STANDING COMMITTEE ON LABOUR (2005-06)

(FOURTEENTH LOK SABHA)

MINISTRY OF TEXTILES

Action taken by the Government on the Recommendations/Observations contained in the Sixth Report of the Standing Committee on Labour on Demands for Grants-2005-2006 of the Ministry of Textiles.

EIGHTH REPORT



LOK SABHA SECRETARIAT NEW DELHI

December 2005/ Agrahayana 1927 (Saka)

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Presented to Lok Sabha on 14 December 2005

Laid in Rajya Sabha on 14 December 2005



LOK SABHA SECRETARIAT NEW DELHI

December 2005/ Agrahayana 1927 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON LABOUR (2005-06)

Shri Suravaram Sudhakar Reddy -CHAIRMAN

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- 3. Shri Joachim Baxla
- 4. Shri Santasri Chatterjee
- 5. Shri Munawwar Hassan Chaudhary
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1.	Shri John Joseph	-	Secretary
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3.	Shri R.S. Misra	-	Deputy Secretary
4.	Shri N.K. Pandey	-	Under Secretary
5.	Shri C. Kalyanasundaram	-	Committee Officer

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 Eighth Report on the action taken by the Government on the recommendations contained in the Sixth Report of the Standing Committee on Labour (Fourteenth Lok Sabha) on Demands for Grants-2005-2006 relating to Ministry of Textiles.

- 2. The Sixth Report was presented to Lok Sabha and also laid in Rajya Sabha on 24 April 2005. The Ministry of Textiles furnished their replies indicating action taken on the recommendations contained in that Report on 25.7.2005. This report was considered and adopted by the Standing Committee on Labour at their sitting held on 5 December 2005.
- 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 Sixth 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; 12 December 2005 21 Agrahayana 1927 (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 Sixth Report (Fourteenth Lok Sabha) of the Standing Committee on Labour on Demands for Grants (2005-2006) of the Ministry of Textiles.
- 1.2 The Sixth Report was presented to Lok Sabha and was also laid in Rajya Sabha on 25 April 2005. It contained 13 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, 2 and 12.

(Total 3 - Chapter II)

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

Paragraph Sl. Nos. 3, 4, 10 and 13

(Total 4 - 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. 5, 6, 8 and 9

(Total 4 - Chapter IV)

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

Paragraph Sl. Nos. 7 and 11

(Total 2- Chapter V)

1.3 The Committee desire that action taken notes in respect of the recommendations contained in Chapter-I and final action taken notes in respect of recommendations contained in Chapter-V for which only interim replies have been given by the Government may be furnished to them at the earliest and in any case not later than three months of the presentation of this Report. The Committee will now deal with those action taken replies of the Government which need reiteration of comments on merits

A. Textile Processing Sector

Recommendation (Sl. No.5 Para 2.29)

- 1.14 The Committee had noted that 83% of the Textile Processing Units are in Hand Processing Sector and were concerned to note that the production process is most unscientific and unsystematic in these units. The personnel working in such units do not have any scientific knowledge of dyes, chemicals, machines and processes. The Committee also noted that the advanced technology of independent processing units mainly cater to the higher segment of the market. Even though the high tech textile processing machines are necessary for the development of the industry, the Committee were of the view that measures being taken by the Ministry such as 10% capital subsidy scheme, etc. may not meet the needs of the Hand Processing Sector as they would still not be in a position to acquire hi-tech processing machines. The Committee, therefore, recommended that a suitable training scheme should be launched for imparting comprehensive training in the fields of scientific knowledge of dyes, chemicals, machines and processes to the personnel of hand processing units.
- 1.5 The Ministry of Textiles in its action taken note furnished to the Committee had stated as follows:

"In this regard it may be mentioned that though the scientific knowledge of dyes, chemicals, is very important for them, it is also to be kept in mind that the hand processing sector is extremely dispersed and decentralised which makes it very difficult to impart such knowledge to this sector. There is also lack of initiative and desire on the part of the hand processors to keep themselves updated in the field of dyes, chemicals, machines, processes, etc. which also makes it very difficult for the Government to arrange for their proper training. Government already has a wide network of Weaver Service Centres (24), Powerloom Service Centres (44), Textile Research Associations (8) and many similar centres through which such knowledge may be acquired by the hand processors".

As the hand processing sector, which comprises 83% of the processing units, 1.6 lacks input of high technology besides its production pattern being mostly unscientific and unsystematic, the Committee had recommended that a suitable training scheme should be launched for imparting comprehensive training in the fields of scientific knowledge of dyes, chemicals, machines and processes. The Government in this regard has replied that it is very difficult for it to arrange for their proper training as the hand processing sector is extremely dispersed and the processors lack initiative and desire to keep themselves updated in the field of dyes, chemicals, machines and processes. The Committee are not satisfied with the reply of the Government and are of the view that a training scheme for hand processing sector can also be implemented particularly when such training is being provided to decentralized and dispersed handloom and powerloom weavers and handicraft artisans. The Committee are also not convinced that the hand processors lack initiative and desire to undergo such training. On the contrary, the Committee feel that it is the Government that lacks initiative in motivating the hand processors. The Committee being fully confident that such a training would boost the performance of hand processors, they reiterate their earlier recommendation and urge the Ministry to take steps in this regard at the earliest. The Committee further recommend that the feasibility of providing incentives to hand processors be examined so that they are motivated to undergo such training.

B. National Textile Corporation Ltd. (NTC)

Recommendation (Sl. No 6 Para.2.37)

1.7 The Committee were dismayed to note that the net worth of 8 of the 9 subsidiaries of NTC had completely eroded necessitating reference to BIFR in 1994 but a rehabilitation scheme for NTC was implemented only after a lapse of 8 years, i.e. in 2002. As per the rehabilitation scheme, out of 119 mills, 66 mills were to be closed and the remaining 53 viable mills were to be revived. Even in 2005, the Ministry are in a dilemma whether to run or close the viable 53 mills and in the process NTC has accumulated a staggering loss of Rs.9,829 crores. The Committee are disheartened to note that the very goal of incorporation of NTC in 1968 to manage the affairs of sick textile undertakings in the private sector has been defeated due to Government's inefficiency to run and modernise these units. The Committee recommended that vigorous efforts should be made by the Ministry for revival of all the 53 viable mills without further loss of time.

1.8 The Ministry of Textiles in its action taken reply had stated as follows:-

"The 119 mills of NTC were taken over by the Government as potentially sick companies under the various Nationalisation Acts. The mills suffered from huge surplus workforce, obsolete machinery and lack of working capital, necessitating their reference to BIFR in 1994. The Government initially prepared various Turn Around Strategies for revival of the Corporation through infusion of funds. The Cabinet in its meeting held on 4 September 2000 decided to adopt a unit by unit assessment to determine whether a mill should be revived or closed. Accordingly, a Techno Economic Viability Study was conducted by Textile Research Associations to determine the viability or otherwise of all the NTC mills. The study recommended that out of a total of 119 mills, 66 mills, which were chronically sick, may be closed and the remaining 53 mills, projected as viable should be revived. Based on this study report, rehabilitation schemes for the 8 subsidiary corporations of NTC were prepared by IDBI and IFCI. The BIFR approved these rehabilitation schemes in the year 2002. The modernization process of 53 viable mills could not, however, take off due to slow progress in the sale of surplus assets of the closed mills. A further analysis of the performance of the 53 mills proposed for revival indicated that even with an increased capacity utilization, none of these mills were generating operational profits and continued to depend on Government support for wages. It was indicated that further investment to the tune of Rs.1,465 crore would be required for modernization and provision of working capital for these mills. Since the sale process has been held up for more than two years in various parts of the country due to non-receipt of required permission from the State Governments like Maharashtra, Uttar Pradesh, Madhya Pradesh and Gujarat, the modernization process has been delayed. Out of the 119 mills, two mills, including one out of the 66 unviable mills and one out of the 53 viable mills, located at Pondicherry, have been handed over to the State Govt. of Pondicherry, w.e.f. 1st April 2005. However, with the success achieved in the sale of surplus land of NTC in Mumbai, NTC has resources to modernize 22 mills. The Government directed in the meeting of Group of Ministers held on 12.05.2005 that these mills should be modernized immediately and accordingly the process for procuring machinery has started. For moderanisation of other mills, NTC does not have resources presently. Since depending on sale of proceeds for attempting further modernisation is likely to delay the modernization process, Government decided to explore alternatives like inviting private partners who could invest in modernization of these mills. NTC would, therefore, be inviting expression of interest from reputed textiles industries who could participate in the process of modernization of these mills under joint ventures. If this attempt succeeds, other mills could also be modernized quickly".

1.9 During the examination of Demands for Grants (2005-2006), the Committee noted that a Rehabilitation Scheme of National Textile Corporation was approved by BIFR in the year 2002. The Scheme envisaged closing down of 66 unviable mills and modernisation of 53 viable mills. While out of 66 unviable mills, 65 mills have already been closed and one mill transferred to the State Government, the modernisation process of 53 viable mills has not taken off even after three years. Hence, the Committee had recommended that vigorous efforts should be made by the Ministry for revival of all the 53 viable mills without further loss of time. The reason for delay in modernisation process has been reported as the slow progress in the sale of surplus assets of the closed mills which is linked to the modernization of viable mills. According to the Ministry, a little headway has recently been made in modernisation of 22 mills by starting the process of procuring machinery through sale of surplus land of NTC in Mumbai. However, NTC does not have resources to modernise the rest of the Mills. Since dependance on sale of assets would delay the modernisation process, the Ministry has also decided to explore private participation. The Committee are sceptical of the success of private participation since NTC itself was created on the graveyard of the private sector. Moreover, the Ministry has not divulged on the proposed modalities of the joint ventures with the private sector. The Committee, therefore, reiterate their earlier recommendation and urge the Ministry to make vigorous efforts in chalking out a time-bound action plan for the modernisation of all the 53 viable mills of NTC without the support of Private Sector.

Recommendation (Sl. No. 8 Para.2.46)

- 1.10 The Committee were constrained to note that out of 78 jute mills, 37 are sick mills and have been referred to BIFR. The Committee were also unable to understand the rationale behind the non-eligibility of viable sick jute mills to avail of the Technology Upgradation Fund Scheme and were of the view that the Scheme should be extended to them as the sickness of jute mills mainly arises from obsolete technology. Considering the potential of jute products both in the domestic and international markets, the Committee strongly recommended that feasibility of providing assistance to viable sick jute mills under TUFS should be examined and appropriate steps in this regard should be taken immediately.
- 1.11 In its action taken notes, the Ministry of Textiles had, inter-alia, stated that the Technology Upgradation Fund Scheme (TUFS) provides reimbursement of interest to the extent of 5% to the entrepreneurs. TUFS is an umbrella scheme of the Textile Ministry, covering both the organized and unorganized sectors. It is not confined only to the Jute Sector, but extends to the entire Textile Industry. For availing the benefits under this scheme, the entrepreneur or company concerned is to submit a viable project report to the Nodal Financial Institution i.e. IFCI (Industrial Finance Corporation of India). To prove the bankability of the project, the company/entrepreneur need to provide sufficient information regarding the quantum of owned funds, surety, and many other formalities. The financial institutions still perceive the jute industry as a sunset industry despite the tremendous progress made by the industry in achieving ever increasing levels of product diversification and exploring new markets for traditional items. All this has hampered the progress of TUFS in the jute sector.
- 1.12 However, recognising the peculiar nature of the jute industry, Ministry of Textiles has introduced an alternative Scheme of Capital Subsidy for Modernisation of the Jute Industry. This scheme is called the JMDC Incentive Scheme for Modernisation of the Jute Industry. Hence, the Ministry of Textiles has contended that the slow progress of TUFS in Jute sector does not stand on the way of modernisation of the jute industry. It is up to the jute entrepreneurs or the company concerned to choose between the two Schemes: TUFS or the JMDC Incentive Scheme for Modernisation of the Jute Industry. The latter Scheme, which was launched on 8 July 2002 has been successful in attracting the 77 entrepreneurs with an investment of Rs.83.61 crore within a short span of three years.

1.13 The Committee, having been concerned over the non-eligibility of viable sick jute mills to avail of the Technology Upgradation Fund Scheme (TUFS), had made a specific recommendation to examine the feasibility of providing assistance to viable sick jute mills under TUFS. They, however, regret to note that no action has been taken by the Ministry in this regard. Instead it has been stated in its reply that the financial institutions still perceive the jute industry as a sunset industry despite the tremendous progress made by this industry. The Committee regret that the Ministry has apparently taken no steps to apprise the financial institutions of true picture of the strides being made by the jute industry. The Committee, therefore, reiterate their earlier recommendation and urge the Ministry to examine the feasibility of providing assistance to viable sick jute mills under TUFS.

Recommendation (Sl. No. 9 Para.2.47)

- 1.14 The Committee had noted that the Ministry proposes to revive only 2 of the 6 sick mills of NJMC which is a Public Sector Undertaking and all the employees of the NJMC including that of the head office would be offered VRS. The Committee were, however, sceptical of revival of the sick units in the absence of the employees of the organization. They, therefore, recommended that efforts should be made by the Ministry to revive all the six mills of NJMC within a definite time frame with the help of existing employees who know the strengths as well as the weaknesses of the organization. The Committee further urged the Ministry that necessary steps should be taken to enable the revived units function without the handicaps such as obsolete plant and machinery, uneconomic product-mix, lack of working capital, etc.
- 1.15 The Ministry of Textiles in its action taken reply had stated that the Union Cabinet <u>vide</u> its decision on 24/3/05 has directed the Ministry of Textiles to refer the revival of the two units to the newly constituted Board of Reconstruction of the PSE. It has further approved to offer VRS to the employees of these units as well as the other 4 units and to provide budgetary support for clearing the outstanding dues of this Corporation. Options like running the two mills by the Corporation itself or in lease agreement with private entrepreneurs will be considered and recommended by BRPSE.

In view of the Ministry's proposal to revive only 2 of the 6 sick mills of 1.16 NJMC, the Committee had made a specific recommendation that efforts should be made by the Government to revive all the six mills of NJMC within a definite time frame with the help of existing employees who know the strengths as well as weaknesses of the organisation. However, the Ministry in its reply has stated that the Union Cabinet had directed it to refer the revival of the two units to the newly constituted Board of Reconstruction of Public Sector Enterprises and to offer VRS to the employees of all the six units. The Committee regret to note that the Ministry has not addressed to the crux of the recommendation of the Committee in the right spirit. The Committee are distressed to note that the reply given is totally silent on the efforts made by the Ministry to revive all the six units with the help of the employees. The Committee, therefore, reiterate their earlier existing recommendation and expect all the six units of NJMC to be revived expeditiously with the help of the existing employees.

CHAPTER-II

RECOMMENDATION/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

General Performance

Recommendations (Sl. No. 1 Para 2.8)

2.1 The Committee feel deeply concerned to note that Plan allocations made for implementation of various Schemes remain underutilized year after year. During 2002-2003 the unspent plan allocation was Rs. 102.55 crore, during 2003-2004 it was Rs. 121.34 crore and Rs. 148.13 crore during 2004-2005. Hardly two years are now left for the completion of 10th Five Year Plan and at such a tardy pace of Plan spending, the Committee are apprehensive as to how the Ministry would be able to achieve the target fixed for various flagship Schemes. The major reasons put forth by the Ministry for under-utilisation of funds are poor fund utilisation till third year of the Plan due to procedural formalities involved in the clearance of Schemes, implementing agencies are locally based with inadequate capacity and no exposure and non-release of State's matching share. The Committee feel that such serious flaws in the implementation of development/welfare schemes would impede the development of the entire textile sector. The Committee, therefore, recommend that funds allocated for the Schemes in a financial year should be fully utilized within the year in a phased manner by hastening the completion of procedural formalities. For this, the steps in regard to procedural formalities should be taken well in advance so that these are completed within six months time. Moreover, the identification of proper implementing agencies is as important as the launching of the Scheme itself and the Committee expect that enough attention should be given in this regard including involvement of District/State level agencies which would coordinate the activities of the implementing agencies and provide them guidance for effective implementation of the Scheme on a continuous basis. The Committee also find that the Ministry face difficulties in implementation of Schemes due to non release of matching share of the States. They, therefore, recommend that the matter should be taken up with the State Governments at the highest level so that the States come out with their matching share for smooth running of the Schemes. Also the issue should be appropriately addressed during the meetings of State Ministers. The Committee further recommend that wide publicity of various welfare and developmental schemes should invariably be made in various media so that the information about these reaches the targeted groups well in time. The steps taken and progress achieved in this regard should be communicated to the Committee.

REPLY OF GOVERNMENT

- 2.2 For the implementation of the recommendations many steps have already been taken which include:
 - (i) the amount of expenditure to be made in every quarter has already been fixed. The pace of expenditure is also being monitored periodically to ensure that funds sanctioned for 2005-06 are fully utilized & targets fixed under various flagship schemes are achieved in time.
 - (ii) creation of awareness about the scheme/ programme through workshops (local and regional), marketing events, frequent interactions through reviews and meetings with State Governments;
 - (iii) constitution of State-level Screening Committees to screen the proposals and setting up of Local and State Level Monitoring Committee (SLMC) to provide guidance for better implementation;
 - (iv) taking up the issue of non-release of state share of funding with Chief Secretaries/Secretaries of State Governments to ensure timely release of the State' share; and
 - (v) formation of Planning Advisory and Monitoring Groups and Procurement Committee for completion of procedural formalities at field level, etc.
- During 2004-05, against the RE allocation of Rs.750 crore, the total fund utilisation was Rs.729.87 crore <u>i.e.</u> 97.32%. During 2005-06 till 24th June, 2005 (latest available) against the BE allocation of Rs 1,150 crore Rs 336.37 crore <u>i.e.</u> 29.24% of total outlay has been utilized.

(Ministry of Textiles O.M. No. 2 (5)/2005-Parl. dated 25.7.2005)

Recommendation (Sl. No. 2 Para No. 2.9)

2.4 The Committee are also not happy with the trend of Non-Plan Expenditure of the Ministry. The Committee find that the Actual Non-Plan Expenditure is either more than the Budgetary allocation or less than it. The main reason for lesser level of Actual Expenditure during 2004-2005 has been stated as introduction of the ceiling of 33% expenditure during the final quarter of a year. This clearly shows the non-uniform spread of expenditure and the last-hour rush of expenditure resorted to by the Ministry so far. The Committee urge the Ministry to make proper and exact forecast of Budget estimates for Non-Plan expenditure so as to avoid surrender of huge unutilized amounts which also leads to unnecessary locking of precious financial resources.

REPLY OF GOVERNMENT

- 2.5 The observation contained in the sixth report of the Standing Committee on Labour (Fourteenth Lok Sabha) on Demand for Grants 2005-2006 of the Ministry of Textiles has been noted for strict compliance.
- 2.6 Further the Non-Plan Budget of the Ministry has been split into quarterly targets which is reviewed by the Secretary (Textiles) regularly. The pace of expenditure will be further reviewed by the Ministry of Finance at the time of finalisation of Revised Estimates 2005-2006. The above exercise will avoid surrender of huge unutilised amount in future

(Ministry of Textiles O.M. No. 2 (5)/ 2005-Parl. dated 25.7.2005)

Indian Jute Industries Research Association (IJIRA), Kolkata

Recommendation (Sl. No. 12 Para.2.60)

2.7 The Committee are dismayed to note that the Ministry has no control over the Research Associations which are mainly funded by the Government. The Government is neither participating in the management of these Research Associations nor it has any regular interaction with them. The Committee take a serious view of this communication gap between the Government and the Research Associations funded by it as this may lead to misuse of funds by Research Associations and the very goal of funding may be defeated. Further, the reply of the Ministry in regard to alleged mismanagement in IJIRA is not at all satisfying to the Committee, who feel this is poor monitoring over the issue. The Committee, therefore, strongly recommend that the alleged irregularities committed by the officials of IJIRA should be thoroughly investigated and the report in this regard furnished to the Committee within 3 months. Also, there should be a suitable mechanism to watch the activities of the Research Associations to ensure proper utilisation of funds for research purposes.

REPLY OF THE GOVERNMENT

It is a fact that IJIRA is mainly funded by Ministry of Textiles, Government of India but it is not correct to say that the Government has no control over the IJIRA. In fact the total number of members of IJIRA's Council of Management is 24 and out of these, 12 are Government nominees and other 12 are representatives of the jute industry. There is a strict financial control over releases made to the IJIRA. Before a financial release, it is ensured that the utilization certificates for previous releases are obtained from IJIRA. Moreover, 90% of the funds given to IJIRA are utilized under the salary component, and only 10% funds are deployed for other activities. In addition, there are various audits such as C&AG, Statutory and Internal audits which are conducted every year with respect to accounts of IJIRA. Therefore, the possibility of any misuse of funds

by IJIRA becomes bleak . No misuse of funds by IJIRA has been reported so far, and each year the audit of IJIRA is ensured. Irregularities, if any, committed by officials of IJIRA would be thoroughly investigated. Already Jute Commissioner and Joint Secretary (Jute) Ministry of Textiles have tried to redress the grievances of the staff, and a series of meetings have been held. Most of these cases, involving employees' grievances, are pending before different Courts. However, the advice of the Standing Committee to watch the activities of IJIRA and to ensure proper utilization of funds for research purposes has been taken note of. Now, such matters will be monitored more closely and on priority basis.

CHAPTER-III

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

Technology Upgradation Fund Scheme (TUFS)

Recommendation (Sl. No.3, Para 2.19)

3.1 The Committee have noted that beneficiary units under TUFS have achieved an annual turnover of 33%, operating profit of 15% unit value realization for domestic sales. The Committee are of the view that this flagship scheme of the Ministry should be extended beyond the year 2007 so as to achieve the desired results. However, the Committee are constrained to note that more than 200 amendments have been carried out in the Scheme, since it was launched in 1997, as the need based modifications of the Scheme. The Committee are of the view that proper awareness programmes should coincide with such a large number of amendments to clear the doubts of the entrepreneurs and to evoke enthusiastic response from them. The Committee have also noted with constraint that only 10.5% of the Small Scale Industries Sector has availed TUFS. The Committee recommend that the Ministry should find out the reasons for poor response of the SSI Sector and take suitable steps to make the Scheme attractive to them.

REPLY OF GOVERNMENT

- 3.2 The recommendation of the Committee is for awareness programmes for entrepreneurs and to take suitable steps to make the scheme attractive for the SSI sector.
- 3.3 As regards awareness programmes for entrepreneurs, it may be mentioned that the amendment carried out in the TUFS are duly placed on the web-site of the Ministry of Textiles as well as the Textile Commissioner. These web-sites are widely accessed by the textile sector of the country spread far and wide. Prominent advertisements in national dailies and Textiles journals / magazines are also published to create awareness specially about the changes in the scheme.
- 3.4 In addition to this, Government sends circulars to prominent textile associations. It also organizes awareness campaigns, interactive sessions, workshops, etc. through its regional offices for the entrepreneurs in the various textile clusters. As many as 364 such programmes have been organized during 2004-05. During the current year also these are being organized on regular basis to spread awareness among the various beneficiaries associated with textile.
- 3.5 The poor response of the SSI sector is mainly attributed to their not being able to access TUFS loans due to absence of books of accounts. In the decentralised powerloom sector, a large number of powerloom units work on job basis. They neither have need nor capacity to maintain books of accounts. They are consequently unable to meet the requirement of bankers for loans, who are in any case wary of advancing credit to decentralised units. The poor performance of SSI units in the textile sector is not different from the poor performance of SSI units in other non textile sectors. Government has constantly endeavoured to fashion its policies to make them as industry friendly as possible.

- 3.6 A few important measures taken by the Government to improve the health of the SSI Textile Sector are as under:-
 - For the decentralized powerloom sector, Government has enhanced w.e.f. 13.01.05, the capital ceiling for machinery from Rs. 60.00 lakh to Rs.100.00 lakh under 20% capital subsidy scheme-TUFS.
 - For small-scale textile and jute industrial units, Government has enhanced the rate of Credit Linked Capital Subsidy (CLCS) from 12% to 15% w.e.f. 13.01.05.
 - ➤ In order to facilitate modernisation of the Powerloom Sector, Schemes such as High-tech Weaving Parks, Modernisation and Strengthening of Powerloom Service Centres, Group Workshed have been introduced.

(Ministry of Textiles O.M. No. 2 (5)/ 2005-Parl. dated 25.7.2005)

Recommendation (Sl. No.4 Para 2.20)

3.7 The Committee are of the view that indigenous engineering industry should be encouraged to have a strong shuttleless weaving machine manufacturing base in India so as to cater to the needs of the entrepreneurs. The Committee, therefore, recommend that suggestions of the Working Group of Textile Machinery Industry should be examined and expeditious steps taken for the growth of the indigenous engineering industry for the manufacture of textile machines. The feasibility of extending TUFS for manufacture of weaving machines should also be examined and necessary steps taken in that regard.

REPLY OF GOVERNMENT

3.8 The Textile Machinery Industry is under the purview of Ministry of Heavy Industry. Therefore, suggestions of the Working Group of Textile Machinery Industry have to be implemented by that Ministry. As regards feasibility of extending TUFS for manufacture of weaving machines, it may be mentioned that this doesn't come under the scope of the TUFS which aims at textile sector and not at textile machinery sector. After all, TUFS is going to create demand for various textile machinery, including weaving machines. Naturally, the beneficiary of TUFS is also the indigenous Textile Machinery Industry. Inclusion of this industry under the fold of TUFS will amount to double subsidy to Textile Machinery Industry for which Government sees no justification.

National Centre for Jute Diversification (NCJD)

Recommendation (Sl. No. 10 Para.2.54)

3.9 The Committee have noted that the present level of jute diversification in the country is 8%. The Committee have been informed that 25% of jute diversification would boost employment in the jute sector and the farmers would get better price for their produce. The Committee, therefore urge the Ministry to chalk out time. For this, the Jute Packaging Material (Compulsory use in Packing Commodities) Act, 1987 should be followed in letter and spirit to attract more investment in the jute sector and to provide the necessary protection to the jute industry bound programmes to achieve the goal of 25% jute diversification and above.

REPLY OF GOVERNMENT

3.10 In order to achieve the desired level of jute diversification NCJD proposes to continue with the on-going schemes with more vigour and thrust. Efforts will be made to make jute diversified products acceptable globally with widened entrepreneurial base, particularly in rural areas, with the involvement of NGOs and oriented towards changing market and costumer needs, globally. In order to maintain systematic and sustained efforts for creating awareness among consumers, exposure of products to new markets and tapping potential demand both within the country and abroad, NCJD proposes to showcase the products of its beneficiaries, especially of NGOs and small entrepreneurs, to the world to cater to the latent demand in distant areas. In order to provide the desired marketing thrust to create consumer awareness and products awareness for old products in new markets and new products in old markets and, in order to penetrate the overseas market, the following activities will be carried out with renewed vigor – National-level fairs, State-level fairs, International fairs in India, International fairs abroad, Buyers-sellers meets, Village fairs, Consumer Awareness Campaigns, Product Promotion Campaigns, etc.

Recommendation (Sl. No. 13 Para 2.65)

3.11 The Committee have noted that the objectives of CCIC is to be a dealer, exporter, manufacturer and an agent of quality Indian handicraft and handlooms. CCIC procures handicraft items from the craftsmen/suppliers. The Committee are of the view that direct procurement of the handicraft items from craftsmen/ State awardees would eliminate middlemen and pave way for the survival of particular handicraft by benefiting the craftsmen directly. Moreover, the suppliers operate mainly on profit basis. Hence, the Committee recommend that immediate steps should be taken to give preference to artisans, craftsmen, weavers including National and State awardees over the suppliers/ traders of handicrafts which will enable the Indian tradition and culture to survive.

REPLY OF THE GOVERNMENT

3.12 At present CCIC has 5,919 craftsmen/ weavers/ artisans/ suppliers in its panel. Of these, 104 suppliers are National/ State Awardees. Category wise break up of purchases made by CCIC, New Delhi during 2004-2005 is as under:

Sl.	Category	Purchases (% age)
A	Craftsmen/ Weavers	79.65
В	Co-operatives Societies	4.28
C	Manufacturers	6.80
D	Dealers/ Traders	9.27
Total		100.00

- 3.13 In pursuance of objectives of CCIC, it continuously strives to enlist new artisans/ craftsmen producing high quality handicrafts and handlooms, and teams of its officials travel to various craft clusters, and organise exhibitions throughout the country for this purpose.
- 3.14 In order to introduce and enroll more artisans, CCIC has initiated the following steps for giving preference to artisans, craftsmen, and weavers, including National and State Awardees, vis-à-vis suppliers/ traders of handicrafts and handlooms:
 - (i) A nationwide advertisement was released on 13th May/14th May, 2005 inviting craftsmen/ artisans of handicrafts and weavers of handlooms to enroll with CCIC. While selecting artisans/ weavers, preference will be given to National/ State awardees and women artisans, prohibiting dealers/middlemen/ traders;
 - (ii) A copy of the advertisement has been sent to the Marketing & Service Centres and Weavers Service Centres of the Office of Development Commissioner (Handicrafts) and Office of Development Commissioner (Handlooms), respectively.
 - (iii) With a view to encourage National/ State awardees to empanel with CCIC, letters are also being written to them inviting to supply their crafts/ products to CCIC.

CHAPTER-IV

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

Textile Processing Sector

Recommendation (Sl. No.5 Para 2.29)

4.1 The Committee have noted that 83% of the Textile Processing Units are in Hand Processing Sector and are concerned to note that the production process is most unscientific and unsystematic in these units. The personnel working in such units do not have any scientific knowledge of dyes, chemicals, machines and processes. The Committee also note that the advanced technology of independent processing units mainly cater to the higher segment of the market. Even though the high tech textile processing machines are necessary for the development of the industry, the Committee are of the view that measures being taken by the Ministry such as 10% capital subsidy Scheme, etc. may not meet the needs of the Hand Processing Sector as they would still not be in a position to acquire hi-tech processing machines. The Committee, therefore, recommend that a suitable training scheme should be launched for imparting comprehensive training in the fields of scientific knowledge of dyes, chemicals, machines and processes to the personnel of hand processing units.

REPLY OF GOVERNMENT

4.2 The Committee have recommended that a suitable training scheme should be launched for imparting comprehensive training in the fields of scientific knowledge of dyes, chemicals, machines and processes to the personnel of hand processing units. In this regard it may mentioned that though the scientific knowledge of dyes, chemicals, is very important for them, it is also to be kept in mind that the hand processing sector is extremely dispersed and decentralised which makes it very difficult to impart such knowledge to this sector. There is also lack of initiative and desire on the part of the hand processors to keep themselves updated in the field of dyes chemicals, machines and processes etc, which also makes it very difficult for the Government to arrange for their proper training. Government already has a wide network of Weaver Service Centres (24) Powerloom Service Centres (44), Textile Research Associations (8) and many similar centres through which such knowledge may be acquired by the hand processors.

National Textile Corporation Ltd. (NTC)

Recommendation (Sl. No 6 Para.2.37)

4.3 The Committee are dismayed to note that the net worth of 8 of the 9 subsidiaries of NTC had completely eroded necessitating reference to BIFR in 1994 but a rehabilitation scheme for NTC was implemented only after a lapse of 8 years, i.e. in 2002. As per the rehabilitation scheme, out of 119 mills, 66 mills were to be closed and the remaining 53 viable mills were to be revived. Even in 2005, the Ministry is in a dilemma whether to run or close the viable 53 mills and in the process NTC has accumulated a staggering loss of Rs.9,829 crore. The Committee have noted with grave concern that there is a fresh move in the Ministry to close down about 20 viable mills by offering VRS to workers. The Committee are disheartened to note that the very goal of incorporation of NTC in 1968 to manage the affairs of sick textile undertakings in the private sector has been defeated due to Government's inefficiency to run and modernise these units.. Further, the Committee do not approve at all the policy of the Government regarding offering VRS to the workers. They, therefore, recommend that vigorous efforts should be made by the Ministry for revival of all the 53 viable mills without further loss of time. The steps taken and progress achieved in this regard should be communicated to the Committee within six months.

REPLY OF GOVERNMENT

- 4.4 The 119 mills of NTC were taken over by the Government as potentially sick companies under the various Nationalisation Acts. The mills suffered from huge surplus workforce, obsolete machinery and lack of working capital, necessitating their reference to BIFR in 1994. The Government initially prepared various Turn Around Strategies for revival of the Corporation though infusion of funds. A revised Turn Around Strategy prepared by the Ministry of Textiles in 1999 based on unit-wise viability of NTC mills suggested for an investment of Rs.2,684.66 crore to turn around the National Textile Corporation. The then Group of Ministers considered the plan and did not agree to the same, as funds of such magnitude could not be found within the budgetary resources.
- 4.5 The Cabinet in its meeting held on 4 September 2000 accordingly decided to adopt a unit by unit assessment to determine whether a mill should be revived or closed. Accordingly, a Techno Economic Viability Study was conducted by Textile Research Associations to determine the viability or otherwise of all the NTC mills. The study recommended that out of a total of 119 mills, 66 mills, which were chronically sick, may be closed and the remaining 53 mills, projected as viable should be revived. Based on this study report, rehabilitation schemes for the 8 subsidiary corporations of NTC were prepared by IDBI and IFCI. The BIFR approved these rehabilitation schemes in the year 2002.

- 4.6 The modernization process of 53 viable mills could not, however, take off due to slow progress in the sale of surplus assets of the closed mills. A further analysis of the performance of the 53 mills proposed for revival indicated that even with an increased capacity utilization, none of these mills were generating operational profits and continued to depend on Government support for wages. It was indicated that further investment to the tune of Rs.1,465 crore would be required for modernization and provision of working capital for these mills. Since the sale process has been held up for more than two years in various parts of the country due to non-receipt of required permission from the State Governments like Maharashtra, UP, MP and Gujarat, the modernization process has been delayed.
- 4.7 Out of the 119 mills, two mills, including one out of the 66 unviable mills and one out of the 53 viable mills, located at Pondicherry, have been handed over to the State Govt. of Pondicherry w.e.f. 1 April 2005.
- 4.8 However, with the success achieved in the sale of surplus land of NTC in Mumbai, NTC has resources to modernize 22 mills. Government directed in the meeting of Group of Ministers held on 12.05.2005 that these mills should be modernized immediately and accordingly the process for procuring machinery has started.
- 4.9 For moderanisation of other mills, NTC does not have resources presently. Since depending on sale of proceeds for attempting further modernisation is likely to delay the modernization process, Government decided to explore alternatives like inviting private partners who could invest in modernization of these mills. NTC would, therefore, be inviting expression of interest from reputed textiles industries who could participate in the process of modernization of these mills under joint ventures. If this attempt succeeds, other mills could also be modernized quickly.

(Ministry of Textiles O.M. No. 2(5)/2005-Parl. dated 25.7.2005)

Closure of Jute Mills

Recommendation (Sl. No. 8 Para.2.46)

4.10 The Committee are constrained to note that out of 78 jute mills, 37 are sick mills and have been referred to BIFR. The Committee urge the Ministry to take up the development scheme for the jute sector at the right earnest particularly to ensure that the existing jute mills become functional and profit making. The Committee are also unable to understand the rationale behind the non-eligibility of viable sick jute mills to avail of the Technology Upgradation Fund Scheme and are of the view that the Scheme should be extended to them as the sickness of jute mills mainly arises from obsolete technology. Considering the potential of jute products both in the domestic and international markets, the Committee strongly recommend that feasibility of providing assistance to viable sick jute mills under TUFS should be examined and appropriate steps in this regard should be taken immediately.

REPLY OF GOVERNMENT

- 4.11 The Technology Upgradation Fund Scheme (TUFS) provides reimbursement of interest to the extent of 5% to the entrepreneurs. TUFS is an umbrella scheme of the Textile Ministry, covering both the organized and unorganized sectors. It is not confined only to the Jute Sector, but extends to the entire Textile Industry. For availing the benefits under this scheme, the entrepreneur or company concerned is to submit a viable project report to the Nodal Financial Institution, i.e. IFCI (Industrial Finance Corporation of India). To prove the bankability of the project, the Company/entrepreneur need to provide sufficient information regarding the quantum of owned funds, surety, and many other formalities. The financial institutions still perceive the jute industry as a sunset industry despite the tremendous progress made by the industry in achieving ever increasing levels of product diversification and exploring new markets for traditional items. All this has hampered the progress of TUFS in the jute sector.
- 4.12 However, recognising the peculiar nature of the jute industry, Ministry of Textiles has introduced an alternative Scheme of Capital Subsidy for Modernisation of the Jute Industry. This scheme is called the JMDC Incentive Scheme for Modernisation of the Jute Industry. Hence, slow progress of TUFS in Jute sector does not stand on the way of modernisation of the jute industry. It is up to the jute entrepreneurs or the company concerned to choose between the two Schemes: TUFS or the JMDC Incentive Scheme for Modernisation of the Jute Industry. The latter Scheme, which was launched on 8th July 2002 has been successful in attracting the 77 entrepreneurs with an investment of Rs.83.61 crore within a short span of three years.
- The basic objective of the aforesaid JMDC Incentive Scheme for Modernisation of the Jute Industry is to speed up modernization and upgradation of technology in jute mills. The scheme is operated by Jute Manufactures Development Council, Kolkata. All jute mills who pay statutory cess on manufacture of jute goods and submit to JMDC returns on payment of cess are eligible to receive subsidy under the scheme provided that the modernization and upgradation is carried out subsequent to the date of notification of the scheme. All eligible jute mills under the scheme are entitled to get subsidy for procurement of the eligible items of machinery/equipment/ancillary items for modernization and up gradation on making an application to JMDC in a format prescribed for the purpose. The subsidy is restricted to 15% of the cost of machinery/equipment procured by the jute mills. With effect from 19.09.2003, new jute mills established in new locations pertaining to jute growing areas having inadequate jute processing facilities have been made eligible to get subsidy @20% after payment of cess for at least 3 months. The eligible machinery may be purchased from approved vendors from out of the loan of any financial institution/bank/leasing company or from the available resources of the jute mill. The Scheme has been extended for a period beyond July 2005 for three years or until the launch of Jute Technology Mission (JTM).

Recommendation (Sl. No. 9 Para.2.47)

4.14 The Committee have also noted that the Ministry proposes to revive only 2 of the 6 sick mills of NJMC which is a Public Sector Undertaking and all the employees of the NJMC including that of the head office would be offered VRS. The Committee are, however, skeptical of revival of the sick units in the absence of the employees of the organization. They, therefore, recommend that efforts should be made by the Ministry to revive all the six mills of NJMC within a definite time frame with the help of existing employees who know the strengths as well as the weaknesses of the organization. The Committee further urge the Ministry that necessary steps should be taken to enable the revived units function without the handicaps such as obsolete plant and machinery, uneconomic products-mix, lack of working capital, etc.

REPLY OF GOVERNMENT

4.15 The Union Cabinet <u>vide</u> its decision on 24/3/05 has directed the Ministry of Textiles to refer the revival of the two units to the newly constituted Board of Reconstruction of the PSE. It has further approved to offer VRS to the employees of these units as well as the other 4 units and to provide budgetary support for clearing the outstanding dues of this corporation. Options like running the two mills by the Corporation itself or in lease agreement with private entrepreneurs will be considered and recommended by BRPSE.

CHAPTER-V

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

Recommendation (Sl. No. 7 Para.2.38)

5.1 The Committee further note with concern that the process of sale of lands of the closed mills in Mumbai, Ahmedabad and other cities continued to be delayed due to lack of constant and persuasive efforts by the Ministry and as a result the modernization of viable mills has been put on hold as the process is linked with the realization of funds through sale of these lands. The Committee, therefore, urge the Ministry to take urgent steps to take up the issue at the highest level with the State Governments concerned particularly with the Government of Maharashtra and Gujarat. The Committee also recommend that a special cell comprising senior officers of the Ministry should be set up to pursue the issue constantly with the State Governments and to seek expeditious legal relief so as to realize the sale of lands of closed mills. The Committee should also be periodically apprised of the progress made in this regard.

REPLY OF GOVERNMENT

- 5.2 There has been a prolonged delay in the process of sale of high value surplus lands of NTC mills in Mumbai due to denial of permission by the State Government of Maharashtra. The Government of Maharashtra had amended the Development Control Regulation, 1958 of Mumbai on 20 March 2001, which prescribed revised norms for sale of surplus land of textile mills undergoing rehabilitation as a part of scheme approved by BIFR. Government of India submitted an Integrated Plan for its lands in Mumbai on 3 May 2003. The Municipal Commissioner, BMC appointed a Sub Committee to consider the plan, which after prolonged inspections and deliberations decided to ask NTC to surrender additional lands of BMC. Since the recommendations of the Sub-Committees were against the interest of NTC, Ministry of Textiles held discussions at the highest level to break the deadlock. After prolonged negotiations, Government of Maharashtra has given permission for sale of surplus land of 5 mills in the State. Even as NTC was proceeding with the sale process of these 5 lands, an environmental action group, viz. BEAG of Mumbai had filed a Writ Petition in the High Court of Bombay against the sale of mills' lands. The High Court had granted an interim stay on the sale, in April 2005. This order was contested by NTC in the Supreme Court, whereupon the Hon'ble Court in a hearing held on 11.05.2005 vacated the stay orders and permitted NTC to go ahead with the sale of the land. Consequently, NTC has since sold 3 out of the 5 lands, fetching Rs. 1,158 crore. The tenders for sale of 2 more pieces of land will be opened on 21.07.2005.
- 5.3 In Ahmedabad, Govt. of Gujarat permitted sale of the NTC lands on surrender of 20% of the land for public use. The Notification in this regard is under issue.

Recommendation (Sl. No. 11 Para.2.55)

5.4 The Committee are constrained to note that the response of the entrepreneurs to the Jute Entrepreneurs Assistance Scheme, which is implemented by the National Centre for Jute Diversification, is not encouraging. Further, no review of the performance of the scheme has been conducted since its launch in the year 2002. The Committee, therefore, recommend that more awareness programmes including technical demonstrations should be carried out by the NCJD to evoke desired response from the entrepreneurs. The Committee are also of the opinion that there should be an in-built mechanism within the Ministry for proper monitoring and review of the scheme at regular interval. Steps taken and progress achieved in this regard should be communicated to the Committee within three months.

REPLY OF GOVERNMENT

5.5 NCJD proposes to carry out more awareness programmes during the coming years alongwith more technical demonstrations in order to boost the response to the scheme. A proposal for enhancing the rate of subsidy under this scheme is under consideration of the Government. A study on the effectiveness of the NCJD schemes is being conducted by the National Productivity Council (NPC).

(Ministry of Textiles O.M. No. 2(5)/2005-Parl. dated 25.7.2005)

NEW DELHI;

SURAVARAM SUDHAKAR REDDY CHAIRMAN, STANDING COMMITTEE ON LABOUR

<u>December, 2005</u> Agrahayana, 1927 (Saka)

APPENDIX-I

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON LABOUR HELD ON 5 DECEMBER 2005.

The Committee met from 1500 hrs. to 1630 hrs. in Committee Room 'C' Parliament House Annexe, New Delhi.

PRESENT Shri Thawar Chand Gehlot - Acting Chairman

MEMBERS LOK SABHA

- 2. Shri Furkan Ansari
- 3. Shri Santasri Chatterjee
- 4. Dr. Satyanarayan Jatiya
- 5. Shri Virendra Kumar
- 6. Smt. Sushila Kerketta
- 7. Shri Rajesh Kumar Manjhi
- 8. Smt. C.S. Sujatha

RAJYA SABHA

- 9. Shri Gandhi Azad
- 10. Shri Lekhraj Bachani
- 11. Shri K. Chandran Pillai

SECRETARIAT

Shri N.K. Sapra
 Shri R.S. Misra
 Shri N.K. Pandey
 Shri S.K. Saxena
 Joint Secretary
 Deputy Secretary
 Under Secretary
 Assistant Director

2. In the absence of the Chairman, the Members of the Committee chose Shri Thawar Chand Gehlot, MP to preside over the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.
3. At the outset, the Hon'ble Acting Chairman welcomed the Members and apprised them about the two Draft Reports on action taken replies received from the Ministry of

Labour and Employment and the Ministry of Textiles on the Demands for Grants for the

4. XX XX XX XX

year 2005-2006.

- 5. The Committee then considered the draft Eighth Report on action taken by the Government on the recommendations/observations contained in the Sixth Report on Demands for Grants-2005-2006 pertaining to Ministry of Textiles and adopted the same with the following modifications:
 - (i) Page 8, Para No.1.6, line 20 <u>after</u> the word "earliest" <u>add</u> "The Committee further recommend that the feasibility of providing incentives to hand processors for undergoing training should be examined and steps should be taken accordingly";
 - (ii) Page 11, Para No. 1.9, line 19 for the words "The Committee, therefore, reiterate their earlier recommendation and urge the Ministry to chalk out and implement a time-bound plan for the modernization of all the 53 viable mills of NTC" substitute "The Committee, therefore, reiterate their earlier recommendation and urge the Ministry to make vigorous efforts and chalk out a time bound action plan for the modernization of all the 53 viable mills of NTC without the support of Private Sector.
- 6. The Committee authorized the Chairman to finalise the Reports and present the same to Parliament on their behalf.

7. XX XX XX XX

The Committee then adjourned.

APPENDIX-II

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

		Total	Percentage
I.	Total number of Recommendations	13	
II.	Recommendations/Observations which have been accepted by Government (Sl. Nos. 1,2 and 12)		23.07%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies (Sl. Nos. 3,4,10 and 13)		30.77%
IV.	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee and which requires reiteration (Sl. Nos. 5,6,8 and 9)		30.77%
V.	Recommendations/Observations in respect of which final replies of Government are of interim in nature		15.39%
	(Sl. Nos. 7 and 11)		100%