to a large number of workers. The Committee, therefore, strongly recommend that a data base be prepared covering pockets of small, medium and large scale garment and textile industries across the country and appropriate coordination mechanism be established with ESIC, EPFO, Office of State Labour Commissioner, Small Scale Industries and Textile Department of State Governments, Associations of Entrepreneurs and Industries so as to have information about the closure of mills whether legally or illegally. Based on this data base, the owners of illegally closed mills can be asked to go in for systematic closure of their mills so that the workers of these mills are not deprived of their rightful benefits under TWRFS.

#### **Reply of the Government**

This Ministry is fully in agreement with the concerns of the Hon'ble Committee to require upon the necessity to accord rightful benefits to the workers of the closed mills. Nevertheless it is submitted that the major bottlenecks in existing guidelines of TWRFS is the mandate of State Governments concurrence under the provisions of Industrial Disputes Act declaring legal closures. Accordingly, the Ministry has proposed suitable modifications in the relevant provisions of the scheme to extend the benefits to workers of such closed mills. For this, the Office of Textiles Commissioner in liaison with various authorities in the field has done a survey of the Mills which have been closed for a long period. The number of such mills is around 200 and on that basis, the Ministry of Textiles is in the process of expanding the scope of TWRFS so that workers of any textile mills lying closed for a period of five years got the benefits of TWRFS. This measure will benefit, in one stroke, nearly 65,000 workers of closed textile mills.

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

#### **Comments of the Committee**

**(Please see Para 7 of Chapter-I of the Report)**



**(Rec. Sr. No.5, Para 1.35)**

The Committee further observe that the Government has formulated a welfare scheme for the workers of NTC mills under which the employees/workers opting for voluntary retirement are issued Green Cards. The willing employees/workers are provided old looms at reasonable rates at book value to run their own business on forming or joining a co-operative society. The Committee find that this is a welcome step for the welfare of workers. However, presently only the workers of the public sector mills are eligible for availing of the benefits under the scheme. The Committee feel that willing workers of the private sector mills should also be extended access to the looms and other reusable machinery of NTC. Of course, priority should be given to the workers of public sector mills over the private sector workers. The charges for providing the reusable machinery to the private sector workers may however, be different than the public sector workers besides putting a bar on resale of this machinery for a specified period to prevent its misuse. The Committee, therefore, urge upon the Government that the workers of private sector mills should also be considered for availing the benefit of getting looms of NTC mills if they are so willing on the same terms and conditions as are applicable to workers of NTC mills. This gesture will promote the skill of entrepreneurship among the workers in the private sector, who are equally well versed with the nuances of the textile industry.

**Reply of the Government**

Presently in most of the closed mills, the old machinery including looms etc. have been sold and there is no old loom available in these closed mills for further disbursal. However, the recommendation has been noted for future.

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

**(Rec. Sr. No.6, Para 2.40)**

The Committee note that NTC was incorporated in 1968 with the main objective of managing the affairs of 16 sick textiles mills taken over by the Government. Further, more sick mills were taken over by NTC under 3 Nationalization Acts and their number soared to 119 in 1995. As the mills brought under the NTC umbrella perhaps could not perform to the expected levels, it was decided that only viable mills may continue functioning while the unviable units may be closed. Accordingly, in the year 2002, BIFR/Government of India approved revival of 53 viable mills and closure of 66 unviable mills. However, 65 mills were closed and 2 mills (one unviable and one viable) were transferred to the State Government of Pondicherry (now Puducherry). 12 mills were further closed since "most of the employees of these mills have opted for Voluntary Retirement Scheme." The Committee are distressed to note that 12 mills have been left out of the modernization process for the sole reason that most of its employees had opted for VRS. The Committee do not approve of the manner in which 12 mills have been left out of the modernization process because for assessing the viability of mills for their revival, only one factor has been taken into consideration. This kind of act on the part of Government reinforces the apprehension that NTC mills are being shut down in a sustained and planned manner despite the fact that such mills were having the better and greater scope for their refurbishment. In the light of this, the Committee strongly recommend the Government to review its decision regarding the 12 mills which were originally in the list of modernization but had to be left due. The Committee further observe that the pace of modernization for the remaining 40 mills (22 by NTC and 18 in Joint venture) is far from satisfactory. Out of 18 mills earmarked for the revival through the joint venture, only 5 mills have been assigned to three private partners for modernization till date. Regarding rest of the mills no concrete action for their revival seems to be in the offing. The Committee, therefore, call upon the Government to review afresh the whole process of modernization of the mills. The entire process of modernization should be completed in a time bound manner and also the interests of the workers regarding their wages and service conditions should be protected. The progress made in this regard may be reported to the Committee within three months of presentation of this Report.

**Reply of the Government**

A review has been carried out in consultation with NTC and a detailed proposal is under consideration for submission to the competent authority, and once approval is available, further action will be initiated.

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

**Comments of the Committee**

**(Please see Para No. 10 of Chapter-I of the Report)**

**(Rec. Sr. No.7, Para 2.41)**

The Committee find that at present there are 113 retail shops of NTC running in different part of the country to promote retail marketing. The Committee further observe with concern the dismal performance of the retail shops during the year 2006-2007 as compared to the previous year. The Committee feel that this unpredictable and incoherent performance in sales reflects weak marketing strategy of the Government. Initiatives for providing incentives like better wages, regular employment, encouraging and satisfying working atmosphere, etc. to the employees promoting sales and maintaining cordial relations with customers, must be ushered in to herald an era of complete transformation of marketing in the organization. The Committee, therefore, urge upon the Government to pay utmost attention on the sale and marketing policy of the NTC by improving its image, performance and delivery mechanism. The Committee further find that Defence, Railways, Tele-communications, Para-military forces, Health, etc. of the Union Government and several departments of the State Governments are the bulk consumers of cloth on a regular basis. The Committee suggest that all the Government organizations should be impressed upon to opt for the NTC products at competitive rates without compromising on quality. The Committee hope that such steps would definitely help to bail out the NTC from its present situation.

**Reply of the Government**

At present, NTC is running 100 showrooms in different parts of the country. Due to heavy curtailment of weaving activities, the availability of fabrics from NTC mills was not sufficient to meet the requirement of showrooms. Recently, N.T.C. has decided to revamp the showrooms in a phased manner. It may also be mentioned here that, at present, there are only two mills, viz., Tata & Coimbatore Murugan Mills supplying fabrics being manufactured by them to all the showrooms. However, the recommendation has been noted and once the production increases, steps as recommended can be taken.

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

**Comments of the Committee**

**(Please see Para No. 13 of Chapter-I of the Report)**

**(Rec. Sr. No.8, Para 2.42)**

The Committee observe that Government has proposed to set up an India International Trade Tower in Mumbai on the land of one of the textile mills which has since been recommended for closure. This tower will show-case the series of high quality textile products under one roof. The Committee welcome the concept of Trade Tower as it will facilitate the marketing of all kinds of textile, handloom and handicraft products including gems and jewellery. While working as a nodal agency, the trade tower will also generate considerable employment among the artisans, handloom weavers, and other workers associated with the textile sector. However, necessary permission is still awaited from the Government of Maharashtra in this regard. The Committee, therefore, urge upon the Union Government that all steps be taken to expedite the approval from the Government of Maharashtra for the construction of trade tower in Mumbai so that the benefits that may accrue from these efforts are actually percolated down to the most deserving people, *viz.* artisans, handloom weavers, textile workers, etc. at the earliest. Based on the performance of this tower, opening of new towers elsewhere in the country may also be considered keeping in view the high density zones of artisans and weavers.

**Reply of the Government**

The recommendation has been noted. The proposal for construction of India International Trade Tower at Mumbai is being vigorously pursued with the concerned Govt./agencies.

(Ministry of Textiles O.M. No.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

## **CHAPTER-III**

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

**-NIL-**

## **CHAPTER-IV**

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES FO THE  
GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH  
REQUIRE REITERATION**

**-NIL-**

## CHAPTER-V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE INTERIM IN NATURE

**(Rec. Sr. No.9, Para 2.51)**

The Committee observe that British India Corporation Limited (BIC) was taken over by the Government of India in the year 1981. The BIC Limited has two woollen mills, viz. Cawnpore Woollen Mills in Kanpur (Uttar Pradesh) and New Egerton Woollen Mills in Dhariwal (Punjab) under its direct control. Besides, BIC limited also has two cotton subsidiary companies, viz. Elgin Mills Co. Ltd. and Cawnpore Textiles Ltd. at Kanpur in Uttar Pradesh. BIC had its brand value as Dhariwal and Lalimli, before becoming a sick organisation. The Company was referred to BIFR in the year 1992 and declared sick. Despite a lapse of sixteen years, nothing concrete has been done to bail out the BIC units from the sickness. Even the permission of Government of Uttar Pradesh for conversion of BIC land into freehold from leasehold could not be obtained due to which the rehabilitation scheme for BIC as approved by BIFR in the year 2002 could not be implemented. Even the modified rehabilitation scheme is in limbo due to procedural wranglings and objections by the stakeholders. The Committee further observe that, like NTC, the surplus assets of BIC including its land will be sold to generate resources to modernize its units. Till date, a total amount of Rs. 68.33 crore has been realized from the sale/advance on sale of surplus properties but no tangible action is yet in sight as far as revival of BIC is concerned. The Committee are of the opinion that the revival scheme can not be put on hold perpetually merely on the ground that permission of the Government of Uttar Pradesh is not coming forth. The Committee, therefore, strongly recommend that a time bound action plan be chalked out wherein the modified rehabilitation scheme as submitted by the Operating Agency, i.e. the Industrial Development Bank of India (IDBI) is implemented in letter and spirit. The Committee also desire the Union Government to impress upon the State Government of Uttar Pradesh for conversion of leasehold land into freehold at the earliest. The Committee further recommend that the BIC mills be reopened at the earliest.

#### **Reply of the Government**

A detailed review of the performance of BIC was done by the BIFR in its meeting held on 14.2.08. Based on the recommendations of BIFR, a detailed Rehabilitation Scheme has been finalized and is awaiting the approval of the competent authority. It has already been circulated to the concerned Ministries / Departments inviting comments/suggestions. The concern expressed by the Standing Committee has also been brought to the notice of Uttar Pradesh Government, again requesting them to expedite permission for conversion of the land

to freehold. As regards revival of the Elgin Mills, a separate proposal is under consideration of Board for Reconstruction of Public Sector Enterprises (BRPSE).

The recommendations of the Standing Committee have been carefully noted and all possible efforts are being made to make the BIC mills operational and profitable.

(Ministry of Textiles O.M. NO.2/8/2008-Parl.,dated 11<sup>th</sup> August, 2008)

**Comments of the Committee**

**(Please see Para No. 17 of Chapter-I of the Report)**

**New Delhi;**  
***3<sup>rd</sup> November, 2008***  
***12 Kartika , 1930 (Saka)***

**SURAVARAM SUDHAKAR REDDY,**  
**CHAIRMAN,**  
**STANDING COMMITTEE ON LABOUR.**



**MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON LABOUR  
HELD ON MONDAY, 3<sup>RD</sup> NOVEMBER, 2008**

The Committee met from 1130 hours to 1300 hours in Committee Room `C', Parliament House Annexe, New Delhi to consider and adopt draft Thirty-Fourth and Thirty-Fifth Reports.

**PRESENT**

**Shri Suravaram Sudhakar Reddy - CHAIRMAN**

**MEMBERS**

**LOK SABHA**

2. Shri Furkan Ansari
3. Shri Ramdas Bandu Athawale
4. Shri Subrata Bose
5. Shri Santasri Chatterjee
6. Shri Thawar Chand Gehlot
7. Smt. Sushila Kerketta
8. Shri Virendra Kumar
9. Shri Basangouda R. Patil
10. Shri Chandra Dev Prasad Rajbhar
11. Shri Mohan Rawale
12. Smt. C.S. Sujatha
13. Shri Parasnath Yadav

**RAJYA SABHA**

14. Shri Rudra Narayan Pany
15. Shri Narayan Singh Kesari
16. Shri K. Chandran Pillai

**SECRETARIAT**

1. Shri Brahm Dutt - Joint Secretary
2. Shri R.K. Bajaj - Director
3. Shri N. K. Pandey - Deputy Secretary

2. At the outset, the Hon'ble Chairman welcomed the Members to the sitting of the Committee and apprised them about the three referred Bills i.e., (i) The Workmen's Compensation (Amendment) Bill, 2008, (ii) The Employees' State Insurance (Amendment) Bill, 2008 and (iii) The Plantations Labour (Amendment) Bill, 2008 as introduced in Lok Sabha/Rajya Sabha and referred to the Standing Committee on Labour for examination and Report within a period of three months and about draft Thirty-Fourth and Thirty-Fifth Reports on the Action Taken by the Government on the recommendations/observations contained in the Twenty-Seventh Report of the Standing Committee on Labour on the subject 'Sickness/Closure of Textile Mills' and the "General Conditions of Weavers in the country- A case study of Sircilla concentration zone of weavers" respectively.

3. Thereafter, the Committee took up the following draft reports for consideration:-

- (i) Draft Thirty-Fourth Report on the action taken by the Government on the recommendations contained in the Twenty-Seventh Report on the subject 'Sickness/Closure of Textile Mills'
- (ii) Draft Thirty-Fifth on 'General conditions of weavers in the country- A case study of Sircilla concentration zone of weavers'.

4. The Committee adopted the above reports with some verbal modifications.

5. The Committee then authorized the Chairman to finalise the above Reports and present the Thirty-Fifth Report to Hon'ble Speaker.

6. The Committee also placed on records their appreciation for the service rendered to the Committee by the officers/staff attached to the Committee.

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**The Committee then adjourned.**

APPENDIX-II

(Vide Para No. 3 of the Introduction)

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON  
RECOMMENDATIONS CONTAINED IN THE TWENTY-SEVENTH  
REPORT OF THE STANDING COMMITTEE ON LABOUR (FOURTEENTH  
LOK SABHA)**

	Total	Percentage
I. Total number of Recommendations	08	
II. Recommendations/Observations which have been accepted by Government (Sl. Nos. 1,2,3,4,5,6,7 and 8)		88.88%
III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies - Nil		
IV. Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee and which requires reiteration - Nil		
V. Recommendations/Observations in respect of which final replies of Government are of interim in nature (9)		11.12%
		----- 100% -----