

ESTIMATES COMMITTEE

FIRST REPORT

(1999-2000)

(THIRTEENTH LOK SABHA)

MINISTRY OF TEXTILES

*Action taken by Government on the Recommendations contained in the
Fourth Report of Estimates Committee (Twelfth Lok Sabha) on the Ministry
of Textile4-Sickness/Closure of Textile Industry.*



Presented to Lok Sabha on 20.04.2000

LOK SABHA SECRETARIAT

NEW DELHI

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COMPOSITION OF THE ESTIMATES COMMITTEE

(1999-2000)

Prof. Urmareddy Venkateswarlu—*Chairman*

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2. Shri John Joseph — *Joint Secretary*

3. Shri K.L. Narang — *Director*

4. Shri Cyril John — *Under Secretary*

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this First Report on action taken by Government on the recommendations contained in the Fourth Report of Estimates Committee (Twelfth Lok Sabha) on the Ministry of Textiles—Sickriess/Closure of Textile Industry.

2. The Fourth Report (Twelfth Lok Sabha) ,was presented to Lok Sabha on 21st December, 1998. The Government furnished their replies indicating action taken on the recommendations contained in that Report on 29th December, 1999. The Draft Report was considered and adopted by the Estimates Committee (1999-2000) at their sitting held on 22nd March, 2000.

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 replies,.
- IV. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee; and
- V. Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in the Fourth Report of Estimates Committee (12th Lok Sabha) is given in Appendix II. It would be observed therefrom that out of 57 observations/recommendations made in the Report, 48 recommendations *i.e.* 84.2% have been accepted by Government and the Conimittee do not desire to pursue 5 recommendations *i.e.* 8.8%, in view of Government's

replies. Reply of Government in respect of I recommendation i.e. L7% has not been accepted by the Committee. Final replies of Government in respect of 3 recommendations i.e. 5.3% are still awaited.

NEW DEUC;
April, 17,2000

UMMAREDDY VENKATESWARLU,
Chairman,
Committee on Estimates.

CHAPTER I REPORT

I.I This Report of the Committee deals with the action taken by Government on the recommendations contained in their Fourth Report (Twelfth Lok Sabha) on the Ministry of Textiles — Sickness/Closure of Textile Industry.

1.2 The Committee's Fourth Report (Twelfth Lok Sabha) was presented to Lok Sabha on 21st December, 1998.' It contained 57 observations/recommendations. Action Taken Notes on all these observations/recommendations have been received from the Ministry of Textiles.

1.3 Replies to the observations and recommendations contained in the Report have broadly been categorised as under:—

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

SI. Nos. 1, 2, 3, 4, 5, 7, 8, 9, 10, II, 12, 14, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 37, 38, 39, 40, 41 (i) 41 (ii), 44, 45, 46, 47, 48, 49, 50, 51, 52 and 53

(Total 48, Chapter-11)

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

SI. Nos. 6, 33, 41 (iii), 43 and 54

(Total 5, Chapter-111)

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

SI. No. 42

(Total I, Chapter-IV)

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited:

SI. Nos. 13, 21 and 41 (iv)

(Total 3, Chapter-V)

1.4 The Committee now deal with the action taken by Government on some of the recommendations.

Preventing/Tackling sickness in textile industry

Observations/Recommendations (SI. Elos. 4, 5, and 38 Para Nos. 1.39, 1.40 and 2.91)

1.5 Keeping in view the present status of sickness in the textile industry, main factor behind sickness and the urgent need to arrest the sickness, the Committee observed as under:—

"The Committee are of the view that obsolete technology is the main factor behind the sickness of the textile industry. Modernisation by replacement of outdated machinery at the earliest is the need of the hour. The processing and weaving sectors, in particular, are in urgent need of technological upgradation. It would not only help in reduction of cost of production but also in improving the quality of the end product. In the opinion of the Committee these mills have not fallen sick overnight, they needed modernisation which was long overdue. The Committee feel that there is an urgent need to arrest sickness in the industry and steps should be taken in the right direction. They are of the view that the textile sector should be assigned an important place and all-round efforts should be made to free it from constraints' problems which are binding its development.

The Textile industry plays a pivotal role in the economy of the country. Being the largest industry in the country, it accounts for about one fifth of the total industrial production, contributes to nearly one-third of total exports and provides employment to millions of people all over the length and breadth of the country. It has a potential to be a global textiles giant but unfortunately its share is declining compared to increasing share of neighbouring countries in the world textile trade. The Committee are deeply concerned at the present status of sickness in the organised textile industry. The Committee desire that Government should initiate concrete measures necessary to tackle the problem of sickness in the textile industry, to improve the techno-economic viability of the industry, to prevent unknesh ·ai~ to make it competitive M the international market."

1.6 The Ministry in their recent reply have stated *inter alia* as

follows:—

"It is true that lack of technological upgradation is one of the weaknesses of the textile sector. It is with this in view that a Technology Upgradation Fund Scheme (TUFS) for technological upgradation of the textiles and jute industries has been launched by the Government w.e.f. 1.4.99. *With launching of TUF the viable mills in the textile sector have availability of Rs. 25,000 crore for modernisation. Under the Scheme, eligible units from identified textile and jute sectors would be able to apply for loans at applicable rate of interest from designated nodal agencies (IDBI, SIDBI & IFCI). Difference in the amount of interests to the extent of 5 percentage points would be reimbursed to the lending nodal agencies concerned

*. In reply to Ob—mtiarJRceommendscioii S). No. 37 (Pm No. 2.90).

by the Ministry of Textiles.

Thus Institutional credit at lower rate will now be available to modernise the industry as desired by the Committee and it is felt that with this facility, the owners of the mills will go for the modernisation of their mills.

(i) Government of India has launched Cotton Technology Mission (CTM) for improvement of production, productivity and quality of cotton in the country by bringing the entire gamut of Research and Development, field extension, marketing and processing of cotton under one umbrella in the mission mode. This Mission will function through 4 mini-missions dealing with R&D, extension, marketing and processing of cotton respectively. The first two mini-missions, which deal with R&D for development of better varieties of cotton and improved farm-level extension service through an efficient delivery system, respectively, will be handled

by the Ministry of Agriculture. The last two mini-missions to be handled by the Ministry of Textiles will deal with marketing, infrastructure development and cotton marketing and cotton processing respectively. It is expected that the Mission will ensure supply of quality seeds, integrated pest and input management, better marketing facility for the growers and contamination-free processing of cotton.

- (ii) Another industry segment which needs special consideration from the Government particularly in the context of improvement of its quality is the decentralised powerloom sector. The Government has already set up 44 Powerloom Service Centres with the objectives of imparting practical training and skills to powerloom weavers in the various aspects of loom working and maintenance, to disseminate knowledge and techniques to the powerloom weavers and to guide the powerloom units about modernisation and marketing of their products. The infrastructure of 21 of these centres will be upgraded at the cost of Rs. 16 crore during the 9th plan period. The decentralised sector is also in dire need of quality testing facilities. Therefore, these Centres also provide testing facilities to the powerloom sector. Government has already upgraded 15 PSC laboratories and the rest will be upgraded in the next 2/3 years.
- (iii) Considering the 'felt need' of the industry for better designs to compete for higher value added product in the World market, the Government has drawn up an action plan for setting up Computer Aided Design (CAD) centres to provide design development and support to the decentralised sector. So far 7 such CAD centres have already been set up in the major powerloom clusters and are providing necessary services to the industry. More such clusters will be provided on the felt need basis on priority.

- (iv) To cater to the design requirements of the apparel industry and exporters. Ministry of Textiles has set up the National Institute of Fashion Technology (NIFT) at 7 major apparel manufacturing and exporting centres to train fashion designers and fashion technologists. Its graduates are well received in the industry. NIFT is also trying to set up, with the help of Export Promotion Councils (EPCs) and exporters, a design intelligence unit to collect and interpret fashion trend forecasts and develop and disseminate colour and design trends in export markets in order to enable the exporters to respond to changing market tastes and trends timely and effectively. The Apparel Export Promotion Council with the help of the Government has set up 8 Apparel Training & Design Centres (ATDCs), basically to train shop floor garment makers. The ATDCs will be able to fill a vital resource gap in the fast expanding apparel manufacturing chain. The Government has also set up a National Centre for Upgradation of Textile Education (NCUTE) in the IIT, Delhi to study the present HRD scenario in the textile industry and inadequacies therein, identify the felt needs sector-wise, devise and design sector-specific courses, and train the resource persons to facilitate further downstream training of the operational manpower.
- (v) In order to increase the awareness of Information Technology to improve the productivity and efficiency of the textile industry, Ministry of Textiles has constituted a Task Force on Information Technology to conceptualise a project for application of information technology in textile industry. The basic objective of the application of information technology in textiles is to secure improvement in quality and productivity in an efficient manner, reduce time lag in response to orient production to latest trends in domestic and international markets, develop designs and colour graphics with aid of computers and facilitate sales promotion of textiles through

display on Internet and other information media. The task force has already submitted its report to the Government.

Cvi) The Government has set up an Expert Committee under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles) to have a fresh look at the existing Textile Policy. One of the terms of references of the said Committee is to review the measures taken so far for tackling sickness in the textile industry so as to identify steps which would be necessary to prevent and tackle sickness in the industry, including the need for structural adjustment through redeployment of labour and capital."

1.7 The Committee note that Government have taken various measures.

In view of the fact that lack of technological upgradation is one of the weaknesses of the textile sector, the Government have launched a Technology Upgradation Fund Scheme (TUFS) *w.e.f.* 1.4.1999 *for* technological upgradation of the textiles and Jute industries. A Cotton Technology Mission (CTM) has been launched for improvement of production, productivity and quality of cotton in the country by bringing the entire gamut of Research and Development, field extension, marketing and processing of cotton under one umbrella in the mission mode. For improving the decentralised powerloom sector, the Government have already set up 44 Powerloom Service Centres (PSCs) *inter alia* to guide powerloom units for modernisation for improvement of its quality and marketing of their products. These centres also provide testing facilities *for* the powerloom sector as this sector is also in dire need of quality testing facilities.

The Committee further note that an action plan has been drawn up for setting up Computer Aided Design (CAD) centres to provide design development and support to the decentralised sector. So far 7 such CAD centres have been set up in the major powerloom clusters and more such clusters will be provided on need basis on priority. Moreover, to cater to the design requirements of the apparel industry and exporters. Ministry of

Textiles have set up the National Institutes of Fashion Technology (NIFT) at 7 major apparel manufacturing and exporting centres to train fashion designers and fashion technologists. The Apparel Export Promotion Council with the help of the Government has set up 8 Apparel Training and Design Centres (ATDCs), basically to train shop floor garment makers, which will fill a vital resource gap in the fast expanding apparel manufacturing chain. The Committee note that the Government have also set-up a National Centre for Upgradation of Textile Education (NCUTE) in the UT, Delhi to study the present HRD scenario in the textile industry and inadequacies therein. Lastly, In order to increase the awareness of Information technology to improve the productivity and efficiency of the textile industry. Ministry of Textiles have constituted a Task Force on Information Technology to conceptualise a project for application of information technology in textile industry. The task force has already submitted its report to the Government.

The Committee also take note that the Government have initiated all-round ameliorative measures to improve the competitiveness of the textile industry in the international as well as domestic markets. While welcoming the launching of Technological Upgradation Fund Scheme (TUFS), the Committee trust that with the availability of institutional credit at lower rate for technological upgradation of textiles and Jute Industries, the mill owners would come forward to avail the facility for modernisation of their mills. The Committee also desire that an effective monitoring mechanism should be evolved to oversee that funds under the scheme are utilised only for modernisation purposes and that owners of viable textile units do avail of the benefits of institutional concessional credit for technological upgradation and modernisation of their mills. The Committee hope that launching of Cotton Technology Mission (CTM) would ensure supply of quality

integrated pest and input management, better marketing facility for the growers and contamination-free processing of cotton. They also hope that

setting up of PSCa, NIFTs and ATDCs would facilitate better training of powerloom weavers, fashion designers, fashion technologists and garment makers and fill a vital resource gap in the fast expanding apparel manufacturing chain.

The Committee are hopeful that implementation of these measures, in letter and spirit, would free the textile industry in the country from constraints/problems which are hindering its growth and development.

Closure of Textile Mills

Observation /Recommendation (SI. No. 12, Para No. 1.47)

1.8 Expressing concern over increasing incidence of closure of textile mills and the need to address issues arising therefrom on priority basis, the Committee recommended as under:—

"Looking at the trend of closing down of the mills one after the other, the Committee feel that the closure of textile mills, if goes unchecked, would adversely affect the health of the textile industry and create multifarious problems including socio-economic in future. The Committee, therefore, desire that serious attention needs to be given towards problems leading to the closure of textile mills in various parts of the country. Further, issues arising out of closure of textile mills viz. unemployment of workers, etc. need to be attended to on priority basis. Concerted steps should be taken to protect the interests of the labourers of these closed textile mills.

1.9 The Ministry in their action taken reply have stated as follows:—

"In order to provide an interim cushion pending rehabilitation of the retrenched workers of the closed textile mills and their gainful re* employment. Government of India has set up a Textile Workers Rehabilitation Fund Scheme (TWRFS). The TWRFS came into force with effect from 15.9.1986 in terms of the Textile Policy of June, 1985. The Scheme was introduced to provide interim relief to workers rendered unemployed as a consequence of the permanent closure of the textile unit. It is applicable to workers of mills closed on or after

the M. June, 1985. So **for 35** units have been identified as eligible under the scheme, covering 71628 workers out of whom payment has been made to 54631 workers covering 34 units. The actual amount to be paid to the remaining 16997 workers will be known after getting all the applications, completion of scrutiny and certification by the State Government authority concerned. As on 30.3.99, an amount of Rs. 111.59 crore was paid to 54631 workers employed in 34 mills.

1.10 The Committee regret to note that the reply of the Ministry of Textiles is silent about the steps taken by the Government for checking the trend of closing down of textile mills one after the other in various parts of

the country. Even during 1999-2000 (April-December) 29 cotton/man-made fibre textile mills (non-SSQ) have been closed as mentioned in reply to USQ No. 209, answered in Lok Sabha on the 25th February, 2000. The Committee, therefore, reiterates their earlier recommendation that serious attention should be paid to the problems leading to closing down of mills. The Committee would like to be apprised of the steps taken by the Government to implement the recommendation.

1.11 The Committee are also not satisfied with the reply of the Government on their recommendation that issues arising out of closing of textile mills, viz unemployment of workers, etc. needed to be attended to on priority basis and concerted steps be taken to protect the interests of the labourers of these closed textile mills. They note that although the Textile Workers Rehabilitation Fund Scheme (TWRFS) is effective from 15 September, 1986 in terms of the Textile Policy of June, 1985, it provides only interim relief, and that too to those workers who fulfil the conditions laid down under the Scheme. Out of 2,60,343 workers rendered jobless on account of closure of mills, the scheme could provide interim relief to only 54,631 workers covering 34 mills. Moreover, other than providing interim relief to the workers, there is no arrangement under the Scheme for ensuring the rehabilitation of the workers of closed mills. The Committee,

therefore, desire that specific steps should be taken to protect the interests of the labourers of closed textile mills, including the provision of their gainful re-employment.

Institutional Arrangement for monitoring sickness

Observations / Recommendations (SI. No. 15, 16, Para No*. L50, L51)

1.12 Stressing the need for suitable institutional arrangement in the Ministry of Textiles to keep a track of the health of textile industry in the country, the Committee recommended as under:—

"The Committee are unhappy to observe that there is practically no agency existing in the Ministry to keep a track of health of the textile industry in the country. There is no institutional arrangement to detect or check mischief on the part of the management where a textile mill is not actually sick but owners with their ulterior motives want to keep them sick. It is also strange that detection of sickness in textile units at an incipient stage is not known to the Ministry except on reporting by uninvolved agency to Government as per provisions of the SICA, 1985 which is actual practice in most of the mills despite statutory provisions. The Committee are given to understand that a major function of the Ministry of Textiles, to regulate, monitor and develop the entire textile sector in the country. But with the present pathetic state of health of the textile industry there are doubts whether the Ministry of Textiles is performing the assigned functions as the emerging challenges demand.

The Committee recommend that suitable institutional arrangements may be made in the Ministry for the following:—

- "(i) to have a detailed report on each and every textile mill in the country;
- (ii) to maintain data regarding closures, etc. of textile mills in the country and to have a mechanism for smooth flow of - information regarding closure of textile mills among the State

- Governments, Ministry of Textiles and Ministry of Labour;
- (iii) to maintain data regarding detection of sickness at the incipient stage in the textile industry and to initiate suitable preventive measures to minimise/arrest sickness which may lead to closure of textile mills;
 - (iv) to detect and check self-created sickness in the textile units by the unscrupulous managements; and
 - (v) to maintain data in respect of sickness in the private sector mills to enable the Ministry to have proper information on the real state of health of the textile industry in the country."

1.13 'The Ministry in their reply have stated as under:—

"The suggestions of the Committee have been noted.

The Government has already set up an Expert Group under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles) to have a fresh look at the existing Textile Policy. One of the terms of references of the said Committee is to review the measures taken so far for tackling sickness in the textile industry so as to identify steps which would be necessary to prevent and tackle sickness in the industry, including the need for structural adjustment through re-deployment of labour and capital.

The Ministry of Textiles would take necessary action on the recommendations of the Committee after receipt of report from Expert Group."

1.14 In reply to USQ No. 377 answered in Lok Sabha on 25th February, 2000 the Ministry of Textiles have-stated as follows:—

"An Expert Committee was constituted under the Chairmanship of Shri S.R. Sathyam to, *inter-alia*, review the impact of the existing Textile Policy and suggest policy measures for the industry to focus on changes resulting from overall trade policy reforms. The Committee drew up its report after wide consultation with institutions and organisations representing the various sectors of the industry,

including State Governments. The Committee has submitted its report. The recommendations of the Committee mostly focus on measures to secure progressive increase in production and exportable surplus, removal of technological obsolescence, strengthen the competitive framework of all segments of the textile industry, removal of avoidable regulations and facilitation for orderly transition of the industry to that of a market oriented forward looking industry. The New Textile Policy, that takes the Expert Committee Report into account, is still under consideration and may take some more time to finalise."

1.15 The Committee note that their recommendations have been accepted by the Government. In their written replies, Ministry of Textiles informed that necessary action on the recommendations of the Committee would be taken after receipt of the report of the Expert Group which was set up under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles). One of the terms of reference of the said Committee is to review the measures taken so far for tackling sickness in the textile industry so as to identify steps which would be necessary to prevent and tackle sickness in the industry. In the reply to USQ NO. 377 answered in Lok Sabha on 25th February, 2000, it was stated by the Minister of State for Textiles that the Expert Committee had already submitted its report and the New Textile Policy under consideration would take the Expert Committee Report into account.

The Committee would like to be informed of the salient features of the recommendations made by the Expert Committee and the specific follow-up action taken by the Government on the recommendations, especially on ensuring institutional arrangement in the Ministry of Textiles for monitoring sickness in textile industry. The Committee trust that the New Textile Policy, under consideration of the Government, would also ensure such an arrangement for timely detection and prevention of sickness in textile mills. They also desire that the Ministry should consult the State Governments and others concerned with the recommendations made by the Expert

Committee before finalising the New Textile Policy.

Non-release of (tends for modernisation of NTC mills

Observation/Recommendation (SI. No. 42, Para No. 3.47)

1.16 In regard to non-release of funds for modernisation of NTC mills the Committee observed as under:—

"The Committee note that total cumulative amount actually spent *i.e.* Rs. 505.82 crore", for modernisation of NTC mills till 31.3.1995 is less than the amount sanctioned *i.e.* Rs. 584.63 crore. The gap during the Seventh Plan is mainly due to non-release of funds by the financial institutions. Consequentially, some schemes taken up on selective basis during the Seventh Plan period could not be fully implemented in time and a number of schemes, had also to be dropped. In 1994-95

an amount of Rs. 30 crore, out of a small allocation of Rs. 34.63 crore earmarked for modernisation fund, was permitted by Government to be utilised for payment of wages and salaries to NTC workers.

The Committee are distressed to note that no efforts were initiated in right earnest for making funds available in time for the modernisation of these NTC mills. Otherwise NTC mills would not have reached such a sorry state of affairs.

1.17 The Ministry in their action taken reply have stated as follows:—

"It may be stated that the actual amount spent on capital expenditure including modernisation is Rs. 511.28 crore as against Rs. 505.82 crore observed by the Committee.

The NTC after nationalisation drew up a corporate plan- at an estimated outlay of Rs. 320 crore including Rs. 100 crore invested on modernisation before the 6th Plan. The total amount proposed during 6th Plan was Rs. 320 crore to be spent by March, 1985. The actual amount spent on installation of machinery was Rs. 160 crore. An amount of Rs. 194 crore was spent on rehabilitation/start-up

expenses and on repairs of buildings, affluent treatment plants, etc. The total amount spent so far by NTC on modernisation u Rf. 511.28 crore. Considering that the NTC has total 119 nationalised mills today, the amount spent on modernisation is negligible in view of the age of these mills. Out of the Textile Modernisation Fund, 24 mills received aid to the extent of Rs. 64.57 crore. Of these, only 10 mills completed modernisation schemes at a cost of Rs. 32.91 crore and the rest 14 mills, the modernisation scheme remained incomplete due to non-sanction-and non-release of requisite funds."

1.18 Although the Ministry of Textiles have clarified In thdr reply that the actual amount spent on capital, expenditure including modernbatfonb Rs. 511.28 crore as against R«. 505.82 crore Indicated to the Report, the fact remains that the amount actually spent on modernisation b much leu than the sanctioned amount of Rs. 584.63 crore. The Committee regret to note that the Ministry have not intimated the reasons for not having made efforts to provide requisite funds In time for the modernisation of NTC mills. The Ministry have further pointed out in their reply that out (rf 24 mills which received aid from the Textile Modernisation Fund (TMF) only 10 mills could complete modernisation schemes at a cost of Rs. 32.91 crore and modernisation schemes In respect of 14 mills remained incomplete due to non-sanction and non-release ef the ffinds. However, the reply ta sOent about the reasons for non-sanction and non-release of the ffinds — well M on the efforts made by them for getting requisite ffinds sanctioned/released to enable completion tiT modernisation for these 14 mills. The Committee take serious note of such a casual approach to their recommendation. The Committee would Uk6 to be apprised of details of efforts Initiated foe making ffinds available in time (or modernisation of NTC mflis.

II

Unit-wise viability report on NTC

Observation/Recommendation (SI. No. 52, Para No. 3.57)

1.19 On the proposed unit wise viability report on NTC, updated on the basis of accounts for the year ending 31st March, 1998, the Committee observed as under:—

"The Committee do realise that budgetary support to NTC to cover shortfall faced by them towards payment of wages, salary and Bonus cannot go on for long without any definite target for revival of the sick mills. It would only be putting unproductive and unnecessary burden on the public exchequer, thus aggravating difficulties of the Government on mounting fiscal deficits. The textile mills which are chronically sick and cannot be revived should be closed down and other sick mills which are potentially viable should be rehabilitated within the specified time frame. The Committee, therefore, desire that the proposed unit-wise viability report on NTC, updated on the basis of accounts for the year ending 31 March, 1998, should be expeditiously finalised and potentially viable mills should be modernised within a specified time frame."

1.20 The Ministry in their reply have stated as under:—

"The revised revival proposal is already under consideration of the Government."

1.21 The Committee note that the proposed unitwise viability report on NTC as updated on the basis of accounts for the year ending 31st March, 1998 Is already under consideration of the Government. The Committee desire to be apprised of the outcome *ft* the viability report alongwith the status of Its Implementation. They also stress that the Ministry dumid take expeditious measures for the approval and execution of the viability report without any Airther low of time.

Implementation of Recommendations

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

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

CHAPTER II

"RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

OBSERVATION/RECOMMENDATION SI. No. I (Para No. 1.36)

The Committee note that the textile industry in India has been expanding from year to year. The total number of textile mills in the country as on 21.3.95 was 1395. The figure rose to 1767 as on 31.3.1998. Of these, 192 are in the Public Sector, 151 in the Cooperative Sector and 1424 are in the Private Sector deploying a total labour force of about 10 lakhs'.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI dated 29-12-99]

Observation/Recommendation (SI. No. 2, **Para** No. 1.37)

The Committee further note with concern that 333 mills have been registered with BIFR as sick units on 24.3.98 whereas 220 cotton/man-made-fibre mills (127 spinning and 93 composite) were lying closed as on 31.3.98. They have further been informed that 170 mills were temporarily closed while 50 mills were closed under liquidation.

Reply of the Government

A Statement of facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI dated 29.12.99]

Observation/Recommendation (SI. No. 3, Para No. 1.38)

The Committee find that one main reason for sickness in the textile industry is the structural transformation resulting in composite units in the organised sector losing ground to powerlooms in the decentralised sector on account of the latter's greater cost effectiveness. The Committee are further informed that other reasons for sickness/closure in textile industry are lack of modernisation, low productivity of both machine and labour, increase in cost of inputs and difficulties in getting timely and adequate

working capital finance, etc.

Reply of the Government

A Statement of facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI dated 29.12.99]

Observation/Recommendation (SI. No. 4, Para No. 1.39)

The Committee are of the view that obsolete technology is the main factor behind the sickness of the textile industry. Modernisation by replacement of outdated machinery at the earliest is the need of the hour. The processing and weaving sectors, in particular, are in urgent need of technological upgradation. It would not only help in reduction of cost of production but also in improving the quality of the end product. In the opinion of the Committee these mills have not fallen sick overnight, they needed modernisation which was long overdue.

Reply of the Government

It is true that lack of technological upgradation is one of weaknesses of the textile sector. It is with this in view that a Technology Upgradation Fund Scheme (TUFS) for technological upgradation of the textiles and jute industries has been launched by the Government w.e.f. 1.4.99. Under the scheme, eligible units from identified textile and jute sectors would be able to apply for loans at applicable rate of interest from designated nodal agencies (IDBI, SIDBI & IFCI). Difference in the amount of interests to the extent of 5 percentage points would be reimbursed to the lending nodal agencies concerned by the Ministry of Textiles.

[Ministry of Textiles No. 3/7/94-CTI dated 29.12.99]

Observation/Recommendation (SI. No. 5, Para No. 1.40)

The Committee feel that there is an urgent need to arrest sickness in the industry and steps should be taken in the right direction. They are of the view that the textile sector should be assigned an important place and all-round efforts should be made to free it from constraints/problems which are hindering its development.

Reply of the Government

The Government has set up an Expert Committee under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles) to have a fresh look at the existing Textile Policy. One of the terms of references of the said Committee is to review the measures taken so far for tackling sickness in the textile industry so as to indentify steps which would be necessary to prevent and tackle sickness in the industry, including the need for structural adjustment through re-deployment of labour and capital.

The Govt. has already come up with TUFS details of which are mentioned in reply to para 1.39. Thus Institutional credit at lower rate will now be available to modernise the industry as desired by the Committee and. it is felt that with this facility, the owners of the mills will go for the modernisation of their mills.

The Government has also taken other measures as mentioned below:

- (i) Government of India has launched Cotton Technology Mission . (CTM) for improvement of production, productivity and quality of cotton in the country by bringing the entire gamut of Research and Development, field extention, marketing and processing of cotton under one umbrella in the mission mode. This Mission will function through 4 mini-missions dealing with R&D, extension, marketing and processing of cotton respectively. The first two mini-missions, which deal with R&D for development of better varieties of cotton and improved farm-level extention service through an efficient delivery system, respectively, will be handled by the Ministry of Agriculture. The last two mini-mission to be handled by the Ministry of Textiles will deal with marketing, infrastructure development and cotton marketing and cotton processing respectively. It is expected that the Mission will ensure supply of quality seeds, integrated pest and input management, better marketing facility for the growers and contamination-free processing

of cotton.

(ii) Another industry segment which needs special consideration from the Govt. particularly in the context of improvement of its quality is the decentralised powerloom sector. The government has already set up 44 Powerloom Service Centres with the objectives of imparting practical training and skills to powerloom weavers in the various aspects of loom working and maintenance, to disseminate knowledge and techniques to the powerloom weavers and to guide the powerloom units about modernisation and marketing of their products. The infrastructure in 21 of these centres will be upgraded at the cost of Rs. 16 crore during the 9th plan period. The decentralised sector is also in dire need of quality testing facilities. Therefore, these centres also provide testing facilities to the powerloom sector. Government has already upgraded 15 PSC laboratories and the rest will be upgraded in the next 2~ years.

(iii) Considering the 'felt need*' of the industry for better designs to compete for higher value added products in the World market, the Govt. has drawn up an action plan for setting up Computer Aided Design (CAD) centres to provide design development and support to the decentralised sector. So far 7 such CAD centres have already been set up in the major powerloom clusters and are providing necessary services to the industry. More such clusters will be provided on the felt need basis on priority.

(iv) To cater to the design requirements of the apparel industry and exporters. Ministry of Textiles has set up the National Institute

of Fashion Technology (NIFT) at 7 major apparel manufacturing and exporting centres to train fashion designers and fashion technologists. Its graduates are well received in the industry. NIFT is also trying to set up, with the help of Export Promotion Councils (EPCs) and exporters, a design intelligence unit to collect and interpret fashion trend forecasts and develop and disseminate colour and design trends in export markets in order to enable the exporters to respond to changing market tastes and trend timely and effectively. The Apparel Export Promotion Council with the help of the Government has set up 8 Apparel Training & Design Centres (ATDCs), basically to train shop floor garment makers. The ATDCs will be able to fill a vital resource gap in the fast expanding apparel manufacturing chain. The Government has also set up a National Centre for Upgradation of Textile Education (NCUTE) in the IIT, Delhi to study the present HRD scenario in the textile industry and inadequacies therein, identify the felt needs sector-wise, devise and design sector-specific courses, and train the resource persons to facilitate further downstream training of the operational manpower.

(v) In order to increase the awareness of information Technology to improve the productivity and efficiency of the textile industry, Ministry of Textiles has constituted a Task Force on Information Technology to conceptualise a project for application of information technology in textile industry. The basic objective of the application of information technology in textiles is to secure improvement in quality and productivity in an efficient manner, reduce time lag in response to orient production to latest trends in domestic and international markets, develop designs and colour graphics with aid of computers and facilitate sales promotion of textiles through display on Internet and other information media. The task force has

already submitted its report to the Government. 3

[Ministry of Textiles No. y7/94-CTI dated 29.12.99 & 29.03.2000]

Observation~ecommendation (SI. No. 7, **Para** No. 1.42)

Keeping in view the fact that modernisation is a continuous process, the Committee stress upon the need to update technology in textile mills and to take urgent steps necessary to improve the failing health of the textile industry. The Committee desire that efforts should be made by the owners for upgradation of technology for modernisation of their mills. Government should also consider incentives such as availability of bank credit at lower interest rate, etc. to encourage investment for modernisation of mills.

Reply of the Government

The main reason for launching the TUF Scheme is to facilitate the textile industry to update technology which is an urgent necessity to improve competitiveness in the international as well as domestic markets and to encourage investment in the modernisation of textile mills.

[Ministry of Textiles No. 3/1/94-CTI dated 29.12.99]

Observation~ecommendation (SI. No. **8**, **Para** No. 1.43)

The Committee note that Government have taken steps for the healthy growth of the Textile Industry as a whole, but at the same time they would recommend that special attention and help to combat sickness should be given to the States of Gujarat, Maharashtra and Tamil Nadu where the backbone of the textile industry of the country is situated by identifying the specific problems faced by these States.

Reply of the Government

The reply to this para is covered by the reply to paras 1.40 and 1.41. The Government has, however, set up an Expert Committee under the chairmanship of Shri S.R. Sathyam. One of the terms of references of the said committee is to review the measures taken so far for tackling sickness in the Indian textile industry including the mills situated in the states of Gujarat, Maharashtra and Tamil Nadu. Government has already launched

Technological Upgradation Fund Scheme to facilitate the textile industry to update technology.

[Ministry of Textiles No. 3/7/94-CTI dated 29.12.99]

Observation~ecommendation (SI. No. **9**, Para No. 1.44)

The Committee are informed that as on 31.03.98, a total of 220 mills have been closed and 2,60,343 workers rendered unemployed. The Committee, however, find it surprising that all mills have been voluntarily closed and no mill has sought permission under the Industrial Disputes Act, 1947 for closing it down permanently. However, 124 mills have been temporarily closed down avoiding prior permission required under Section 25(0) of the Industrial Disputes' Act, 1947. This is a matter of deep concern to the Committee.

Reply of the Government

The Government of India has established the Sick Industrial Companies Act, (SICA) 1985, and established the Board of Industrial & Financial Reconstruction (BIFR) with a view to ensuring the timely detection of sick & potentially sick companies and for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of such companies. The cases of 378 mills are at different stages of proceedings under BIFR and the final decision is being taken by BIFR on the basis of its findings.

Regarding closure of a large number of mills voluntarily without seeking permission under the Industrial Disputes Act, 1947. The State Governments have been asked to take appropriate action in the matter vide letter no. S7/94-CTI dated 27.5.1999.

[Ministry of Textiles No. 57/94-CTI dated 29.12.99]

Observation~vl-ecommendatlon (SI. No. **10**, Para No. 1.45)

The Committee note that according to the Industrial Disputes Act, 1947 Central Government is the appropriate authority for deciding on the closure of mills in so far as the Central Public Sector Undertakings including some concerned and for the rest, their respective State

Governments are the appropriate authority viz. in Maharashtra there is Bombay Industrial Regulation Act for the purpose.

Reply of the Government

The Government of India has established the Sick Industrial Companies Act, (SICA) 1985, and established the Board of Industrial & Financial Reconstruction (BIFR) with a view to ensuring the timely detection of sick & potentially sick companies and for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of such companies. The cases of 378 mills are at different stages of proceedings under BIFR and the final decision is being taken by BIFR on the basis of its findings.

Regarding closure of a large number of mills voluntarily without seeking permission under the Industrial Disputes Act, 1947. The State Governments have been asked to take appropriate action in the matter. vide letter No. y7/94-CTI dated 27.5.1999.

[Ministry of Textiles No. »7/94-CTI dated 29.12.99].

ObservatioifrRefbmmendation (SI. No. II) Para No. 1.46)

The Committee desire that stringent action should be taken by the State Government concerned against the mills which have been closed down without permission, thereby throwing labourers out of employment without payment of their dues.

Reply of the Government

The replies to paras 1.44 to 1.46 are as follows:—

The Government of India has established the Sick Industrial Companies act, (SICA) 1985, and established the Board of Industrial & Financial Reconstruction (BIFR) with a view to ensuring the timely detection of sick & potentially sick companies and for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of s»ch companies. The cases of 378 mills arc at different stages of proceedings under BIFR and the final decision is being taken by BJFR on the basis of its findings.

Regarding closure of a large number of mills voluntarily without seeking permission under the Industrial Disputes act, 1947. The State Governments have been asked to take appropriate action in the matter vide letter No. y7/94-Cn dated 27.5.1999.

[Ministry of Textiles No. 3/1/94-CTI dated 29.12.99].

Observation/Recommendation (SI. No. 12, Para No. 1.47)

Looking at the trend of closing down of the mills one after the other, the Committee feel that the closure of textile mills, if goes unchecked, would adversely affect the health of the textile industry and create multifarious problems including socio-economic in future. The Committee, therefore, desire that serious attention needs to be given towards problems leading to the closure of textile mills in various parts of the country. Further, issues arising out of closure of textile mills viz Unemployment of workers, etc. need to be attended to on priority basis. Concerted steps should be taken to protect the interests of the labourers of these closed textile mills.

Reply of the Government

In order to provide an interim cushion pending rehabilitation of the retrenched workers of the closed textile mills and their gainful re-employment. Government of India has set up a Textile Workers Rehabilitation Fund Scheme (TWRFS). The TWRFS came into force with effect from 15.9.1986 in terms of the Textile Policy of June, 1985. The Scheme was introduced to provide interim relief to workers rendered unemployed as a consequence of the permanent closure of the textile units. It is applicable to workers of mills closed on or after the 6th June, 1985. So far 35 units have been identified as eligible under the scheme, covering 71628 workers out of whom payment has been made to 54631 workers covering 34 units. The actual amount to be paid to the remaining 16997 workers will be known after getting all the applications, completion of scrutiny and certification by the State Government authority concerned. As on 30.3.99, an amount of Rs. 111.59 crore was paid to 54631 workers

employed in 34 mills.

[Ministry of Textiles No. 37/94-CTI dated 29.12.99].

Observationft~commendation (SI. No. 14, Para No. 1.49)

The Committee are informed that a monitoring and surveing section exists in the Office of Textile Commissioner to scrutinise the returns of the textile mills with the view to detecting signs of sickness.

Reply of the Government

A Statement of facts. No comments.

ObservatiolvRecommendations (SI. No. 15, Para No. 1.50)

The Committee are unhappy to observe that there is practically no agency existing in the Ministry to keep a tract of health of the textile industry in the country. There is no institutional arrangement to detect or check mischief on the part of the management where a textile mill is not actually sick but owners with their ulterior motives want to keep them sick. It is also strange that detection of sickness in textile units at an incipient stage is not known to the Ministry except on reporting by involved agency to BIFR as per provisions of the SICA, 1985 which in actual practice is not being done despite statutory provisions. The Committee are given to understand that the major functions of the Ministry of Textiles, *inter-alia*, include regulation and development of the entire textile sector in the country. But with the present pathetic state of health of the textile industry fliere are doubts whether the Ministry of Textiles is performing the assigned functions as emerging challenge demand.

Reply of the Government

It is stated that the suggestions of the Committee have been noted.

The Government has already set up an Expert Group under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles) to have a fresh look at the existing Textile Policy. One of the terms of references of the said Committee is to review the measures taken so far 'for tackling sickness in the textile industry so as to identify steps which would be necessary to prevent and tackle sickness in the industry,

including the need for structural adjustment through re-deployment of labour and capital.

The Ministry of Textiles would take necessary action on the recommendations of the Committee after receipt of report from Expert Group.

[Ministry of Textiles No. 3~7/94-CTI dated 29.12.99].

Observation/Recommendation, (SI. No. 16, Para No. 1.51)

The Committee recommend that suitable institutional arrangements may be made in the Ministry for the following:

- (i) to have a detailed report on each and every textile mill in the country.
- (ii) to maintain data regarding closures, etc. of textile mills in the country and to have a mechanism for smooth flow of information regarding closure of textile mills among the State Governments, Ministry of Textiles and Ministry of Labour.
- (iii) to maintain data regarding detection of sickness at the incipient state in the textile industry and to initiate suitable preventive measures to minimise/arrest sickness which may lead to closure of textile mills.
- (iv) to detect and check self-created sickness in the textile units by the unscrupulous management, and
- (v) to maintain data in respect of sickness in the private sector mills to enable the Ministry to have proper information on the real state of health of the textile industry in the country.

Reply of the Government

It is stated that the suggestions of the Committee have been noted, The Government has already set up an Expert Group under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles) to have a fresh look at the existing Textile Policy. One of the terms of references of the said Committee is to review the measures taken so far for tackling sickness in the textile industry so as to identify steps

which would be necessary to prevent and tackle sickness in the industry, including the need for structural adjustment through re-deployment of labour and capital.

The Ministry of Textiles would take necessary action on the recommendations of the Committee after receipt of report from Expert Group.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 17, **Para** No. 2.70)

The Committee note that in pursuance of the Textile Policy of 1985, the Government have taken various measures to tackle the problem of sickness in the textile industry *i.e.* through setting up of a Nodal Agency, a Textile Modernisation Fund Scheme, Textile Workers' Rehabilitation Fund Scheme, establishing a Board for Industrial and Financial Reconstruction (BIFR) and through monitoring the incidence of growing sickness in industries (including textile) by Financial Institutions and Banks.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. **18**, **Para** No. 2.71)

The Committee are informed that a Nodal Agency came into existence in January, 1986 as a sequel to the 1985 Textile Policy with IDBI as convener and representatives drawn from State Governments) RBI, Financial Institutions and the Textile Commissioner as members, to determine the viability of sick and weak textile units and to work out the rehabilitation packages in the cases of viable units. The Nodal Agency examined 177 sick/closed textile units in different States.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 19, Para No. 2.72)

The Committee further note that with the coming into existence of BIFR, a quasi-judicial body with almost the same objectives as that of Nodal Agency and with comparatively more powers, it was decided by IDBI that the Nodal Agency had no further role to play.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 20, Para No. 2.73)

Out of 177 sick/closed mills, 101 mills are working and 76 mills are reported to be closed. Further out of 75 mills (41 in the Private Sector and 34 in Cooperative Sector) whose viability studies were not taken up by the Nodal Agency, all the 41 mills in the Private Sector came within the purview of BIFR in terms of the Sick Industrial Companies (Special Provisions) Act, 1985. Out of these 41 mills, 12 mills were registered with BIFR as on 24.3.98, BIFR sanctioned rehabilitation scheme in case of four mills and winding up orders were issued in respect of three mills. One mill was declared as no longer sick. However, the details in respect of the remaining 29 mills have not been furnished by the Ministry. Out of 34 cooperative mills, 3 mills have repaid the loan. While legal action was initiated in respect of 13 cases for recovery of dues, privatization was being explored in respect of 3 cases. However, the details in respect of 15 non-lead cases is not available with IDBI.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 22, Para No. 2.75)

The Committee note that in pursuance of the Textile Policy Statement,

1985, a Textile Modernisation Fund Scheme (TMFS) -was set up by the Government in 1986 for providing modernisation assistance with an initial corpus of Rs. 750 crore for a period of five years.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Reccommendation (SI. No. 23, Para No. 2.76)

Under TMFS loans were provided for modernisation and also to address special problems of weak but viable textile units. As on 31.3.1993 Rs. 1367.39 crore have been sanctioned for 357 cases and Rs. 877.74 crore have been disbursed to 307 cases. Out of these 357 units assisted, 306 units have partly/fully utilised the assistance by availing Rs. 871 crore. Assistance sanctioned for modernisation from August, 1991 to March, 1995 aggregated to Rs. 421.2 crore covering 147 cotton textile mills.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 24, Para No. 2.77)

The Committee have been informed that the Textile Modernisation Fund Scheme (TMFS) was discontinued from August, 1991 even though the Ministry of Textiles was in favour of continuance of the scheme during the Eighth Plan by doubling of the fund to Rs. 1500 crore. Now the textile mills get finances through the normal channels only.

Reply of the Government

A Statement Qf Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 25, Para No. 2.78)

About the impact of modernisation under TMFS the Committee are informed that direction of modernisation has been mainly towards

replacement of old and obsolete looms by modern auto looms. These units have also simultaneously endeavoured to increase surplus yarn available for market sale through suitable modernisation in the Spinning Departments. But some of these mills again fell sick. About 225 mills have availed of TMF Scheme loans, out of those 16 mills were temporarily closed as on 31.10.95.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendations (SI. No. 26, Para No. 2.79)

The Committee are further informed that IDBI had made an assessment of impact of modernisation on textile industry. A major portion of modernisation assistance had been spent on spinning department followed by weaving department. The IDBI study showed that after modernisation both spinning and composite units have shown better technical performance in terms of machine productivity resulting in higher value of output in case of spinning units and better quality output in most of the composite mills. But, there did not appear to be any significant change in the overall profitability of operations of the units following completion of modernisation schemes although export capability have enhanced considerably both for spinning and composite units.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-Cn Dated 29.12.99]

Observation/Recommendation (SI. No. 27, Pan No. 2.80)

Under TMFS, loan assistance at concessional rates was provided for modernisation as also for weak but viable textile units both in the private sector and in the cooperative sector in the country. It is really unfortunate that the Ministry of Textiles have no detailed information about such sick but viable textile units in these two sectors. The Committee, therefore,

desire the Ministry of Textiles to undertake a study to evaluate the impact of modernisation assistance under TMFS and the need for reintroduction of TMFS to regenerate the ailing but viable textile industry in the country.

Reply of the Government

The Committee have noted in para 2.79 that IDBI had made an assessment of impact of modernisation on textile Industry due to TMFS. The Committee are informed that in any case TVFS has been launched by the Govt. *w.e.f* 1-4-99 for technological upgradation of viable textile and jute industries. The details are available in para 1.39.

[Ministry of Textiles No. 3/7/94—CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 28, Para No. 2.81)

The Committee note that the Textile Workers' Rehabilitation Fund Scheme (TWRFS) introduced by the Central Government to protect the interest of the workers rendered jobless due to permanent closure of mills came into force *w.e.f.* 15th September, 1986. The rationale behind the creation of this fund is to assist the workers during the period of transitional adjustment and to enable them to settle in an alternative employment. Now TWRFS has also been made applicable to the cases of partial closure on a case to case basis. Since its inception the benefits under the scheme have been extended to mills in the Private Sector only.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 29, Para No. 2.82)

The Committee also note that the scheme is applicable to workers earning wages equivalent upto Rs. 250(/-)'per month for the-interim period during which the worker should try to get himself rehabilitated. Relief

under the scheme is available only for 3 years on a tapering basis, 75% of the wage equivalent in the first year, 50% in the second year and 25% in the third year. The relief is in addition to all other reliefs or compensations available to workers under various Acts applicable to a closed mill.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 30, Para No. 2.83)

As on 31.3.1998, a sum of Rs. 96.75 crore has been paid to 48054 workers under the Scheme. The remaining workers will be covered after receiving complete applications duly certified by the State Governments. The Committee desire that in order to obviate hardship to the workers due to delay in providing relief, the Ministry of Textiles/Office of the Textile Commissioner, should impress upon the State Government/ authorities concerned for furnishing expeditiously certified applications of the workers eligible under the scheme and that on receipt of certified applications payment to such displaced workers should be made without any delay. The Committee would like to be apprised of the specific measures taken by the Government in this regard.

Reply of the Government

There is no case pending with the Ministry regarding release of funds under the Textile Workers Rehabilitation Fund Scheme. The details of the work done under TWRFS have already been furnished in para 1.47. The Ministry is presently undertaking an exercise to review the TWRFS to ensure its better implementation. The Ministry is also in constant touch with the State Governments for effective implementation of the proposed scheme.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 31, Para No. 2.84)

The main problem faced by the Government in the way of rehabilitation of textile workers rendered jobless due to closure is to find alternative 'job opportunities' for them and to make them suitable for such alternative jobs. The Committee regret to note that there is no scheme to impart training for alternative jobs for workers rendered jobless. The Committee feel that when a mill has been closed and labourers are thrown out, then there should be some mechanism or programme to rehabilitate them. Keeping in view the fact that rehabilitation is not dealt with by the Ministry of Textiles and owner of mill is not taking care of them because the mill being sick, the Government should come forward and evolve an alternate package for their rehabilitation. The Committee, therefore, desire that the Ministry of Textiles may impress upon the State Governments to chalk out suitable rehabilitation schemes/training programmes for rehabilitation of workers rendered jobless.

Reply of the Government

The observations of the Committee, are noted. The Ministry of Textiles has apprised the State Governments of the views of the Committee and has advised them to take appropriate action in the matter.

It is also informed that National Renewal Fund (operated by the Ministry of Industry) has a scheme of counselling, retraining and redeployment of rationalized workers in organized sector. The scheme is being implemented through 13 nodal agencies at 57 Employee Assistance Centres (EACs) spread over 16 States. Under the scheme, nodal agencies provide counselling & training in various vocational trades in order to enable the rationalized workers to obtain wage-employment and/or self-employment. The trainees are given a daily stipend @ Rs. 50 or 60/- depending upon the location of the EAC.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendations (SI. No. 32, Para No. 2.85)

The Committee note that under the Provisions of the Sick Industrial

Companies (Special Provisions) Act (SICA), 1985, the Government has set up BIFR, a semi-judicial body to give assistance to the process of revival of some sick industrial companies (including textile mills) and to prepare and sanction, as appropriate, schemes for revival of such mills. The objective of BIFR is to secure timely detection of sick and potentially sick companies. An amendment was made *w.e.f.* 1.2.94 in Section 23 to ensure that in case the company did not report its sickness to BIFR other involved agencies might report the facts of such units to BIFR so that necessary steps could be taken to arrest the sickness in the initial stage itself.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendations (SI. No. 34, Para No. 2.87)

The Committee are surprised to note that the Ministry of Textiles do not have information whether the necessary help from Central or State Governments to those textile units as recommended by BIFR was forthcoming or not and such information regarding financial help provided by Central Government or Financial Institutions or State Governments mill-wise on the recommendation of BIFR is not maintained centrally.

The Committee expect the Ministry of Textiles to maintain such data in respect of the Textile Sector. Since it takes years to get a BIFR Report and that also winding up comes in a number of cases, the Committee desire that efforts should be made to expedite the cases referred to BIFR.

Reply of the Government

The observations/recommendations are noted. The Textile Commissioner has been asked to carry out the directions of the Committee.

[Ministry of Textiles No. 3n/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 35, Para No. 2.88)

The Committee regret to note that in cases of textile mills where the BIFR has recommended for revival, no monitoring is done, although their

number is limited.

The Committee recommend that mills where BIFR has recommended for revival, a mechanism need to be set up to monitor the revival after the receipt of revival package by textile mills.

Reply of the Government

The observations/recommendations are noted. The TXC is studying the feasibility of setting up mechanism to monitor the revival after the receipt of revival package by the textile mills.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 36, Pare No. 2.89)

The Committee are informed that it is neither obligatory nor possible for the Central Government to provide financial assistance to State for revival of sick or closed mills. However, they are apprised that Government of India is making every- effort in organised mill sector through TMFS (since closed) to improve the level and quality of production of textile units and TWRFS for displaced workers of closed mills. It is not possible to provide separate financial assistance to each State for revival of private sick mills.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 37, Pare No. 2.90)

The Committee are apprised that the matter regarding providing finance for modernization of private mills through World Bank was taken up with the Ministry of Finance in August, 1995. However the World Bank expressed its inability to provide funds at subsidized rates. The Committee note that the Ministry of Textiles is now exploring the possibility through the Ministry of Finance whether a large corpus of funds could be created with IFC to meet the various investment needs of the private mills.

The Committee desire that investment avenues of the private sector mills should be explored and the matter should be vigorously pursued with the Ministry of Finance on creation of funds with IFC. The latest position in

this regard may also be apprised to the Committee.

Reply of the Government

Technology Upgradation Fund Scheme (TUFS) has already been launched w.e.f. 1-4-99. With launching of TUF the viable mills in the textile sector have availability of Rs. 25,000 crores for modernization.

The matter regarding creation of fund has been pursued with the Ministry of Finance and the Ministry of Textiles has come up with a Technology Upgradation fund Scheme for technological upgradation and modernization of the Textile and Jute industry. The private sector mills are eligible to avail of this facility, provided they fulfil the guidelines of the scheme.

[Ministry of Textiles No. 3/7/94-CTI Dated- 29.12.99]

Observation/Recommendation (Sl.No. 38, Par* No. 2.91)

The Textile Industry plays a pivotal role in the economy of the country. Being the largest industry in the country, it accounts for about one fifth of the total industrial production, contributes to nearly one-third of total exports and provides employment to millions of people all over the length and breadth of the country. It has a potential to be a global textiles giant but unfortunately its share is declining compared to increasing share of neighbouring countries in the world textile trade. The Committee are deeply concerned at the present status of sickness in the organized textile industry. The Committee desire that Government should initiate concrete measures necessary to tackle the problem of sickness in the textile industry, to improve the techno-economic liability of the industry to prevent sickness and to make it competitive in the international market.

Reply of the Government

The Government has set up an Expert Group under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles) to have a look at the existing Textile Policy. One of the terms of references of the said Committee is to review the measures taken so far tackling sickness in the textile industry so as to identify steps which would be necessary to

prevent and .tickle sickness in the industry, including the need for structural!;adjustment through re-deployuaent of labour and capital.

[Ministry of Textiles No. 3/7/94-CTI Dated -29.12.99]

Observation/Recommendation (SI. No. 39, Para No. 2.92)

The Committee note that an Expert Group under the Chairmanship of Shri S.R. Sathyam (Former Secretary, Ministry of Textiles) has been set up in July, 1998 for the formulation of a new textile policy which will submit its recommendations in six months. The Committee while welcoming the decision to set up the aforesaid Group desire that expeditious and effective follow up action should be taken on its recommendations to tackle the problems facing the textile industry.

Reply of the Government

A Statement of Facts. No Comments.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 40, Para No. 2.93)

The Committee note that Ministry of Textiles has proposed a special scheme for technological upgradation for the textile industry in order to upgrade the quality of textile and to assist the industry to become more competitive in the international and domestic markets. According to the Ministry, the requirement of funds by indentified sectors of the industry over a period of five years has been estimated to the order of Rs. 25,000 crore. The Committee expect the Ministry to expeditiously finalize the details of the Technological Upgradation Fund Scheme.

Reply of the Government

Beside launching of ITJFS, details of which have already been given to para 1.39 a host of other actions have also been taken details of which have been furnished in reply to para 1.40. In addition, the Govt. has set up an Expert Group under the Chairmanship of Shri S.R. Sathyam as already mentioned in reply to the paras 1.50 and 1.51.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observations/Recommendations (SI.No. 41(i) & (ii), Para No. 2.94)

To rejuvenate the textile industry, the Committee also desire as follows:

(i) Availability of bank credit at lower interest rate to enable industry to finance its requirement of cotton, being raw material and a seasonal commodity specially during the peak season should be introduced.

(ii) Availability of quality cotton at fair prices should be ensured. Care should be taken in formulation of policy for export of cotton and sufficient availability for domestic industry.

Reply of the Government

(i) In order to mitigate the financial problems faced by the textile industry the Ministry of Textiles has convened a series of meetings, including one chaired by the Textile Minister, with the representative of the industry. Commercial Banks/Financial Institutions.-At the meeting, the representatives of Banks and Financial Institutions were urged to relax the norms for lending, wherever possible, to accommodate the present needs of the textile industry such as expediting credit flow the textile sector, extending concessions like funding of overdue term loan installments and interest, waiver of penal and compound interest, reducing interest on working capital loan etc. Minister of State (Revenue, Banking & Insurance) also met the representatives of Banks and Financial Institutions to consider the working capital requirements of the textile industry. The representative of Banks and Financial Institutions have promised due consideration to the issues on a case to case basis including procurement of cotton and rescheduling of loans etc.

(ii) The ensure availability of quality and contamination free cotton, the government is considering launching of a Technology Mission on Cotton Development. The Technology Mission will comprise of four Mini Missions which specific emphasis on research, dissemination of technology to growers, improvement in marketing infrastructure and modernization/ improvement in ginning and pressing facilities. While the Ministry of Agriculture will be the nodal agency for Mini Missions I & II, the Ministry of Textiles will be the nodal agency for Mini Mission III & IV.

Ministry of Textiles is following a long term export policy according to which raw cotton export quotas as released keeping in view the following objectives:

- (i) Stabilization of cotton price which is very important for both cotton growers as well as industry.
- (ii) Ensuring remunerative prices of the cotton growers; and
- (iii) Maintaining India's presence in the international market as a stable supplier of cotton.

While deciding the quota, estimates of Cotton Advisory Board and observation of Textile Commissioner as regards crop situation, requirement of domestic industry and prices (domestic/international) are taken into consideration.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 44, Para No. 3.49)

The Committee note that National Textile Corporation Ltd. (NTC) was set up in 1968 with the main objective of managing the affairs of the 122 sick textile undertakings taken over by Government from time to time. It was also proposed to rehabilitate and modernize these mills after the take over and expand them wherever necessary with a view to making them economically viable. However, two mills were not started after nationalization. One mill was closed in 1996 under the order of Supreme Court. At present NTC has under its control 119 mills spread over the country managed by 9 subsidiary corporations.

Reply of the Government

It is a statement of facts and no follow up action is required to be taken.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Reconimendation (SI. No. 45, Para No. 3.50)

The installed capacity of the mills under the NTC as on 31.3.1998 was 31.83 lakh spindles and 29621 looms. The commissioned capacity was 27.12 lakhs spindles and 17658 looms. In regard to financial performance, the

Committee note that during the period 1997-98, NTC Limited (HC) has reported a provisional net loss of Rs. 685.56 crore as compared to Rs. 621.72 crore during 1996-97. The overall provisional accumulated net loss of the NTC group as a whole as on 31.3.1998 w Rs. 5269 crore as against the overall accumulated net loss of Rs. 4583 crore as on 31.3.1997.

Reply of the Government

A statement of facts and no follow up action is required to be taken. However, the Net loss of 1997-98 as per audited accounts of NTC group was Rs. 795.60 crore and the accumulated loss as on 31.3.1998 was Rs. 5379.32 crore.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 46, Para No. 3.51)

The Committee are informed that the causes of sickness in NTC mills are manifold. Even at the time of nationalization, according to the Ministry, most of these mills were sick or were lying closed. Lack of modernization, high man-machine ratio, inefficient management, lack of work culture, shortage of working capital, payment of idle wages to employees, competition from the powerloom sector which has low labour cost *etc.* are the maJor factors which have continued to contribute to sickness in the NTC mills.

Reply of the Government

A statement of facts and no follow up action is required to be taken.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 47, Para No. 3.52)

The Committee feel that the Government resorted to nationalization of the inefficient private textile mills but during all these thirty years could do nothing to achieve the desired objectives to modernize, expand and make them economically viable. The few textile mills that have been revived have cut down labour and reduced production to a portion of their original capacities. These mills that have been rehabilitated, going by the past experience, can only keep going at present capacities for a few years but

there is every possibility that competition may turn them sick if—a M the factors contributing to sickness in the textile industry continue to remain the same since nationalization.

Reply of the Government

As per the mill-wise assessment based on the provisional data as on 31.3.1998. 34 mills can become viable with reasonable dose of modernization, as per criteria of BIFR for net-worth becoming positive in ten years. Rest of the mills may have to be closed. This proposal is under consideration of the Government.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation(SI. No. 48, Para No. 3.53)

The Committee note that 8 out of 9 subsidiary corporations have been referred to BIFR due to erosion of their total net worth, which has declared them as sick industrial companies under the provisions of the sick Industrial Companies (Special Provisions) Act, 1985. Based on the revival plans prepared by Textile Research Associations, the Government approved in May, 1995 a revised Turn Around Plan for modernization of 79 mills with an estimated cost of Rs. 2006 crore and restructuring of 36 unviable mills into 18 viable units by way of merger etc. As per plan, the resources required for modernization have to be mobilized through sale of surplus lands and assets in the mills. Approximately 80—85% of the funds were expected to come from sale of surplus lands and assets of NTC mills located in Mumbai. So far nothing has materialized in this area for many reasons. The funds required for modernization could not be mobilized. The plan could not be implemented because of non-approval of the package by BIFR and non-availability of funds.

Reply of the Government

A statement of facts and no follow up action is required to be taken.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 49, **Para** No. 3.54)

The Committee have been further informed that the unit-wise viability report was prepared by NTC based on accounts as on 31.3.1996. As per the report, 49 mills were found to be viable and the remaining 70 mills were not found to be viable which needed to be closed and the interest of the workers protected by offering an attractive VRS. A revised Turn Around Plan 1997 on the basis of unit-wise viability had been prepared and was under consideration of the Cabinet. However, the Cabinet could not take a final decision on the matter.

Reply of the Government

A statement of facts and no follow up action is required to be taken. However, as already stated against Para 3.52, based on the provisional data as on 31.3.98 a revised Turn Around Plan envisaging revival of 34 mills and closure of 85 mills is n<w under consideration of the Government.

(Mmistry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/ Recommendation (Sl. No. **50**, *fun* No. 3.55)

The Committee are informed by the Ministry of Textiles *vide* then-communication of 19 June, 1998 that the present Government have decided to have the unit-wise viability report updated based on the accounts as on 31.3.1998 to have a more realistic picture of the present status of the various mills. On receipt of the updated viability report the matter would be further examined and proposals submitted to the Cabinet for consideration.

Reply of the Government

Same as stated against para 3.54.

[Ministry of Textiles 3/7/94-C71 Dated 29.12.99]

Observation/Recommendation (SI. No. 51, Para **N**6. 3.56)

The Committee are deeply concerned to note that the implementation of the Turn Around Strategy as approved by the Government in 1995, dependent primarily on the resources to be available from sale of surplus land and other assets available in the NTC Mills could not materialize due to non-clearance by State Governments for many reasons. The revised Turn Around Plan 1997 prepared by NTC on the basis of unit-wise viability based on accounts as on 31.03.1996 in which 49 mills were found to be viable and 70 mills unviable was under consideration of the Government. However, the Cabinet could not make a final decision on the matter. The present Government have decided to have the unit-wise viability report on NTC mills updated based on the accounts as on 31.03.1998 to have a realistic picture of the present worth of the various mills.

Reply of the Government

A statement of facts. The revised proposal based on provisional data as on 31.3.98 is under consideration of the Government.

[Ministry of Textiles. No. 3/7/94-CTI Dated 20.12.99]

Observation/Recommendation (SI. No. 52, **Para** No. 3.57)

The Committee do realize that budgetary support to NTC to cover shortfall faced by them towards payment of wages, salary and bonus cannot go on for long without any definite target for revival of the sick mills. It would only be putting un-productive and unnecessary burden on the public exchequer, thus aggravating difficulties of the Government on mounting fiscal deficits. The Textile mills which are chronically sick and cannot be revived should be closed down and other sick mills which are potentially viable should be rehabilitated within the specified time frame.

The Committee, therefore, desire that the proposed unit wise viability report on NTC, updated on the basis of accounts for the year ending 31st March, 1998, should be expeditiously finalized and potentially viable mills should be modernized within a specified time frame.

Reply of the Government

The revised revival proposal is already; under consideration of the Government.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 53, Para No. 3.58)

The Committee also desire that in view of tremendous growth in the textile industry in the private sector, especially in the powerloom sector because of its greater cost effectiveness and adequate availability of cloth in the country, the Government should review their role in running of NTC mills and consider the feasibility of disinvestment and privatization of these NTC mills.

Reply of the Government

Government is considering to sell/private NTC mills or hand them over to the respective State Governments provided the interest of the workers be protected by the buyer.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

CHAPTER iii

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

Observation/Recommendation (SI. No. 6, Para No. 1.41)

The incidence of sickness is more pronounced in the State of Gujarat, Maharashtra and Tamil Nadu. The Committee note with concern that in metropolitan towns land under mills are gradually becoming prime urban land and this has contributed to the decision of the management to close the mills with the objective of selling land for lofty profits.

Reply of the Government

In India textile industry is concentrated in the State of Gujarat, Maharashtra and Tamil Nadu. Many of the oldest textile mills including composite mills are located in these States. Technology obsolescence being the major reasons for sickness of the industry, it is quite natural that many of the sick textile mills are located in these States. It is difficult to conclude that rising value of urban land is inducing the mill managements to close down in order to sell land for profit because the position is not different for State-run NTC or STC mills. The main cause of sickness is gradual decline in competitiveness and rising cost of these mills. It is hoped that recently launched Technological Upgradation Fund will enable viable units to improve their competitiveness in areas of price and quality. The other measures taken by the Government as stated in para 1.40 would also help in combating the sickness of mills in these States.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 33, Para No. 2.86)

As on 24.3.1998, 333 textile mills were registered with BIFR since its inception.

Out of these mills, schemes were sanctioned in 64 cases, 49 cases were dismissed as non-maintainable. The Company's scheme was approved in II

cases. 98 cases were recommended for winding up and draft scheme has been approved in 10 cases. 45 cases are under enquiry whereas 21 mills are declared no longer sick.

The Committee are concerned to note that most of the cases, i.e. 98 cases have been recommended for winding up. The Committee are, however, informed that OA/BIFR try to explore all possibilities for revival of the companies.

Reply of the Government

A statement of facts. Board for Industrial and Financial Reconstruction (BIFR) a quasi-judicial body. Government do not interfere in the workings of the Board for Industrial and Financial Reconstruction (BIFR).

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation [SI. No. 41 (ill), Para No. 2.94]

Banks and other financial institutions may consider moratorium against payment of loans for two or three years to deserving textile mills.

Reply of the Government

In order to mitigate the financial problems faced by the textile industry the Ministry of Textiles has convened a series of meetings, including one chaired by the textile Minister, with the representative of the industry, Commercial Banks/Financial Institutions. At the meeting, the representatives of Banks and financial Institutions were urged to relax the norms for lending, wherever possible to accommodate the present needs of the textile industry such as expediting credit flow the textile sector, extending concessions like funding of overdue term loan installments and interest, waiver of penal and compound interest, reducing interest on working capital loan etc. Minister of State (Revenue, Banking & Insurance) also met the representatives of Banks and financial Institutions to consider the working capital requirements of the textile industry. The representative of Banks and Financial Institutions have promised due consideration to the issues on a case to case basis including procurement of cotton and rescheduling of loans etc.

[Ministry of Textiles No. 3/7/94-CTI Dated 29-12-99]

Observation/Recominendation (SI. No. 43, Para No. 3.48)

The Committee .are apprised that right from the incorporation of the subsidiaries in 1974 the rate of interest charged on National Textile Corporation which was 14% was increased to 18% from 1992-93.,The amount of accumulated interest on NTC is roughly Rs. 500 crore. The Ministry have explained that interest rates for Public Sector Undertakings including sick companies was prescribed by the Ministry of Finance. This interest subsidy was given to NTC every year up to 1991-92.

Keeping in view the fact that **the** health of NTC mills was never sound, the Committee are concerned to observe that hike in the rate of interest charged on loans advanced to NTC adversely affected the already deteriorating condition of National Textile Corporation mills.

The Committee therefore, desire that the Government should examine the feasibility of providing funds to NTC mills at subsidized rates of interest and the outcome of the study should be reported to the Committee.

Reply of the Government

The Government had been charging interest @ 6.5% p.a. in 1974-75 which was increased to 15.5% p.a. in 1983-84 and 18.5% as on date. However, while considering the capital restructuring of NTC. The Government granted interest subsidy in 1992 equal to the interest outstanding as on 31-3-1992. Again, while sanctioning the turn Around Strategy of NTC Mills in 1995 the government sanctioned interest holiday on all loans outstanding as on 31-3-1994.

Government has kept in abeyance recovery of all Government loans- and interest thereon as on 31-3-94 and further granted interest holiday from 1.4.94. Further subsidized interest rate will not really help NTC in revival. As 8 subsidiaries are before the BIFR any such reliefs can only be as part of the revival schemes with the approval of Finance Ministry.

[Ministry of Textiles No. 3/7/94-CTI, Dated 29-12-99]

Observation/Recommendation (Sl. No. 54, Para No. 3.59)

As per the Annual Report of the Ministry of Textiles for the year 1997-98 there were 97609 workers on roll at the end of February, 1998. As per the turn Around Strategy 1995, 62086 workers and 7385 officers and staff totaling 69471 employees were identified as surplus. Since September, 1992-when the Voluntary Retirement Scheme (VRS) was introduced, 52683 employees have opted for VRS- benefits upto February, 1998. The balance surplus employees yet to take VRS is 16788. According to the revised Turn Around Plan, 1997 prepared on unit-wise viability report based on accounts as on 31.3.1996, 49 mills were found to be viable and remaining 70 mills unviable which needed to be closed and interest of the workers protected by offering VRS. The number of unviable mills and recommended for closure may again change after updated unit wise viability report based on the accounts as on 31.3.1998 is finalized. As such, apart from surplus employees, a large number of workers would have to be retrenched on account of closure of these unviable mills.

The main objective of any VRS proposal is to improve the productivity of the unit, raise efficiency and also profitability of the viable units. The Committee desire that at the same time the interest of workers declared surplus on modernization of viable mills and rendered jobless on closure of unviable mills should be adequately protected by offering them attractive VRS package. Similar compensation package to retrenched workers of textile units destined for closure should also be offered.

Reply of the Government

A Voluntary Retirement Scheme (VRS) for surplus employees is already in operation in NTC organization. However, in order to make the scheme

more attractive with better benefit in the interest of employees, a better VRS has already been proposed on the basis of "Gujarat Pattern". This is under consideration of the government as a part of the revised revival Package involving revival of 34 mills and closure of 85 mills. There is no plan to retrench the surplus workers but to offer them VRS instead, keeping in view their interests. The workers who do not opt for the enhanced VRS during the stipulated period would be eligible only for the normal retrenchment compensation as per the ID Act.

[Ministry of Textiles No. 3/7/94-CTI, Dated 29.12.99]

CHAPTER IV

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

Observation/Recommendation (SI. No. 42, Para No. 3.47)

The Committee note that total cumulative amount actually spent i.e. Rs. 505.82 crore for modernization of NTC mills till 31.3.1995 is less than the amount sanctioned i.e. Rs. 581.63 crore. The gap during the seventh plan is mainly due to non-release of funds by the financial institutions. Consequentially some schemes taken up on selective basis during the Seventh Plan period could not be fully implemented in time and a number of schemes had also to be dropped. In 1994-95 an amount of Rs 30 crore, out of a small allocation of Rs. 34.63 earmarked for modernisation fund was permitted by Government to be utilized for payment of wages and salaries to NTC workers.

The Committee are distressed to note that no efforts were initiated in right earnest for making funds available in time for the modernization of these NTC mills. Otherwise NTC mills would not have reached such a sorry state of affairs.

Reply of the Government

It may be stated that the actual amount spent on capital expenditure including modernization is Rs. 511.82 crore as against Rs. 505.82 crore observed by the Committee.

The NTC after nationalization drew up a corporate plan at an estimated outlay of Rs. 320 crore including Rs. 100 crore invested on modernization before the 6th Plan, the total amount proposed during the 6th Plan was Rs. 320 crore to be spent by March, 1985. The actual amount spent on installation of machinery was Rs. 160 crore. An amount of Rs. 194 crore was spent on rehabilitation/start-up expenses and on repairs of buildings, affluent treatment plants, etc. The total amount spent so far by NTC on modernization is Rs. 511.28 crore. Considering that the NTC has total 119

nationalized mills today, the amount spent on modernization is negligible in view of the age of these mills out of the Textile Modernization Fund. 21 mills received aid to the extent of Rs. 64.57 crore. Of these, only 10 mills completed modernization schemes at a cost of Rs. 32.91 crore and the rest 14 mills, the modernization scheme remained incomplete due to non-sanction and non-release of requisite funds.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Observation/Recommendation (Sl. No. 13, Par* No. 1.48)

The Committee note with concern that there is no machinery in the Ministry of Textiles to detect sickness in individual private textile mills at an incipient stage. After establishment of the Board for Industrial and Financial Reconstruction (BIFR), sickness in all industries including textile units, are looked into by the Board. Under provisions in section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, all sick industrial Companies are required to report their sickness to BIFR. Further, Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, was amended *w.e.f.* 1.2.1994 by adding new Section 23-A to ensure that in case the company does not report its sickness to BIFR, other involved agencies may report the facts of any such incipient sickness in units to BIFR so that necessary steps could be taken to arrest the sickness. However, no case of incipient sickness in textile industry has been reported to BIFR by FIs/Banks/State Governments, etc. after the amendment. The position in reality may be quite different. *The* Committee feel that the intended objectives under Section 23 A of the Sick Industrial Companies (Special Provisions) Act, 1985 for reporting incipient sickness in units to BIFR by the involved agencies are not being observed. That may be due to either reluctance on the part of the involved agencies like FIs/Banks, State Government authorities, etc. or lack of awareness of the provisions of Section 23 A of SICA on the part of the lower rung of administration of these agencies. The Committee desire that the Ministry of Textiles should take up the matter with the Ministry concerned with the administration of SICA for issuing necessary instructions to the concerned agencies for observing statutory provisions for reporting incipient sickness in industrial units to BIFR.

Reply of the Government

The Ministry of Textiles has apprised the Ministry of Finance about the findings of the Committee vide O/M No. 3/7/94-Cn dated 27.5.1999 for taking necessary action «n the matter.

(Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 21, Par* No. 2.74)

The Committee find it surprising that details in respect of 29 Private sector mills have not been furnished by the Ministry of Textiles and details in respect of 15 mills in Cooperative Sector are not available with IDBI. The Ministry of Textiles who are entrusted with overall responsibility for policy formulation, regulation and development of the textile industry in the country, have not bothered to ascertain and furnish details of these mills to the Committee. This is a clear evidence of unsatisfactory functioning of the Ministry. The Committee feel that the Ministry of Textiles should have made earnest efforts to ascertain the details of these sick mills as also to get their viability determined.

Reply of the Government

The observations of the Committee are noted for compliance. The Textile Commissioner has been asked to ascertain the details of the mills under reference.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

Observation/Recommendation (SI. No. 41 (iv). Pan No. 2.94]

To rejuvenate the textile industry, the Committee also desire as follows:
Government of India may consider reintroducing its 1989-90 scheme for granting interest free excise loan repayable in seven years to side units.

Reply of the Government

The matter comes under the purview of the Ministry of Finance and the Ministry of Textiles has taken up the matter with the Ministry of Finance.

[Ministry of Textiles No. 3/7/94-CTI Dated 29.12.99]

NEW DELHI :

April 17, 2000

UMMAREDDY VENKATESWARLU,

Chairman, Committee on Estimates .

APPENDIX I

MINUTES OF SITTING OF THE ESTIMATES COMMITTEE

(1999-2000)

Third Sitting

The Committee sat on Wednesday, the 22nd March, 2000 from 1400 to 1450 hours.

PRESENT

Prof. Urmareddy Venkateswarlu—*Chairman*

MEMBERS

2. Sbri S. Bangarappa
3. Shri Girdhari Lal Bhargava
4. Sbri Lal Muni Chaubey
5. Shri Ram Tahal Chaudhary
6. Sbri AJay Singh Chautala
7. Shrimati Sheela Gautam
8. Shri Shankar Prasad Jaiswal
9. Shri Vinod Khanna
10. Dr. C. Krishnan
11. Dr. Ram Krishna Kusmaria
12. Shri P.R. Kyndiah
13. Shri Sanat Kumar Mandal
14. Shri Manjay Lal
15. Shri Shyam Bihari Mishra
16. Shri Nagmani
17. Shri Jitendra Prasada
18. Prof. Rasa Singh Rawat
19. Sbri Abdul Rashid Shaheen
20. Shri Mabeshwar Singh
21. Shri Rampal Singh
22. Shri Lal Bihari Tiwari

23. Shri Shankersinh Vaghela

SECRETARIAT

1. Shri John Joseph — *Joint Secretary*
2. Shri K.L. Narang — *Director*
3. Shri Cyril John — *Under Secretary*

2. »• *• * *

3. The Committee then considered their Draft Report on action taken by Government on the recommendations contained in, the Fourth Report of the Estimates Committee (Twelfth Lok Sabha) on the Ministry of Textiles—Sickness/Closure of Textile Industry and adopted the same with modifications as given in the Annexure.

4. The Committee authorised the Chairman to finalise the Draft Report in the light of modifications as also to make verbal and other consequential changes in the Draft Report arising out of the factual verification by the Ministry and present the same to the House.

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The Committee then adjourned.

ANNEXURE

MODIFICATIONS MADE THE ESTIMATES COMMITTEE IN TOE
DRAFT REPORT ON ACTION TAKEN BY GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN THE FOURTH REPORT
(TWELFTH LOK SABHA) ON THE MINISTRY OF TEXTILES
SICKNESS/CLOSURE OF TEXTILE INDUSTRY

Para No. Line Modifications

1.7 I *For "The Committee are happy to note".
Read "The Committee note".*

For 'The Committee appreciate the Government for initiating.'

Read "The Committee also take note that the Government have initiated.'

At the end add 'They also desire that the Ministry should consult the State Governments and others concerned with the recommendations made by the Expert Committee before finalising the New Textile Policy.'

APPENDIX H

(Vide Introduction to Report)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE 4TH THE ESTIMATES COMMITTEE (TWELFTH LOK SABHA)

I. Total number of Recommendations/Observations	57
II. Recommendations/Observations which have been accepted by Government: (Nos. 1, 2, 3, 4, 5, 7, 8, 9, 10, II, 12, 14, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 37, 38, 39, 40, 41(i) 41(ii), 44, 45, 46, 47, 48, 49, 50, 51, 52 and 53)	48
Percentage	84.2%
III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies: (Nos. 6, 33, 41(iii), 43 and 54)	5
Percentage	8.8%
IV. Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee (No. 42)	I
Percentage	1.7%
V. Recommendations/Observations in respect of which final replies of Government are still awaited (Nos. 13, 21 and 41(iv))	3
Percentage	5.3%

