

PUBLIC ACCOUNTS COMMITTEE
(1976-77)

(FIFTH LOK SABHA)

TWO HUNDRED AND THIRTY-SEVENTH REPORT

IMPORT OF TEXTILE MACHINERY

MINISTRY OF COMMERCE

[Action taken by Government on the recommendations
of the Public Accounts Committee contained in
their 194th Report (Fifth Lok Sabha)]



LOK SABHA SECRETARIAT
NEW DELHI

October, 1976/Kartika, 1898 (S)

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CORRIGENDA TO 237TH REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE (FIFTH LOK SABHA) PRESENTED TO LOK SABHA
ON 2ND NOVEMBER, 1976

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PUBLIC ACCOUNTS COMMITTEE

(1976-77)

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Shri H. N. Mukerjee

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3. Shri Dinen Bhattacharya
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20. Shri Indradeep Sinha
21. Shri Omprakash Tyagi
22. Shri Zawar Husain

SECRETARIAT

Shri N. Sunder Rajan—*Officer on Special Duty.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Two Hundred and Thirty-Seventh Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundred and Ninety-Fourth Report (Fifth Lok Sabha) on 'Import of Textile Machinery' commented upon in Paragraph 31 of the Report of the Comptroller and Auditor General of India for the year 1973-74, Union Government (Civil).

2. On 5 June, 1976 an 'Action Taken Sub-Committee' consisting of the following Members was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports:—

- | | |
|---------------------------------------|------------------|
| Shri H. N. Mukerjee— <i>Chairman</i> | |
| 2. Shri N. K. Sanghi— <i>Convener</i> | |
| 3. Shri Dinen Bhattacharya | } <i>Members</i> |
| 4. Shri Chandulal Chandrakar | |
| 5. Shri Raja Kulkarni | |
| 6. Shri Shyam Sunder Mohapatra | |
| 7. Shri Priya Ranjan Das Munsri | |
| 8. Shri Sardar Amjad Ali | |
| 9. Shri Indradeep Sinha | |
| 10. Shri Omprakash Tyagi | |

3. The Action Taken Sub-Committee of the Public Accounts Committee (1976-77) considered and adopted this Report at their sitting held on the 14th October, 1976. The Report was finally adopted by the Public Accounts Committee on the 25th October, 1976.

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. For facility of convenience of conclusions/recommendations of the Committee have also been appended to the Report in a consolidated form.

5. The Committee place on record their appreciation of the assistance rendered to them in this matter by the Comptroller and Auditor General of India.

NEW DELHI;
October 26, 1976.
Kartika 4, 1898 (S).

H. N. MUKERJEE,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with the action taken by Government on the Committee's recommendations/observations contained in their 194th Report (Fifth Lok Sabha) on 'Import of Textile Machinery', commented upon in paragraph 31 of the Report of the Comptroller & Auditor General of India for the year 1973-74, Union Government (Civil).

1.2. The 194th Report was presented to the Lok Sabha on 30 April 1976 and contained 23 recommendations/observations. According to the time schedule, prescribed in the Committee's 5th Report (Fourth Lok Sabha), for furnishing Action Taken Notes on the Committee's recommendations/observations, the Notes indicating the action taken by Government on the recommendations/observations contained in the 194th Report were required to be furnished by 31 October 1976. The Ministry of Commerce had, however, been requested, on 18 June 1976, to furnish the relevant Notes latest by 31 August 1976. On a request made by the Ministry, the time limit had subsequently been extended till 30 September 1976 and all the Action Taken Notes* were made available in accordance with this revised schedule.

1.3. The Action Taken Notes received from Government have been broadly categorised as follows:

(i) *Recommendations/observations that have been accepted by Government :*

Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 13, 17; 18, 19; 20; 21; 22 and 23.

(ii) *Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from Government.*

NIL

(iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration :*

Sl. Nos. 14 and 15.

*Not vetted in Audit.

(iv) *Recommendations/observations in respect of which Government have furnished interim replies :*

Sl. Nos. 8, 9, 10, 11, 12 and 16.

1.4. The Committee expect that final replies to those recommendations/observations in respect of which only interim replies have so far been furnished will be made available to them expeditiously, after getting them vetted by Audit.

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

Under-utilisation of the installed capacity of the indigenous textile machinery industry. (Paragraph 1.23—Sl. No. 2).

1.6. Commenting on the country's dependence on imports of textile machinery, spares and accessories and the wide gap between the installed capacity of the indigenous textile machinery industry and its actual production, the Committee, in paragraph 1.23 of the Report, had recommended, *inter alia*, as follows :

“Paucity of funds, inadequate assistance from financial institutions and the stagnation in the cotton textile industry have been cited as the primary reasons for the non-utilisation of the installed capacity to its optimum. The Committee understand that certain steps are being taken and more are under consideration by Government to meet the requirements of the textile machinery manufacturers. The Committee would urge Government to tackle the question on a priority basis. The Committee feel that had the capacity for the manufacture of textile machinery been developed on a realistic basis right from the inception, there would not have been this problem of gross under-utilisation. In any case, the Committee stress that a realistic assessment should now be made and a perspective plan drawn up in consultation with the textile industry and the textile machinery manufacturers with a view to facilitating rationalisation and modernisation.”

1.7. The Action Taken Note, dated 21 September 1976, furnished by the Ministry of Commerce on the above recommendation is reproduced below:

“In order to make a realistic assessment of the actual requirement of textile machinery as also the requirement of textiles in the coming years, a scheme for modernising the textile industry is being formulated in consultation with the Industrial Development Bank of India (IDBI).”

1.8. The Committee note that a scheme for modernising the textile industry is being formulated by Government in consultation with the Industrial Development Bank of India in order especially to make a realistic assessment of the actual requirement of textile machinery and textiles in the coming years. The scheme should be finalised as soon as possible and its implementation closely monitored so that constraints and bottlenecks can be overcome immediately as they come to notice. The Committee would like special care to be taken for the manufacture of cloth of acceptable quality and its supply at reasonable prices to the weaker sections of our society who have suffered so long and so grievously in this regard. The details of the said scheme should be intimated soon to the Committee.

Delay in enforcing penalty provisions for non-fulfilment of export obligations. (Paragraphs 1.71 and 1.72—Sl. Nos. 7 and 8).

1.9. Expressing concern over the unduly long time taken in invoking and enforcing the penalty provisions for the non-fulfilment of export obligations by importers who had been granted licences for the import of textile machinery, the Committee, in paragraphs 1.71 and 1.72 of the Report, had recommended:

“1.71. The Committee are perturbed that even in cases of established default, Government took much time to invoke and enforce the provision for the levy of penalty in the bonds executed by the defaulting parties. For instance, in the case of Marsden Spinning & Weaving Mills Co. Ltd., the export obligation was to be discharged in a period of five years commencing from 1 April 1961. Its actual export performance, as against the obligation of 128.29 lakhs yards, was reported to be only 22.92 lakh yards; even for this figure, there is no documentary evidence. Yet, the demand notice for the recovery of penalty of Rs. 10.53 lakhs was issued only on 27 May 1969, after three years of the lapse. Seven more years have elapsed since then and the decision to file a civil suit for the recovery of the penalty is yet to be implemented. Again, in the case of New Commercial Mills, though the export obligation, valued at Rs. 32.77 lakhs, to be discharged by December, 1966, demand notice for the payment of penalty for not having effected any exports, was issued nearly four years later. Similarly, in the case of Kishan Chand & Co., though the imported machinery had been commissioned in October 1967, and though it was also

known to Government, 'soon after' the installation of the machinery, that the imported machinery was not capable of producing 'exportable quality cloth', notice for the penalty of Rs. 2 lakhs was issued some seven years later, in September 1974. In respect of Mahendra Mills and Jagatjit Cotton Mills, notices for the recovery of penalties of Rs. 33.53 lakhs and Rs. 21.56 lakhs had been issued respectively on 20 February 1970 and 13 July 1971 and a decision to file civil suits against the mills was taken only in 1975."

"1.72. The Committee have, in this connection, been told of an official decision that before resorting to legal action necessarily involving expenditure of money and time, a period of no more than two to three years would be allowed to the defaulting mills to fulfil their export obligation. While the Committee might concede that there is some justification for this decision, they note that this decision was taken only recently in November 1974 after a review of the pending cases. This implies that prior to 1974, the action taken in this regard had been inadequate. The Commerce Secretary concedes that when a party is apparently incapable of performing his obligation there is no point in waiting indefinitely. The Committee would, therefore, require the reasons for the delay in issuing demand notices and in initiating legal proceedings, wherever called for, to be investigated in each case with a view to appropriate action."

1.10. In their Action Taken Note dated 21 September, 1976, the Ministry of Commerce have stated:

"As desired by the Committee, the Textile Commissioner has been advised to investigate into the reasons for the delay in issuing demand notice and in initiating legal proceedings in each case with a view to taking appropriate action."

1.11. Now that the Textile Commissioner has been asked to investigate into the reasons for the delay in issuing demand notices and in initiating legal proceedings for the non-fulfilment of export obligations by mills which had been granted licences for the import of textile machinery, the Committee desire that these investigations should be completed early and appropriate action taken, under advice to them, against the officials who are found to have been remiss in the discharge of their responsibilities.

Non-fulfilment of export obligation by Arthur Imports & Exports Co. (Paragraphs 1.75 and 1.76—Sl. Nos. 11 and 12).

1.12. Commenting on the failure of Arthur Imports & Exports Co. to fulfill the export obligation cast upon them, for well over 15 years, against the licence granted to them for the import of spindles, the Committee, in paragraphs 1.75 and 1.76 of the Report, had recommended as follows:

“1.75. The Committee, in particular, take an extremely serious view of the non-fulfilment of the export obligation by Arthur Imports & Exports Company on the ground that the obligation would arise only after all the 5,000 spindles, for which the industrial licence had been issued, are installed. What is even more deplorable in this unsavoury episode is that even the 2,500 spindles imported by the firm are yet to be commissioned and the valuable foreign exchange spent on the imports has remained unproductive. It is, therefore, evident that ‘effective steps’ have not been taken for well over 15 years, by the importers for establishing the industrial undertaking for which the licence had been issued and it is distressing that on account of legal hurdles, Government have been placed in a helpless and embarrassing position. Though the case has been ‘under examination’ in the Commerce Ministry since 1965, no effective solution has yet been found to break the deadlock. The Committee have been informed in this connection that a second legal opinion has now been sought and would like to know what it is and what has been done. Since the Law Ministry appears to hold the view that an amendment to the Industries (Development & Regulation) Act would be necessary, the Committee desire that this should be examined quickly, in consultation with the Attorney General, and necessary action initiated.”

“1.76. The reasons for the delay of over ten years for the ‘examination’ of the case by Government have also not been satisfactorily explained. The Committee would like a more specific clarification and the reasons why the delay could not be avoided. Having regard to the fact that this particular firm and its associates have earlier come in for adverse comments repeatedly by the Public Accounts Committee and also by the Central Bureau of Investigation, the Committee desire that the circumstances leading to the non-commissioning of the 2,500 imported

spindles by the firm should be investigated in detail with a view to ascertaining if any malafides were involved. The Committee would await a specific report in this regard."

1.13. In their Action Taken Notes dated 21 September 1976, the Ministry of Commerce have replied:

Paragraph 1.75.

"As desired by the Committee the second legal opinion given by Law Ministry is enclosed. (Reproduced in Chapter V). In accordance with the advice given by the Law Ministry a show cause notice was given to the licensee. The licensee has submitted a reply to the show cause notice issued to them which is under examination in consultation with Law Ministry."

Paragraph 1.76.

"As desired by the Committee, the Central Bureau of Investigation is being requested to investigate in detail into the circumstances leading to the non-commissioning of 2,500 imported spindles with a view to ascertaining if any malafides are involved. A specific Report will be submitted on receipt of the CBI's report."

1.14. The Committee have been informed that on the basis of the advice given by the Law Ministry, a show-cause notice was issued to Arthur Imports & Exports Co., for the non-fulfilment of export obligations and that the reply received from the firm in this regard is 'under examination'. More than a year has elapsed since a second legal opinion was obtained in this case and it is disconcerting that strong and principled action is yet to be taken against the firm for its default, even when it appears to have resorted to evasive tactics. This case, which should have been concluded long ago, is being tardily processed since 1965. The Committee wish that positive steps are taken at once, on a top priority basis, to break the impasse. A further report in this regard should reach the Committee within two months.

1.15. The Committee note that at long last the Central Bureau of Investigation is being requested to investigate the circumstances leading to the non-commissioning of the spindles imported so far by the aforesaid firm with a view to ascertaining whether any malafides were involved. These investigations should be completed early and

Government should proceed to take all requisite action. The Committee would require information on this account without delay.

1.16. The Committee find that though they had specifically enquired into the reasons for the delay of over ten years for the 'examination' of this case by Government and the reasons why this delay could not be avoided, the reply now furnished by the Commerce Ministry is just silent on this aspect. That this should be so in spite of repeated comments by the Committee emphasising that the Action Taken Notes furnished by the Ministries should be explicit and self-contained is deplorable. The delay in this case is clearly abnormal, and the Committee would, as in similar cases earlier, ask for a detailed explanation forthwith.

1.17. The action, if any, taken by the Ministry on another recommendation of the Committee that 'Government should examine quickly, in consultation with the Attorney General, whether any amendment to the Industries (Development & Regulation) Act was necessary' has also not been intimated to the Committee. The Committee urge that this should be done at once and all necessary action taken.

Irregular grant of REP licences against exports made in fulfilment of export obligations. (Paragraphs 1.91 and 1.92—Sl. Nos. 14 and 15).

1.18. Dealing with the irregular grant of Import Replenishment Licences, valued at Rs. 5.42 crores, to exporters of cotton textiles for their exports made against export obligations, in contravention of the Government policy in this regard, the Committee, in paragraphs 1.91 and 1.92 of the Report, had recommended as follows:

"1.91. The Committee note that though the policy laid down for the grant of Import Replenishment Licences for Registered Exporters against exports made in fulfilment of export obligations imposed on Capital Goods Licences stipulated that no benefits would be available on exports made in discharge of export obligations prior to 1st April 1969, import licences for Rs. 5.42 crores were issued upto April 1970 to exporters of cotton textiles for their exports made against obligations upto March 1969. It would, therefore, appear that the implementation of the policy in this regard in the field has been woefully defective. The Committee would like to know why the policy had not been implemented and whether responsibility for the lapse has been fixed."

"1.92. The Committee learn that the incentives irregularly granted would be recovered and that the representations to the contrary received from the industry in this regard have not been entertained. Since the amount involved in the irregular grant of incentives is large and considerable time has also already elapsed since these incentives were allowed incorrectly, the Committee call for urgent steps to effect recoveries on the basis of a time-bound programme and would like to be informed of the progress made in this regard so far."

1.19. The Action Taken Notes dated 21 September 1976 furnished in this regard by the Ministry of Commerce are reproduced below:

Paragraph 1.91.

"The matter has been enquired into and it has been found that the absence of any uniform procedure prior to the issue of detailed General Licensing Instructions in 1970 led to some cases of grant of Replenishment benefits even against Capital Goods-tied exports. But wherever such ineligible benefits were extended and wherever such lapses came to notice, steps were taken for the adjustment of Replenishment benefits from the subsequent eligible entitlements of the parties concerned."

Paragraph 1.92.

"The authority concerned has been advised to effect recoveries as desired by the Committee and the progress made in this regard will be intimated to the Committee in due course."

1.20. If, as now stated by the Ministry, steps were taken for the adjustment of 'Replenishment benefits' incorrectly allowed to exporters even against Capital Goods—tied exports, from the subsequent eligible entitlements of the parties concerned, the Committee are unable to understand how the irregular grant of such benefits, valued at a sum as large as Rs. 5.42 crores, to cotton textile exporters just escaped notice and so remained unrecovered. It is evident that the follow-up action in the field on the General Licensing Instructions issued in this regard in May 1970 has been woefully inadequate. The Committee would reiterate their earlier observations in this regard and desire fixation of responsibility for the failure to implement Government policy on this question.

1.21. The Committee note that the authority concerned has now been 'advised' to effect recoveries from the exporters who have had

the advantage of irregular extension of such benefits. As already recommended by them, the Committee would urge Government to prescribe a time-bound schedule in this regard and to ensure that the recoveries are effected rapidly.

Payment of cash assistance on exports against export obligations.
(Paragraph 1.94—Sl. No. 17).

1.22. In paragraph 1.94 of the Report, the Committee had recommended:

“The Committee are concerned to find that besides import replenishments incorrectly allowed on exports made against export obligations upto March 1969, Government had also paid, between April 1968 and May 1970, about Rs. 57 lakhs out of the Consolidated Fund of India, to the Indian Cotton Mills Federation for payment of cash assistance for such exports of textiles against export obligations upto March 1969. Though it has been contended that this assistance had been paid to the industry not by Government but by the Federation out of its export promotion fund to which contributions were made by Government, it has been admitted by the representative of the Finance Ministry during evidence that some of the exports which were included in the total exports for which cash assistance had been paid by the Federation might have been made by mills which had export obligations also. It is, therefore, evident that an unintended benefit which is not in accordance with Government's policy, has been made available to such mills. The Committee would ask Government to explore the possibility of recovering on a *pro-rata* basis. Its share of the incentives irregularly allowed on exports against export obligations upto March 1969.”

1.23. In their relevant Action Taken Note dated 21 September 1976, the Ministry of Commerce have stated:

“The Indian Cotton Mills' Federation, which disbursed cash assistance for the relevant period, has been asked by the Textile Commissioner to explore the possibilities of recovery of the share of the Government's contribution made in the payment of cash assistance to the mills concerned during the period April 1968 to May 1970, on a *pro-rata* basis.”

1.24. The Committee note that the Indian Cotton Mills' Federation has been asked by the Textile Commissioner to explore the possibilities of recovering, on a pro rata basis, Government's share of the incentives irregularly allowed on exports made against export obligations. They desire that this should be pursued vigorously with the Federation and the outcome of the efforts made in this regard intimated to them early.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that in spite of the progress achieved by the indigenous textile machinery industry since 1952, the country is still largely dependent on imports and that during the period 1960-61 to 1973-74, the value of imports of textile machinery, spares and accessories totalled Rs. 2957.31 millions. Though indigenous production has increased at what the Commerce Ministry describes as 'a fairly sharp rate' and brought about substantial import substitution, the Committee are worried over the wide gap still subsisting between the installed capacity of the indigenous industry and its actual production, a gap which ranged between 31.5 per cent and 41 per cent of the installed capacity during the period from 1969 to 1973-74. If the targets proposed in the Fifth Five Year Plan for the textiles industry are to be achieved, the indigenous textiles machinery industry must take concerted steps to discharge the heavy responsibility cast on it. Unless this industry is able to meet the growing needs of our textile manufacture, essential and long-overdue modernisation, rehabilitation and expansion will be badly hindered.

[Sl. No. 1 (Para 1.22) of Appendix V to the 194th Report
(Fifth Lok Sabha)]

Action taken

Observation of the Committee are taken note of. In order to better utilise the installed capacity, the machinery manufacturers are being permitted to diversify their capacity to manufacture new items. Proposals for import of designs and drawings for fabricating equipment in the country are being considered under the simplified procedure where under a manufacturer, who is licensed can import designs and drawings upto a value of 5 lakhs in a year. This facility has been given to ensure fuller utilisation of fabrication capacity in the machinery manufacturing industry and to reduce import of capital goods.

[Ministry of Commerce O.M. No. 1/4/76-Tex. (II)
dated 21-9-1976]

Recommendation

Paucity of funds, inadequate assistance from financial institutions and the stagnation in the cotton textile industry have been cited as the primary reasons for the non-utilisation of the installed capacity to its optimum. The Committee understand that certain steps are being taken and more are under consideration by Government to meet the requirements of the textile machinery manufacturers. The Committee would urge Government to tackle the question on a priority basis. The Committee feel that had the capacity for the manufacture of textile machinery been developed on a realistic basis right from the inception, there would not have been this problem of gross-under-utilisation. In any case, the Committee stress that a realistic assessment should now be made and a perspective plan drawn up in consultation with the textile industry and the textile machinery manufacturers with a view to facilitating rationalisation and modernisation.

[Sl. No. 2 (Para 1.23) of Appendix V to the 194th Report
(Fifth Lok Sabha)]

Action taken

In order to make a realistic assessment of the actual requirement of textile machinery as also the requirement of textiles in the coming years, a scheme for modernising the textile industry is being formulated in consultation with the Industrial Development Bank of India (IDBI).

[Ministry of Commerce O.M. No. 1/4/76-*Tex.*(II)
21-9-76]

Recommendation

The Committee are seriously concerned to note that the machinery manufacturers, according to a study made by the World Bank, are producing machinery of "1950-60 vintage with little prospect of sustained longterm growth" and that only a few manufacturers accounting for only 25 to 30 per cent of the industry's output could be considered as "internationally competitive, quality and price-wise". This underlines the scope for improvement in quality and price of the machinery turned out by the textile machinery manufacturers. The Committee are of the view that there should be a strong Research and Development support given to the industry so that machinery design and manufacturing methods could be upgraded and the production made more competitive in quality and price. In the ultimate analysis, it is the quality, output and economics of the machine

which would determine its acceptance by the textile industry and it is, therefore, in the interest of all involved in the industry that the quality of the machinery is improved at the earliest.

[Sl. No. 3 (Para 1.24) of Appendix V to the 194th Report
(Fifth Lok Sabha)]

Action taken

Government agrees that a strong research and Development support is essential for the industry so as to upgrade the machinery design and make the designs more competitive in quality and price. The machinery industry is making attempts to improve their design, and research institutes, engaged in the task of Research and Development for the textile machinery, are lending support in this effort. To enable the machinery manufacturers to up-date their designs wherever necessary import of technical know-how is being considered liberally. Import of Capital equipment/prototype etc. are being considered for financing through the Technical Development Fund.

[Ministry of Commerce O.M. No. 1/4/76-Tex.(II)
dated 21-9-1976]

Recommendation

The Committee would, in particular, like the textile machinery manufacturers to take a special note of the increasing stress which is being laid on the manufacture of cloth of acceptable quality and at competitive rates for the general public, especially the weaker sections of society and like the textile machinery manufacturers to bring about the desired re-orientation in their manufacturing programmes with the help of R & D and in consultation with the textile mills.

[Sl. No. 4 (Para 1.25) of Appendix V to the 194th Report
(Fifth Lok Sabha)]

Action taken

Observation of the Committee are noted. Action is being taken to bring these to the notice of the concerned authorities.

[Ministry of Commerce O.M. No. 1/4/76-Tex.(II)
dated 21-9-1976]

Recommendation

The Committee feel that the Government have also been remiss in the monitoring closely the development and utilisation of the capacity of textile machinery manufacturers, as otherwise things

would not have come to this sorry pass. The Committee would like Government to rectify this deficiency without delay by keeping a close watch on the developments in the textile industry and co-relating it with the capacity and utilisation of the textile machinery manufacturers so as to ensure that these twin sectors function in an integrated manner in the larger public interests.

[Sl. No. 5 (Para 1.26) of Appendix V to the 194th Report
(Fifth Lok Sabha)]:

Action taken

The Ministry of Commerce had set up in January, 1972, a Working Group to determine measures for reorienting textile machinery industry to meet the needs of modernisation of cotton textile mill industry. On receipt of the Report of the Working Group, the Government identified certain sophisticated items of textile machinery for which there was a pent up demand from the mills throughout the country and the consequent pressure for allowing imports. With a view to ensure a speedy production of these items in the country, the Government entered into a dialogue with prospective manufacturers for inducing them to enter these sophisticated areas. Proposals have subsequently been received and processed by the Government expeditiously for taking up of the above items in collaboration with renowned manufacturers in the world. A number of schemes were approved which are at various stages of implementation. While production of some of the items is almost on the anvil, for others production is likely to commence in two or three years time.

[Ministry of Commerce O.M. No. 1/4/76-*Tex.*(II)
dated 21-9-1976]

Recommendation

The Committee are concerned to note that 19 out of the 220 importers who had been granted between 1957 and 1969 licences for the import of textile machinery and spares had not, till December 1974, either discharged their export obligations or produced evidence of the exports claimed to have been made by them. While some of these cases have since been decided, three mills (Orissa Textile Mills, Mafatlal Fine Spinning & Weaving Co. Ltd. and Ahmedabad Manufacturing & Calico Printing Co. Ltd.) have been asked to furnish evidence in support of their further exports and action has been initiated to file civil suits for the recovery of the penalty for non-fulfilment of export obligations from three other mills (Mahendra

Mills, Marsden Spinning & Weaving Mills Ltd, and Jagatjit Cotton Textile Mills). In one case, (Bengal Fine Spinning & Weaving Mills Ltd), the authorised controller of the mill, which was closed in March 1970, and was taken over by the National Textile Corporation in 1972, is stated to have promised to take steps to fulfil voluntarily the balance obligation of 7.58 lakh yards. Another case (New Commercial Mills) is stated to be pending before the High Court and is, therefore, *sub-judice*. A total penalty of Rs. 80 lakhs remains still to be recovered. As many of these cases have now been pending finalisation for very long periods, the Committee desire that immediate steps should be taken to finalise them.

[Sl. No. 6 (Para 1.70) of Appendix V to the 194th Report
(Fifth Lok Sabha)].

Action taken

As recommended by the Committee, immediate steps have been taken and are continuing for finalising the cases mentioned in the paragraph. In case of Mafatlal Fine Spinning & Weaving Co. Ltd. and Ahmedabad Manufacturing & Calico Printing Co. Ltd., the export obligations have been fulfilled and the Bonds have been duly discharged. In case of Orissa Textile Mills, the period of fulfilment is yet to be over and the progress with regard to export obligation is being kept under constant watch. In case of Mahendra Mills and Jagatjit Cotton Textile Mills, civil suits for the recovery of the penalty for non-fulfilment of export obligation are going to be filed shortly for which all preparations have been finalised. In case of Marsden Spg. and Wvg. Mills Ltd., the plaint has already been lodged in Bombay High Court. In case of Bengal Fine Spg. and Wvg. Mills Ltd., the mill has exported 3.98 lakh yards out of the balance obligation of 7.58 lakh yards and the rest is proposed to be completed voluntarily.

[Ministry of Commerce O.M. No. 1/4/76-Tex. (II) dated
21-9-76]

Recommendation

The Committee are perturbed that even in cases of established default, Government took much time to invoke and enforce the provision for the levy of penalty in the bonds executed by the defaulting parties. For instance, in the case of Marsden Spinning & Weaving Mills Co. Ltd., the export obligation was to be discharged in a period of five years commencing from 1 April, 1961. Its actual export performance, as against the obligation of 128.29 lakhs yards, was reported to be only 22.92 lakh yards; even for this figure, there

is no documentary evidence. Yet, the demand notice for the recovery of penalty of Rs. 10.53 lakhs was issued only on 27 May 1969, after three years of the lapse. Seven more years have elapsed since then and the decision to file a civil suit for the recovery of the penalty is yet to be implemented. Again, in the case of New Commercial Mills, though the export obligation, valued at Rs. 32.77 lakhs, was to be discharged by December 1966, demand notice for the payment of penalty for not having effected any exports, was issued nearly four years later. Similarly, in the case of Kishan Chand & Co., though the imported machinery had been commissioned in October 1967, and though it was also known to Government, 'soon after' the installation of the machinery, that the imported machinery was not capable of producing 'exportable quality cloth', notice for the penalty of Rs. 2 lakhs was issued some seven years later, in September 1974. In respect of Mahendra Mills and Jagatjit Cotton Mills, notices for the recovery of penalties of Rs. 33.53 lakhs and Rs. 21.56 lakhs had been issued respectively on 20 February 1970 and 13 July 1971 and a decision to file civil suits against the mills was taken only in 1975.

[Sl. No. 7 (para 1.71) of Appendix V to the 194th Report
(Fifth Lok Sabha)].

Action taken

As desired by the Committee, the Textile Commissioner has been advised to investigate into the reasons for the indicated delay in issuing demand notice and in initiating legal proceedings in each case with a view to taking appropriate action.

[Ministry of Commerce O.M. No. 1/4/76-Text. (II) dated
21-9-76]

Recommendation

Incidentally, the Committee's attention has been drawn to the refusal of Rayex India Ltd., a company floated by the Silk and Rayon Textiles Export Promotion Council, to lift four art-silk sizing machines imported about a decade ago, on its behalf, by the State Trading Corporation at a cost of Rs. 43.19 lakhs plus customs duties amounting to Rs. 11.50 lakhs. The machines which had been imported to help in the export effort in synthetic textiles have so far failed to fulfil the objective and the State Trading Corporation which had under-written the purchase has been placed in an embarrassing predicament with unwanted machines on its hands on account of the default and dilatoriness of Rayex India Ltd. The Committee have been informed that legal advice has been sought for the recovery of the dues from the company and would like to know what

has happened since. Early action should also be taken to dispose of the machines.

[Sl. No. 13 (para 1.77) of Appendix V to the 194th report
(Fifth Lok Sabha)].

Action taken

A mutually satisfactory agreement has been reached between Rayex India Ltd., and the State Trading Corporation regarding disposal of the sizing machines. It has been agreed that Rayex India Ltd. would pay approx. Rs. 55 lakhs being the actual cost of the sizing machines when they were imported. The agreed price of the sizing machines to be recovered through a mutual acceptable procedure which includes recovery from the auction, proceeds of these machines. This agreement between State Trading Corporation and Rayex India Ltd. is yet to be implemented.

[Ministry of Commerce O.M. No. 1/4/76-*Tex.* (II) dated
21-9-76]

Recommendation

The Committee are concerned to find that beside import replenishments incorrectly allowed on exports made against export obligations upto March 1969, Government had also paid, between April 1968 and May 1970, about Rs. 57 lakhs out of the Consolidated Fund of India, to the Indian Cotton Mills Federation for payment of cash assistance for such exports of textiles against export obligations upto March 1969. Though it has been contended that this assistance had been paid to the industry not by government but by the Federation out of its export, promotion fund to which contributions were made by Government; it has been admitted by the representative of the Finance Ministry during evidence that some of the exports which were included in the total exports for which cash assistance had been paid by the Federation might have been made by mills which had export obligations also. It is, therefore, evident that an unintended benefit which is not in accordance with Government's policy, has been made available to such mills. The Committee would ask Government to explore the possibility of recovering on a *pro-rata* basis, its share of the incentives irregularly allowed on exports against export obligation upto March 1969.

[Sl. No. 17 (Para 1.94) of Appendix V to the 194th report
(Fifth Lok Sabha)].

Action taken

The Indian Cotton Mills' Federation, which disbursed cash assistance for the relevant period, has been asked by the Textile Commissioner to explore the possibilities of recovery of the share of the

Government's contribution made in the payment of cash assistance to the mills concerned during the period April 1968 to May 1970, on a *pro rata* basis.

[Ministry of Commerce O.M. No. 1/4/76-Tex. (II) dated 21-9-76]

Recommendation

The various lacunae and deficiencies in the procedures evolved for giving effect to Government policies in regard to export promotion, which have been discussed in the preceding paragraphs, bring into sharp focus the need for concurrent monitoring to see that policies were, in fact, being implemented and the desired results achieved at least to a reasonable extent and without loss of time.

[Sl. No. 18 (para 1.95) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

The observation of the Committee has been noted for future guidance and the officers concerned have been suitably instructed.

[Ministry of Commerce O.M. No. 1-4-76-Tax(II) dated 21-9-1976]

Recommendation

The discussion also brings out the need for working out in precise detail the various components of the policy. For instance, no unintended benefit should be given away, as had happened in the issue of import entitlement to textile units which were under an imperative obligation to effect the prescribed quota of exports when they were allowed the facility of importing textile machinery.

[Sl. No. 19 (para 1.96) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

At present exports made under discharge of export obligations are also entitled to export benefits. The observation of the Committee has however been noted for future guidance and the officers concerned have been suitably instructed.

[Ministry of Commerce O.M. No. 1-4-76-Tex(II) dated 21-9-1976]

Recommendation

The responsibility for correctly administering the policy should be clearly defined, as far as possible, so that accountability can be enforced in the event of a '*mala fide*' or arbitrary implementation which results in substantial loss to the exchequer.

[Sl. No. 20 para 1.97) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

The observation of the Committee has been noted and officers concerned have been suitably advised.

[Ministry of Commerce O.M. No. 1-4-76-Tex(II) dated 29-1-76]

Recommendation

The Committee feel that the data-processing machines and computers, already available with the Government Departments, can be put to meaningful use in administering economic policies. First, the information system should be such as to bring to the notice of Government whether the incentives including import entitlement, drawbacks, cash grants, etc. which are being given from public funds were actually achieving the desired increase in exports of non-traditional products or exports to new areas, or whether these were being exploited by the trade and industry to add to their profits at the expense of the public exchequer.

[Sl. No. 21 (para 1.98) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

The observation of the Committee has been noted.

[Ministry of Commerce O.M. No. 1-4-76-Tex(II) dated 21-9-76]

Recommendation

Secondly, there should be a systematic record of the obligations which are undertaken by the licensees who import machinery, equipment, etc. in order to make sure that they discharge these obligations faithfully and in time. It should be possible to monitor their performance and follow it up systematically in order to make sure that either the obligations were discharged in full or the penalties for default were strictly enforced.

[Sl. No. 22 (para 1.99) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

In order to keep a systematic watch over the discharge of export obligation, a Special Cell, called the Export Obligation Cell has been functioning in the office of CCI&E since the year 1969. Detailed procedure has been laid down to oversee the progress of discharging export obligation with regard to various types of contracts. Provi-

sion have also been made to impose penalties in case of short-fall or failure to fulfil export obligations. The functioning of the Export Obligation Cell is reviewed from time to time by an Inter-Ministerial Study Group under the Chairmanship of CCI&E.

[Ministry of Commerce O.M. No. 1-4-76-Tex(II) dated 21-9-76]

Recommendation

The Committee would also like to point out that Government have recently devolved the responsibility of maintenance of accounts, etc. on the Departments. It is, therefore, all the more necessary that the Departments should put to effective use all the modalities as well as the information and reporting devices that they can muster in order to make the units in the private sector particularly, the more substantial ones, realise that they have got to discharge faithfully the obligations imposed on them by Government in the larger public interest.

[Sl. No. 23 (para 1.100) of Appendix V to the 194th Report 5th Lok Sabha]

Action taken

The observation of the Committee has been noted and the officers concerned have been duly instructed.

[Ministry of Commerce O.M. No. 1-4-76-Tex(II) dated 21-9-76]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

NIL

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee note that though the policy laid down for the grant of Import Replenishment Licences for Registered Exporters against exports made in fulfilment of export obligations imposed on Capital Goods Licences stipulated that no benefits would be available on exports made in discharge of export obligations prior to 1st April 1969, import licences for Rs. 5.42 crores were issued upto April 1970 to exporters of cotton textiles for their exports made against obligations upto March 1969. It would, therefore, appear that the implementation of the policy in this regard in the field has been woefully defective. The Committee would like to know why the policy had not been implemented and whether responsibility for the lapse has been fixed.

[Sl. No. 14 (para 1.91) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

The matter has been enquired into and it has been found that the absence of any uniform procedure prior to the issue of detailed General Licensing Instructions in 1970 led to some cases of grant of Replenishment benefits even against Capital Goods-tied exports. But wherever such ineligible benefits were extended and wherever such lapses came to notice, steps were taken for the adjustment of Replenishment benefits from the subsequent eligible entitlements of the parties concerned.

[Ministry of Commerce O.M. No. 1-4-76-Tax(II) dated 21-9-1976]

Recommendation

The Committee learn that the incentives irregularly granted would be recovered and that the representations to the contrary received from the industry in this regard have not been entertained. Since the amount involved in the irregular grant of incentives is

large and considerable time has also already elapsed since these incentives were allowed incorrectly, the Committee call for urgent steps to effect recoveries on the basis of a time-bound programme and would like to be informed of the progress made in this regard so far.

[Sl. No. 15 (para 1.92) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

The authority concerned has been advised to effect recoveries as desired by the Committee and the progress made in this regard will be intimated to the committee in due course.

[Ministry of Commerce O.M. No. 1-4-76-Text(II) dated 21-9-76]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee have, in this connection, been told of an official decision that before resorting to legal action necessarily involving expenditure of money and time, a period of no more than two to three years would be allowed to the defaulting mills to fulfil their export obligation. While the Committee might concede that there is some justification for this decision, they note that this decision was taken only recently in Nov. '74 after a review of the pending cases. This implies that prior to 1974, the action taken in this regard had been inadequate. The Commerce Secretary concedes that when a party is apparently incapable of performing his obligation there is no point in waiting indefinitely. The Committee would, therefore, require the reasons for the delay in issuing demand notices and in initiating legal proceedings, wherever called for, to be investigated in each case with a view to appropriate action.

[Sl. No. 8 (Para 1.72) of appendix V to the 194th Report (5th Lok Sabha)]

Action taken

As desired by the Committee, the Textile Commissioner has been advised to investigate into the reasons for the delay in issuing demand notice and in initiating legal proceedings in each case with a view to taking appropriate action.

[Ministry of Commerce O.M. No. 1-4-76-Text(II) dated 21-9-76]

Recommendation

It would also appear that apart from the bonds and bank or personal guarantees taken from the importers of textile machinery stipulating the performance of certain export obligations, there is no mechanism available with Government to take effective and quick action against defaulters and that recourse has, therefore, to be necessarily had to legal action, in cases of default, which is often protracted and time-consuming. With a view to overcoming these

legal and other difficulties, the Committee suggest that Government may take a bond, against a bank guarantee, from an applicant before granting the licence for a sufficiently high amount and in such terms which would make the amount forfeitable to the Government at its discretion in case there is failure on the part of the licenced unit to faithfully discharge the obligations attached of the licence.

[Sl. No. 9(Para 1.73) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

Under the present procedure, the choice of executing bond with Bank Guarantee or legal agreement, has been left to the concerned parties. In order to enable the Government to take effective and quick action against defaulters, it is necessary to overcome the legal and other difficulties as pointed out by the Committee. Various suggestions, including amendment of Industries (Development and Regulation) Act, for ensuring timely discharge of export obligations, are under consideration of the Government. Concerned Authorities are being advised to examine the suggestions of the Committee expeditiously and take immediate decision in this regard.

[Ministry of Commerce O.M. No. 1-4-76-Tax(II) dated 21-9-1976]

Recommendation

Yet another aspect which complete attention is the lack of uniformity in the undertakings obtained from the importers for the fulfilment of export obligations. While bank guarantee had been obtained in some cases, only a personal guarantee had been obtained in the cases of Marsden Spinning & Weaving Mills Ltd. and Arthur Imports & Exports Company. Surprisingly, in one case (Bengal Fine Spinning & Weaving Mills Ltd.), no export obligation bond was obtained at all and unless the balance obligation is fulfilled voluntarily, as promised by the Mills' authorised controller, the chances of enforcing the export obligation are uncertain. Again, while in the case of Lakshmi Ratan Cotton Mills and Mysore Spinning & Weaving Mills Ltd., discharge of the obligation on a pro-rata basis of the looms actually installed, had been provided for, an impasse has been reached in the case of Arthur Imports & Exports Company, where since only 2,500 spindles against the 5,000 spindles for which licence had been issued have been imported and installed, the importers have taken the plea that they are not bond to fulfil their export obligation till all the 5,000 spindles are installed. There has, thus, been a recurring inconsistency in this regard which has

often caused peculiar complications. The Committee, therefore, desire that the existing provisions for prescribing and enforcing export obligations should be reviewed in detail and streamlined. Clear-cut and uniform criteria which are enforceable should be laid down in this regard to prevent abuses.

[Sl. No. 10 (Para 1.74) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

The procedure for enforcing export obligation was prescribed in detail in 1970 and this matter is being continuously reviewed in the light of difficulties faced from time to time. The difficulties with regard to legal agreements being enforced are being separately examined as pointed out in previous paragraph and the authorities concerned are being advised to lay down clear cut and uniform criteria which are enforceable.

[Ministry of Commerce O.M. No. 1-4-76-Tax(II) dated 21-9-1976]

Recommendation

The Committee, in particular, take an extremely serious view of the non-fulfilment of the export obligation by Arthur Imports & Exports Company on the ground that the obligation would arise only after all the 5,000 spindles, for which the industrial licence had been issued, are installed. What is even more deplorable in this unsavoury episode is that even the 2,500 spindles imported by the firm are yet to be commissioned and the valuable foreign exchange spent on the imports has remained unproductive. It is, therefore, evident that 'effective steps' have not been taken for well over 15 years, by the importers, for establishing the industrial undertaking for which the licence had been issued and it is distressing that on account of legal hurdles, Government have been placed in a helpless and embarrassing position. Though the case has been 'under examination' in the Commerce Ministry since 1965, no effective solution has yet been found to break the deadlock. The Committee have been informed in this connection that a second legal opinion has now been sought and would like to know what it is and what has been done. Since the Law Ministry appears to hold the view that an amendment to the Industries (Development & Regulation) Act would be necessary, the Committee desire that this should be examined quickly, in consultation with the attorney General, and necessary action initiated.

[Sl. No. 11 (Para 1.75) of Appendix V to the 194th Report (5th Lok Sabha)]

Action taken

As desired by the Committee the second legal opinion given by Law Ministry is enclosed. In accordance with the advice given by the Law Ministry a show cause notice was given to the Licensee. The licensee has submitted a reply to the show cause notice issued to them which is under examination in consultation with Law Ministry.

[Ministry of Commerce O.M. No. 1-4-76-Tex (II), dated 21-9-1976]

Extract from Law Ministry's note on file No. 8/4/75-Tex(II)

Ministry of Law, Justice & Company Affairs

(Department of Legal Affairs)

Advice (B) Section

The intention of the Legislation IDR Act and the rules made thereunder would be construed to give effect to the provisions of the Act rather than to render them negatory. Under sec. 12 of the Act, a licence could be revoked if the licensee fails to establish... new industrial undertaking within the specified time. The time specified for that purpose was 12 months from the date of issue of the licence as seen from condition No. 3 of the licence (p 5c). The Govt. permitted the establishment of the said industrial undertaking by the owner vide terms and conditions of the licence. The terms of licence from integral part for giving the licence, the breach where of would made liable for revocation. cl (a) of the bond provides that from the date of the industrial undertaking is established.... Thus it may be said that the owner of the undertaking shall commence discharging obligations under the bond after establishing the same after 12 months from the date of issue of the bond. Factually, it is found that the licensee is not keen to continue the undertaking. The deptt. may give notice accordingly.

Sd.

(S. K. Bahadur) 18-8-75.
Additional Legal Adviser
Deptt. of Legal Affairs.

Ministry of Commerce

U.O. No. 24837/75 dated 22/8/75

DEPARTMENT OF LEGAL AFFAIRS

As stated in our previous note on p. 2, the proviso to sub-section (2) and sub-section (1) of section 12 have to be read in such a way as to give effect to the meanings to the various expressions used therein. Sub-section (1) provides two conditions, namely:—failed (i) to establish, or (ii) to take effective steps to establish, a new industrial undertaking in respect of which the licence has been issued. In that case, the licence may be revoked. But, under the proviso to sub-section (2) if the licensee has taken the effective steps to establish the new Industrial undertakings, thereafter the Central Government would have no power to vary or amend any licence. It may, therefore, be seen that whereas sub-section (2) read with proviso thereto prohibits Central Govt. from varying or amending any licence after effective steps have been taken to establish the new industrial undertaking in accordance with the licence issued in that behalf, licence may be revoked under sub-section (1) *if the Central Government is satisfied*, either on a reference made to it in this behalf or otherwise, that any person or authority to which licence has been issued has, without reasonable cause, either failed to establish or to take effective steps to establish the new industrial undertaking. Reading the two provisions in such a way as to give effect to the meaning contained in sub-section (2), it would appear that here a licensee has taken effective steps to establish the new industrial undertaking, the terms may neither be varied nor amended. Although it is possible to say that since the licensee has installed 2,500 spindles, it has taken effective steps to establish the new industrial undertaking and so the terms of the licence should not be varied or amended, but if the Central Government is satisfied that without reasonable cause the licensee has failed to establish the industrial undertaking within the period stipulated in the licence, it is felt that action under sub-section (1) of section 12 would be open. In this case, there is an extraordinary period of five years lapsed since licence was issued and, as found from the record, the licensee is not interested to instal the full capacity in spite of several extensions. Since the establishment should have been in accordance with the terms of the licence, it is all the more a reason that any breach of the terms of licence would disentitle him to make use of the licence any more. What should be the reasonable period for establishing a new industrial undertaking is a question of fact and, in the instant case, the stipulated period for establishing the new industrial undertaking was 12 months from the date of the execution of the bond. However, it is found that even after a period of six years, the licensee has not installed its full capacity. It is found that the main conditions of the licence were that import of

raw material will be regulated by general policy and the firm was required to export either yarn or cloth made out of waste yarn to the extent of Rs. 10 lakhs per annum for three years. It appears that since the licensee did not want to honour the commitment, he is using these tactics to defeat the purpose. Under the circumstances, it appears necessary that a show cause notice should be given to the licensee.

Sd/- S. K. Bahadur
Additional Legal Adviser

17-9-1975

Recommendation

The reasons for the delay of over ten years for the 'examination' of the case by Government have also not been satisfactorily explained. The Committee would like a more specific clarification and the reasons why the delay could not be avoided. Having regard to the fact that this particular firm and its associates have earlier come in for adverse comments repeatedly by the Public Accounts Committee and also by the Central Bureau of Investigation, the Committee desire that the circumstances leading to the non-commissioning of the 2,500 imported spindles by the firm should be investigated in detail with a view to ascertaining if any malafides were involved. The Committee would await a specific report in this regard.

[Sl. No. 12 (para 1.76) of Appendix V to the 194th Report
(5th Lok Sabha)]

Action taken

As desired by the Committee the Central Bureau of Investigation is being requested to investigate in detail into the circumstances leading to the non-commissioning of 2,500 imported spindles with a view to ascertaining if any malafides are involved. A specific Report will be submitted on receipt of the CBI's report.

[Ministry of Commerce O.M. No. 1|4|76-Tex (II)
dated 21-9-1976]

Recommendation

Since the policy is applicable to all industries, the Committee would like to be fully reassured that there has been no similar

instance in respect of the replenishment licences granted to industries other than textiles. Noting the statement of the Commerce Ministry that the decision has been enforced in all other industries, the Committee still feel that there is need for a detailed review of all past transactions relating to replenishment licences of Rs. 5 lakhs and above to industries other than textiles, with a view to ensuring that adequate action has, in fact been initiated in all such cases. The total value of the replenishment licences irregularly granted and the progress made in effecting recoveries should also be intimated to the Committee.

[Sl. No. 16 (para 1.93) of Appendix V to the 194th Report
(5th Lok Sabha)]

Action taken

The authorities concerned are being advised to bring the recommendations of the Committee to all the licensing authorities concerned for conducting such a review and reporting the progress made so far.

[Ministry of Commerce O.M. No. 14/76-Tex(II)
dated 21-9-1976]

NEW DELHI;
October 26, 1976
Kartika 4, 1898 (S).

H. N. MUKERJEE,
Chairman,
Public Accounts Committee.

APPENDIX

Consolidated Statement of Conclusions; Recommendations

Sl. No.	Para No. of the Report	Ministry/ Department concerned	Conclusion/Recommendation
1	2	3	4
1	1.4	Commerce	The Committee expect that final replies to those recommendations, observations in respect of which only interim replies have so far been furnished will be made available to them expeditiously, after getting them vetted by Audit.
2	1.8	—do—	The Committee note that a scheme for modernising the textile industry is being formulated by Government in consultation with the Industrial Development Bank of India in order especially to make a realistic assessment of the actual requirements of textile machinery and textiles in the coming years. The scheme should be finalised as soon as possible and its implementation closely monitored so that constraints and bottlenecks can be overcome immediately as they come to notice. The Committee would like special care to be taken for the manufacture of cloth of acceptable quality and its supply at reasonable prices to the weaker sections of our society who have suffered so long and so grievously in this regard. The details of the said scheme should be intimated soon to the Committee.

1	2	3	4
3	I.11	Commerce	<p>Now that the Textile Commissioner has been asked to investigate into the reasons for the delay in issuing demand notices and in initiating legal proceedings for the non-fulfilment of export obligations by mills which had been granted licences for the import of textile machinery, the Committee desire that these investigations should be completed early and appropriate action taken, under advice to them, against the officials who are found to have been remiss in the discharge of their responsibilities.</p>
4	I.14	—do—	<p>The Committee have been informed that on the basis of the advice given by the Law Ministry, a show-cause notice was issued to Arthur Imports & Exports Co. for the non-fulfilment of export obligations and that the reply received from the firm in this regard is 'under examination'. More than a year has elapsed since a second legal opinion was obtained in this case and it is disconcerting that strong and principled action is yet to be taken against the firm for its default, even when it appears to have resorted to evasive tactics. This case, which should have been concluded long ago, is being tardily processed since 1965. The Committee wish that positive steps are taken at once, on a top priority basis, to break the impasse. A further report in this regard should reach the Committee within two months.</p>
5	I.15	—do—	<p>The Committee note that at long last the Central Bureau of Investigation is being requested to investigate the circumstances lead-</p>

ing to the non-commissioning of the spindles imported so far by the aforesaid firm with a view to ascertaining whether any *malafides* were involved. These investigations should be completed early and Government should proceed to take all requisite action. The Committee would require information on this account without delay.

6 I.16 —do—

The Committee find that though they had specifically enquired into the reasons for the delay of over ten years for the 'examination' of this case by Government and the reasons why this delay could not be avoided, the reply now furnished by the Commerce Ministry is just silent on this aspect. That this should be so in spite of repeated comments by the Committee emphasising that the Action Taken Notes furnished by the Ministries should be explicit and self-contained is deplorable. The delay in this case is clearly abnormal, and the Committee would, as in similar cases earlier, ask for a detailed explanation forthwith.

7 I.17 —do—

The action, if any, taken by the Ministry on another recommendation of the Committee that 'Government should examine quickly, in consultation with the Attorney General, whether any amendment to the Industries (Development & Regulation) Act was necessary', has also not been intimated to the Committee. The Committee urge that this should be done at once and all necessary action taken.

8 I.20 —do—

If, as now stated by the Ministry, steps were taken for the adjustment of 'Replenishment benefits' incorrectly allowed to exporters even against Capital Goods—tied exports, from the subsequent

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eligible entitlements of the parties concerned, the Committee are unable to understand how the irregular grant of such benefits, valued at a sum as large as Rs. 5.42 crores, to cotton textile exporters just escaped notice and so remained unrecovered. It is evident that the follow-up action in the field on the General Licensing Instructions issued in this regard in May 1970 has been woefully inadequate. The Committee would reiterate their earlier observations in this regard and desire fixation of responsibility for the failure to implement Government policy on this question.

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I.21

Commerce

The Committee note that the authority concerned has now been 'advised' to effect recoveries from the exporters who have had the advantage of irregular extension of such benefits. As already recommended by them, the Committee would urge Government to prescribe a time-bound schedule in this regard and to ensure that the recoveries are effected rapidly.

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I.24

—do.—

The Committee note that the Indian Cotton Mills' Federation has been asked by the Textile Commissioner to explore the possibilities of recovering, on a *pro rata* basis, Government's share of the incentives irregularly allowed on exports made against export obligations. They desired that this should be pursued vigorously with the Federation and the outcome of the efforts made in this regard intimated to them early.

