

ESTIMATES COMMITTEE 1961-62

HUNDRED AND SIXTY-FOURTH REPORT

• (SECOND LOK SABHA)

MINISTRY OF COMMERCE AND INDUSTRY
OFFICE OF THE TEXTILE COMMISSIONER

PART III

Woollen Industry



LOK SABHA SECRETARIAT
NEW DELHI

March, 1962.
Chaitra 1884 (S)
Price : Re. 0. 35 nP.

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INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Sixty-Fourth Report on the Ministry of Commerce and Industry—Office of the Textile Commissioner—Part III.

2. A statement showing an analysis of the recommendations contained in this report is also appended to the Report (Appendix III).

3. The Committee wish to express their thanks to the Secretary of the Ministry of Commerce and Industry and the Textile Commissioner for placing before them material and information that they wanted in connection with the examination of the estimates. They also wish to express their thanks to the representative of the Federation of Woollen Manufacturers in India and Chairman, Development Council for Woollen Industry, for giving evidence and making valuable suggestions to the Committee.

H. C. DASAPPA,
Chairman,
Estimates Committee.

NEW DELHI,
The 26th March, 1962
Chaitra 5, 1884 (Saka).

WOOLLEN INDUSTRY

A. Introductory

The woollen textile industry consists of the Mill and Handloom sectors and of hosiery units. The first woollen mill was established in Kanpur in 1876 and since then there has been gradual expansion of the industry.

2. Woollen, worsted and shoddy yarn are put to different uses. Woollen yarn which is spun from raw wool is used for carpet making and for producing medium quality goods such as blankets, tweeds and suitings. Worsted yarn which is spun out of wool top (combed wool) is used in the production of superior fabrics, hosiery and hand-knitting wools. Shoddy yarn spun from shoddy wool is used in the production of cheaper variety of blankets, melton cloth etc.

B. Spindleage Capacity

3. The table below shows the installed spinning capacity at the end of the First and Second Five Year Plans:

Spinning Capacity

Spindleage	Capacity at the end of First Plan	Capacity at the end end of Second Plan		Installed capacity when licensed sche- mes are implemen- ted	
	Number of Spindles	Number of Spindles	Production on 2 shifts working	Number of Spindles	Production on 2 shifts working
(Million Lbs.)					
Woollen	61,032	53,554	26.75	53,554	26.75
Worsted	96,416	124,664	25.00	128,364	26.00
Shoddy	..	11,418	5.70	19,107	9.55
	157,448	189,636	57.45	201,025	62.30

4. As against the above figure of 1,89,636 spindles with a capacity to produce 57.45 million lbs. of yarn on two-shift working at the end of the Second Plan, the Committee were informed in a later note by the Ministry that the total capacity on two shift working at the end of the Second Plan was 57.98 million lbs. with a spindleage of

1,90,764. The Committee note, however, that in the Third Plan the estimated capacity for production of woollen and worsted yarn for the last year of the Second Five Year Plan (1960-61) has been given differently as 67 million lbs. Asked to explain the reason for these differing estimates of capacity the Ministry have stated that it was due to assumption of different figures for registered and unregistered spindles. *The Committee regret that the Textile Commissioner's Organisation is not in possession of complete and correct figures in respect of installed capacity of the industry and varying figures have been given at different places. It is obvious that for proper planning and development of the industry in the context of the schemes for rehabilitation and modernisation and the difficult situation in regard to availability of raw material, there should be no uncertainty about the installed capacity of the industry at any time.*

C. Utilisation of Spinning Capacity

5. The utilisation of the installed capacity in the woollen industry during the Second Plan period is indicated in the table below:

Year	Capacity	Actual	Utilisa-
	on two shifts working	Produc- tion	tion of capa- city
	Million Lbs.	Million Lbs.	
<i>Woollen & Shoddy</i>			
1956-57	30.51	11.86	38.8%
1957-58	31.01	14.16	45.6%
1958-59	31.81	13.33	40.2%
1959-60	32.39	14.44	44.6%
1960-61	33.05	15.00	45.4%
<i>Worsted</i>			
1956-57	20.70	14.01	67.6%
1957-58	22.74	14.96	65.8%
1958-59	24.22	15.55	64.2%
1959-60	24.53	14.63	60.3%
1960-61	24.93	13.51	54.1%

The Committee note that utilisation of productive capacity even on the basis of two shifts working has never been higher than 45.6 per cent in the case of woollen and shoddy spinning and in the case of worsted spinning it has been progressively going down from 67.6 per cent in 1956-57 to 44.1 per cent in 1960-61. If capacity on three shift working is taken into consideration as the Working Group of the National Industrial Development Corporation (1960) has done in its report on the rehabilitation and modernisation of the Woollen Industry, the position of utilisation would be even worse.

6. The Committee were informed that additional spindles for worsted and shoddy wool as indicated in the tables below were licensed and installed during the Second Five Year Plan period:

Worsted

Year	No. of Worsted spindles licensed and capacity in million lbs.		No. of Worsted spindles installed and capacity in million lbs.	
	Number	Capacity	Number	Capacity
1956-57	5,900	1.18	7,080	1.40
1957-58	2,960	0.59	10,236	2.04
1958-59	*1,272	0.25	7,400	1.48
1959-60	2,800	0.56	1,532	0.31
1960-61	**1,200	0.24	2,000	0.40
TOTAL	***14,132	2.82	28,248	5.63

Shoddy

Year	No. of Shoddy Spindles licensed and capacity in million lbs.		No. of Shoddy Spindles installed and capacity in million lbs.	
	Number	Capacity	Number	Capacity
1956-57	1,768	0.88	Nil	Nil
1957-58	1,000	0.50
1958-59	5,708	2.85	1,600	0.80
1959-60	1,600	0.80	1,160	0.58
1960-61	3,708	1.85	1,308	0.65
TOTAL	12,784	6.38	5,308	2.53

*Does not include 1,440 spindles installed by Messrs. Castle Mills, No. 2, which are yet to be regularised.

**Special Licence granted to the Government Woollen Mills, Srinagar

***Does not include 16,201 spindles which had been licensed but not installed upto 1-4-61.

7. It was explained to the Committee that 14,132 additional worsted spindles had been licensed with a view to increasing the indigenous production of worsted yarn consequent upon the imposition of ban on the import of worsted yarn and fabrics. At the time the decision to increase the productive capacity of worsted spindles was taken there was no difficulty of foreign exchange for importing the wool tops—the raw material for worsted wool spinning. As the foreign exchange position became difficult the import of wool tops and raw wool had to be curtailed.

8. As regards shoddy yarn it was stated that as it is used for manufacture of cheaper woollen fabrics it was considered that its capacity should be increased so as to make available cheaper qualities of blankets, melton cloth, etc. for the general public and provide greater employment to the handloom weavers. In addition to 12,784 shoddy spindles, which were licensed during the Second Five Year Plan, the Government also allowed conversion of 7,000 woollen spindles to shoddy spindles.

9. A representative of the industry, in his evidence before the Committee, stated that the industry was presently working between one and one-and-a-half shifts. He added that when the industry was not having adequate raw material for the existing capacity, it was futile to allow expansion. The representative of the Ministry, however, in his evidence before the Committee, stated that additional spindles had been licensed as the capacity at the beginning of Second Five Year Plan was not considered adequate, particularly for worsted and shoddy yarn.

10. As far as worsted yarn is concerned, the Committee find that Government were not content with 16,201 additional worsted spindles which had been licensed upto 1st April, 1956 and which being not installed were carried over to the Second Plan period but issued over and above it licences for 14,312 worsted spindles. The result was that 28,248 worsted spindles with a capacity of 5.63 million lbs. came to be installed during the Second Plan period and this reduced the productive capacity of worsted yarn spinning from 67.6 per cent in 1956-57 to 54 per cent in 1960-61.

The Committee feel that there was no room for issuing additional licences for worsted spindles after 1958, when the foreign exchange position was known to be difficult, and supply of wool tops and raw wool could not even be assured for the existing units.

**Additional
worsted
spindles
licensed.**

11. As regards the shoddy spindles, the representative of the Ministry admitted during evidence that shoddy yarn can be spun on woollen spindles. *The Committee, therefore, see little justification for issuing licences for installation of 12,784 additional spindles for shoddy yarn for the same number could well have been found by allowing conversion of woollen spindles to shoddy, for it is a well-established fact that the woollen spinning capacity has not been fully utilised for a number of years and is surplus to requirements.*

12. The Committee consider that the over-licensing of spindles in such excessive numbers has accentuated the problem of raw material, worsened the already low utilisation of the existing productive capacity and has meant locking up of capital resources including the outlay on foreign exchange for machinery etc., all of which are bound to make for higher overheads in production and charging of higher prices from the consumers. They would suggest that a careful review of the position may be made to avoid overlicensing and that simultaneously the Government should help the industry to avoid under-utilisation of the installed capacity by assuring them supply of raw material.

D. Rehabilitation and Modernisation

13. The Working Group of the N.I.D.C. (1960) has described thus the need for rehabilitation and modernisation of the woollen industry:

“....Full benefits of the progress so far made would not be achieved if the industry (woollen) is not given fair opportunity to replace its machinery in the Third Plan period. We are confident that given the right equipment the industry can substantially increase its export performance, reduce costs, improve quality of cloth and at the same time give better earnings to workers and better conditions of work without unduly disturbing the employment position.”

In coming to this conclusion it has taken note of the considerable rehabilitation and modernisation of the woollen industry that has been taken place in other countries, specially in Germany, Japan, Italy and various communist countries and the introduction of automation and electronic controls by machinery manufacturers which have led to greater productivity and efficiency and have reduced the cost of

manufacture. It has pointed out that compared to this picture of the industry abroad, some of the woollen machinery installed in India was so dilapidated that it required complete replacement. It has rightly urged the need for the country to keep pace with the many-sided technological developments in the industry.

Cost of Rehabilitation and Modernisation.

14. The Working Group has estimated the cost of rehabilitation and modernisation during the Third Plan to be of the order of Rs. 11.25 crores of which Rs. 1 crores would be for land and buildings and Rs. 10.25 crores for plant and machinery, this would be over and above the normal expenditure on maintenance estimated at Rs. 1.5 crores during the period. The total foreign exchange requirement for the programme is estimated at Rs. 9.25 crores entirely for plant and machinery, the indigenous production of machinery during the period being put down at Rs. 1 crore. The Working Group has observed that the Cotton Textile Machinery Manufacturing Industry may have to undertake the manufacture of machinery for the woollen textile industry also.

Indigenous Production of woollen Machinery.

15. The Committee understand that at present only one manufacturer is producing worsted spinning machinery in the country. The annual licensed capacity is 2,000 spindles with auxiliary spinning machinery. No woollen looms are manufactured in the country. Some applications for manufacture of worsted/woollen spinning machinery are stated to be under consideration of Government. The latest estimate of production of worsted and woollen machinery in the country and import during the Third Plan period as given by the Government is Rs. 1 crores and Rs. 11.25 crores respectively.

Import of Machinery.

16. The representative of the Ministry informed the Committee that the industry had been permitted to import machinery upto 20 per cent. of the value of entitlements earned under the Export Promotion Scheme as against 10 per cent. earlier, but not many had taken advantage of the scheme. It was stated that half of the imports of machinery to the tune of Rs. 4.62 crores could be made from East European countries with whom there is a rupee payment agreement and that no application for import of machinery from these countries had been turned down.

17. *The Committee fully share the observations of the Working Group 1960 as regards the benefits that would accrue on full implementation of the programme of rehabilitation and modernisation. They suggest that a*

mill-wise plan for rehabilitation and modernisation may be prepared and implemented. Government should assist the industry by indicating the sources from which machinery could be procured. Information regarding the availability of machinery from East European countries given in the report of the Delegation which visited these countries in 1960 may be circularised to the Mills. The Committee would also recommend that efforts should be made to increasingly manufacture machinery for woollen industry within the country.

E. Resources for Rehabilitation and Modernisation

18. Dealing with the question of resources for rehabilitation and modernisation, the Working Group had observed that the Woollen Industry enjoyed considerable confidence of the public and was going through one of its best periods and that it would not be difficult for it to finance from its own resources or by its own banking arrangements 75 per cent of the envisaged expenditure thereon. It had accordingly recommended that for the balance of 25 per cent of its requirements, N.I.D.C. should extend its loan assistance facilities to the industry. Government have indicated that in view of the heavy demand on the NIDC's resources from the cotton textile and jute industries for rehabilitation and modernisation the recommendation of the Working Group has not been accepted. The representative of the Ministry stated during evidence that the industry had the resources required for the purpose. The representative of the Federation of Woollen Manufacturers in India and the Chairman, Development Council for woollen industry in their evidence, however, cast doubts on the capacity of the industry to raise by itself the resources necessary for the reason that it was not working to its full capacity for want of raw materials. They stated that besides the high rate of interest payable, the machinery in the industry was not in as satisfactory a condition as to be readily acceptable to banks and other financing agencies as adequate security for the loans. *The Committee suggest that Government may extend to the industry, if considered necessary and feasible, in due course, such facilities including loan so as to ensure that the target set out in para 14 above is realised within the Third Plan period.*

Finances for
Rehabilita-
tion.

F. Raw Material

(i) Shoddy Wool

19. Shoddy wool is used for production of yarn for blankets, melton cloth etc. The raw material for this is old garments, wool waste, tailor cuttings etc. The indigenous availability being limited the reliance is mainly

on imported rags, waste, etc. The imports of shoddy wool and waste made during the last three years are indicated in the table below:

(Figures in Million)

Year	Quantity (in lbs.)	Value (in Rs.)
1958-59	3.38	3.87
1959-60	4.37	4.50
1960-61	5.71	5.65

The mill requirements of shoddy yarn have been placed at 11.5 million lbs. per annum during the Third Plan. In this connection, the Committee were informed that the Textile Commissioner had no statistical data regarding the quantity of rags etc. collected by the shoddy yarn spinners from within the country. The representative of the Ministry stated during evidence that though there was no formal ban on exports of wool waste, tailor cuttings, old garments, etc., the quantity exported was likely to be inappreciable. *The Committee consider that in the face of internal demand which is met largely by imports, export of wool waste, tailor cutting etc., even if small, may be banned.*

(ii) Wool Tops

20. Wool tops which constitute the essential raw material for production of yarn for worsted weaving were till recently wholly imported. The quantity of wool tops imported during the last five years is given below:

(Figures in Million)

Year	Quantity (lbs.)	Value (Rs.)
1956-57	15.11	89.52
1957-58	16.79	117.20
1958-59	16.36	92.06
1959-60	12.48	66.80
1960-61	14.73	82.17

21. The Committee were informed that considerable emphasis was placed on the development of indigenous combing capacity and a target of nine million lbs. of wool tops was proposed for the Second Five Year Plan. A licence

Export of
Shoddy
Wool Waste,
etc.

for the establishment of a plant to manufacture ten million lbs. of wool tops at Calcutta was granted to MS Isac Holdens India Ltd. in July, 1959. This plant had gone into production only in 1961. The present rate of production in the country was approximately five million lbs.

22. The targetted production of wool tops by the end of the Third Five Year Plan was placed at 31.5 million lbs. out of which licences had been issued so far for 3.5 million lbs. of synthetic fibre tops and for 22.2 million lbs. of wool tops. The licences for production of balance quantity of about 5.8 million lbs. were expected to be issued in the course of the Third Five Year Plan in suitable stages.

The Committee are glad to know that one of the units licensed is the All India Wool Combers Co-operative Society, Ludhiana with a capacity of 5 millions lbs. of tops. They suggest that co-operatives should be encouraged to come into this field.

23. The estimated requirements and expected production of wool tops during each year of the Third Plan period were stated to be as under:

Requirements and
Production
of Wool
Tops.

(Figures in Million Lbs.)

Year	Requirements	Production
1961-62	22.0	7.2
1962-63	24.5	20.7*
1963-64	27.0	25.7
1964-65	29.0	29.0
1965-66	31.5	31.5

*Includes 3.5 million lbs. of synthetic fibre tops.

In view of the existing gap between the requirements and actual production and the fact that hardly 50% of the target fixed for the Second Five Year Plan had been reached during the period, *the Committee feel that Government should pay special attention to the development of adequate combing capacity within the country so that foreign exchange can be utilised more gainfully for importing raw wool rather than wool-tops.*

24. The Committee were informed that production of Wool Tops wool tops within the country was presently dependent upon ^{from Indi-}genous Wool

the imports of wool but recently experiments have been conducted for the production of wool tops from Indian wool. A Committee of the Development Council for Woolen Industry is engaged in examining this problem in detail. Their preliminary recommendation is that wool tops may be produced with 30% Indian and 70% imported wool of cross bred type (48s to 56s quality). They have, however, to consider this question in detail with reference to the economics of combing of Indian wool and the quality thereof.

As regards the quantity of Indian wool available for production of wool tops, the Ministry of Food & Agriculture have estimated that about 7 million lbs. of Indian wool of finer types may be suitable for purposes of combing.

The Committee would urge that these experiments for manufacture of wool tops from indigenous wool and in combination with imported wool may be proceeded with speedily and the results publicised without delay. The Committee would also stress the need not only of stepping up wool production but also of developing wool of the requisite quality within the country by undertaking large scale sheep shearing, grading and marketing programme. The Government should also assure supplies of the requisite quantities of imported wool so that the programme for production of wool tops does not suffer.*

**Export of
Indigenous
Wool.**

25. Another approach to this question of finding raw material for the industry was indicated by the representative of the Federation of Woollen Manufacturers in his evidence before the Committee. He expressed the view that raw material for woollen industry could be ensured by exporting indigenous wool which fetched a good price in the international market and could thereby earn enough foreign exchange to import the needed finer varieties of wool. He also claimed that the average price obtained per pound of raw wool exported was not less advantageous as compared to the average price payable for imports. He added that one effect of the utilisation of the indigenous wool for production of wool tops etc. had been that prices of indigenous wool had gone up in the market and export to that extent had also got reduced. *The Committee have not examined the matter in sufficient detail and would suggest that it may be gone into in all its aspects by the Government.*

*In this connection please see also Para 44 of the 129th Report of Estimate Committee, wherein they had mentioned the Scheme under consideration of Government for developing large scale sheep shearing, grading and marketing programme as a co-ordinated organisation.

G. YARN

(i) *Pattern of Production*

26. Production of different types of woollen/worsted yarn during each year of the Second Five Year Plan was as follows:—

(Figures in million lbs.)

Year	Production of Worsted Yarn			
	Weaving Yarn	Hosiery Yarn	Knitting Yarn	Total Yarn
1956-57	7.0	4.21	3.80	14.01
1957-58	7.50	4.40	3.06	14.96
1958-59	8.50	3.50	3.55	15.55
1959-60	8.10	3.33	3.20	14.63
1960-61	8.06	2.88	2.57	13.51

The Textile Commissioner under the Woollen Textiles Control Order (1960) directed the Mills in September 1960 to produce worsted woollen yarn in the proportion of 47.5 per cent for weaving, 32.5 per cent for hosiery and 20 per cent for hand knitting. This was considered necessary to ensure the proportionate requirements of the consuming industries, namely, weaving, hosiery and hand-knitting.

27. The Committee understand that some of the Mills ^{represented against this Order laying down the pattern of production for individual mills.} The pattern of production on the ground that equipment available with them was not suitable for production of all types of yarn. The Textile Commissioner, therefore, fixed the pattern of production for each individual mill separately. It was stated that the new pattern of production was so determined as more or less to achieve the overall production of different types of yarn in the proportion envisaged above.

28. It was represented to the Committee by a Federation of Woollen Manufacturers that the hosiery industry had exaggerated its demand, that hosiery yarn manufacturers had switched over to weaving yarn and that the Hosiery Federation was not lifting the production from manufacturers and there was a glut in the market of hosiery yarn. The Federation has suggested that the pattern of production for the industry should be revised to 60% for weaving, 20% for hosiery and 20% for knitting.

The representative of the Ministry stated that the main object in fixing the percentage of production of hosiery yarn at 32.5 was to ensure supply of adequate yarn for the small scale hosiery units. He stated that there was no glut of hosiery yarn in the market as alleged by the mill industry. He added that the existing pattern of production was working satisfactorily.

The Committee have not examined the matter at length for want of time but they feel that since the pattern of production affects intimately the whole industry the matter should receive the careful attention of the Government, who should make sure that the pattern prescribed is such that it meets equitably the requirements of all sectors of the industry.

(ii) *Distribution of Yarn to Hand Knitting Woollen Processors*

29. With the cut in imports of woollen tops there was shortage of all types of worsted yarn resulting in substantial increase in the market prices thereof. The knitting woollen processors of Delhi, Punjab, West Bengal and Maharashtra represented to the Government about the non-availability of grey handknitting yarn in adequate quantities at reasonable prices.

The Government are understood to be trying to gather the requisite data about the activities of all the handknitting woollen processors in the country with a view to formulating an equitable distribution scheme. Information had so far been gathered by the Government about Delhi and West Bengal, while data from other States was awaited.

Proposed
Federation
of Handknit-
ting wool
processors.

30. The representative of the Ministry informed the Committee that as a result of discussion with the representatives from various States interested in hand-knitting woollen processing industry a federation was expected to be formed, who would then be entrusted with the task of distributing yarn on the basis of past performance to its constituent members. In the meanwhile it was stated that whenever specific complaints were received from a particular area, spinners were persuaded to make necessary quantities available on *ad hoc* basis. It was added that arrangements were made to supply the requisite quantity of wool to the hand-knitting processing industry in Delhi.

The Committee are of the opinion that distribution of yarn to hand-knitting processors needs to be placed on a sound footing. Every attempt should be made by the Textile Commissioner to collect necessary data and to draw up

a scheme early for equitable distribution of yarn to obviate difficulties caused to the processors.

H. Exports

(i) Export Incentive Scheme

31. With a view to accelerating the tempo of exports of woollen goods, an Export Promotion Scheme was first introduced in April, 1958 and revised in July, 1961. The main features of the scheme in vogue are given in Appendix I.

It was pointed out by non-official witnesses representing the industry who appeared before the Committee that there was a time-lag of 3 to 6 months between the date of application and date of issue of a licence for the entitlements under the scheme. It was alleged that as a result of delay the benefits were lost in a number of cases due to the rise in prices of wool taking place in the international market during the time-lag.

The representative of the Ministry admitted that there had been delays in the issue of entitlements. *The Committee suggest that the procedure for issue of entitlements may be reviewed and streamlined and delays eliminated.*

(ii) Inspection of Woollen Goods for Exports

32. The Committee understand that there have been frequent complaints about the quality of woollen goods exported to other countries. The delegation of woollen manufacturers which visited the East European countries in 1960 have cited in their report a number of cases of unsatisfactory supply.*

The representative of the Ministry stated in his evidence that the Development Council for Woollen Industry had

*Beirut

“It was also reported that some Indian factories exported cloth, knit-wear etc and the quality received by the Importers was found to be far from satisfactory.”

Cyprus

“95% of the imports are from U.K. The importers are reluctant to import from any country, other than U.K. and particularly from India because a party of Ludhiana supplied extremely bad and poor stuff. It is no use having exports only for once which closes the door for good.”

Malta

“One Ludhiana party supplied woollen knit-wears which were found to be shorter in size with colour fading and extremely poor knitting and stitching. Some of the goods were even with holes.”

suggested that compulsory pre-shipment inspection for woollen goods should be introduced. Accordingly, a Committee had been appointed with representatives of woollen industry and trade and Cotton Textile Fund Committee and it was working out a detailed scheme of inspection.

The Committee regret that malpractices prevail in the export of woollen goods. They suggest that the scheme for introducing compulsory pre-shipment inspection may be finalised early.

I. Miscellaneous

Testing Laboratory

33. The Development Council in July, 1958 suggested that a laboratory at Ludhiana may be established for testing wool. The Textile Commissioner stated in his evidence that suggestions were received that such laboratories should be established not only at Ludhiana but also at Amritsar and Bombay. It was decided that instead of having a testing laboratory, a full-fledged research institution having a testing wing should be set up. The Government of Rajasthan had offered free land and building. The industry had agreed to contribute Rs. 20 lakhs and the Council of Scientific and Industrial Research would make a matching grant.

The Committee feel that it has taken unduly long even to decide whether there should be a testing laboratory for wool or a full-fledged research institution. Now that a decision has been taken, the Committee hope that the Research Institution will be set up early.

NEW DELHI;

The 26th March, 1962.

Chaitra 5 1884 (Saka).

H. C. DASAPPA,

*Chairman,
Estimates Committee.*

APPENDIX—I

(*Vide* para 31)

Main Features of the Export Promotion Scheme for Woollen Goods

Mills/Factories exporting woollen textiles (including hosiery and yarn) and exporters of (1) woollen shawls, (2) woollen garments and (3) carpets, rugs and druggets will be entitled to import raw materials, *viz.*, raw wool, wool tops, shoddy wool etc. and permissible types of dyes and chemicals etc. in accordance with this Scheme, provided that they are registered under this Scheme with the Textile Commissioner, Bombay. This Scheme will cover only pure wool textiles, garments and shawls; for this purpose, only those goods would be considered as purely woollen which contain at least 90 per cent wool by weight.

Import entitlements

(1) The following will be the materials permitted to be imported under this Scheme:

- (a) *Raw Materials*: namely, raw wool, wool tops or shoddy wool, as the case may be, depending upon the raw material used in the particular item exported.
- (b) *Dyes and Chemicals*: of the permissible types allowed to be imported, in the case of exports of woollen textiles, hosiery yarn and carpets.
- . (c) *Embellishments*: such as zip fasteners, buttons, and sewing thread, in the case of exports of hosiery and garments, provided that the goods exported contained such embellishments, and provided further that there is no objection to import of any such embellishment from the point of view of indigenous availability.
- (d) *Permissible items of machinery, consumable stores, spare parts and accessories*: for replacement purposes not involving expansion of the plant, in the case of exports of woollen textiles, hosiery and yarn only.

(e) *Industrial Sewing Machines*: of the type and specifications approved by the Development Wing, against exports of woollen garments only.

(2) The total import entitlements under the scheme for all the above mentioned items will be 85 per cent of the F.O.B. value of goods exported in the case of woollen textiles, yarn and hosiery, and 50 per cent. of F.O.B. value in case of export of woollen garments and woollen shawls. The entitlements for various items may be availed of, subject to the maximum limits indicated below:

Item	Maximum value (% age) of FOB value of export for which import licence for the item may be availed of, out of the total entitlement
<i>(A) Against exports of woollen textiles, hosiery and yarn.</i>	
(a) Raw material	85% of FOB value
(b) Embellishments, in the case of hosiery.	1% of FOB value of hosiery exported containing such embellishments.
(c) Dyes and chemicals	10% of FOB value of export, less what is availed of for embellishments under (b) above.
(d) Machinery, consumable stores, spare parts and accessories.	20% of FOB value of export.

Total entitlement shall not exceed 85% of FOB value of export.

Note : The entitlement for machinery may be accumulated for a period of three years. The entitlement for machinery should be claimed at the time of each application, and request made for carry-over of the entitlement. The Textile Commissioner shall issue a separate entitlement certificate for such carried-over entitlement. At the end of the year, when the application for the month or quarter ending 30th June, 1962 is made, all these entitlement certificates should be submitted to the Textile Commissioner who should issue a consolidated entitlement certificate for machinery for the year 1961-62. The applicant may obtain an import licence against this entitlement to the next two years, that is, 1962-63 or 1963-64.

(B) Against exports of woollen garments

(a) Raw material . . . 50% of FOB value of export, less what is utilised under (C) below.

(b) Embellishments . . . 1/2% of FOB value of garments exported, containing such embellishments.

(c) Industrial sewing machines. 10% of FOB value of export.

(C) Against exports of woollen shawls.

Raw material . . . 50% of FOB value of export.

(D) Against export of woollen carpets, rugs and Druggets.

Dyes and Chemicals . . . 5% of FOB value of export.

Raw materials (only in the case of carpets the FOB value of which is not less than Rs. 20 per sq. yard).

(i) 10% of FOB value of export if the carpets contain 60 or less knots per square inch.

(ii) 20% of FOB value of export if the carpets contain 61 or more knots per square inch.

Advance Licensing

In addition to the above provision, it is open to the Textile Commissioner to recommend the issue of import licences to registered exporters on advance basis against exports undertaken to be made within a period commencing from the date of issue of the licence and ending on a date six months from the date of importation but not later than the 30th September, 1961 in the following cases, upto the proportions referred to in para 9 as applied to the exports undertaken.

(a) Manufacturers in the organised Mill Sector

Manufactures-cum-exporters of woollen textiles and yarn belonging to the 'Organised Mills Sector' who are at present being given import licences for raw wool and wool tops as *Actual Users* would be eligible to get advance licences under the scheme upto a maximum of 20 per cent of the value of their current actual users licences, for import of raw wool or wool tops as the case may be, with a stipulation that if they so choose, they can utilise 10 per cent of the face value of such licences for import of dyes and chemicals.

(b) Manufacturers-cum-exporters in the Miscellaneous Sector

Manufacturers-cum-exporters of hosiery and exporters of garments, shawls and woollen carpets, rugs and druggets,

even if they are not at present in receipt of actual licences, will be entitled to receive advance licences for the import of admissible raw materials under this scheme on production of proof of firm export contracts. Whether any particular document produced for this purpose shall be accepted or not as proof of an export contract shall be decided by the Textile Commissioner whose decision shall be final. The value of such advance licences would, however, be limited to 2/3rd of the entitlement specified in this scheme based on the exports undertaken.

In the case of licences against hosiery export, the licensee will be permitted, if he so chooses, to utilise 10 per cent of the face value of the licences for import of dyes and chemicals.

(ii) The licences shall be issued by the Joint Chief Controller of Imports and Exports, Bombay against prospective exports subject to the following conditions:

(a) *Organised Mill Sector*

The Registered exporter shall execute an undertaking with an undertaking with the Textile Commissioner to the effect that any shortfall in exports upto the 30th September, against the import licences issued earlier under the scheme will be adjusted in all cases against the actual user licences during the following October-September or against other valid licences held by the exporter if he so desires. Proof of payment for exports in discharge of the undertaking shall be given by producing documents as are enumerated in para 5 above.

(b) *Miscellaneous Sector*

The registered exporter would have to execute a bond with the Joint Chief Controller of Imports and Exports, Bombay, as laid down in Appendix 23 of the Red Book for fulfilling the export obligations undertaken by them, within the stipulated time. The value of the bond shall not be less than 35 per cent of the value of the advance licences granted and shall be duly supported by a 'Bank Guarantee' from a scheduled bank.

APPENDIX II

Summary of Recommendations/Conclusions

Serial No.	Reference to Para No.	Summary of recommendations/conclusions
1	2	3
1	4	<p>The Ministry have indicated differing estimates of capacity in the woollen industry. This, it has been stated, is due to assumption of different figures for registered and unregistered spindles. The Committee regret that the Textile Commissioner's Organisation is not in possession of complete and correct figures in respect of installed capacity of the industry and varying figures have been given at different places. It is obvious that for proper planning and development of the industry in the context of the scheme for rehabilitation and modernisation and the difficult situation in regard to availability of raw material, there should be no uncertainty about the installed capacity of the industry at any time.</p>
2	10	<p>The Committee feel that there was no room for issuing additional licences for worsted spindles after 1958, when the foreign exchange position was known to be difficult, and supply of wool tops and raw wool could not even be assured for the existing units.</p>
3	11-12	<p>(i) The Committee see little justification for issuing licences for installation of 12,784 additional spindles for shoddy yarn for the same number could well have been found by allowing conversion of woollen spindles to shoddy, for it is a well-established fact that the woollen spinning capacity has not been fully utilised for a number of years and is surplus to requirements</p> <p>(ii) The Committee consider that the over-licencing of spindles in such excessive numbers has accentuated the problem of raw material, worsened the already low utilisation of the existing productive capacity and has meant locking up of capital resources including the outlay on foreign exchange for machinery etc., all of which are bound to make for higher overheads in production and charging of higher prices from the</p>

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consumers. They would suggest that a careful review of the position may be made to avoid over-licensing and that simultaneously the Government should help the industry to avoid under-utilisation of the installed capacity by assuring them supply of raw material.

4 17 The Committee suggest that a mill-wise plan for rehabilitation and modernisation of woollen industry may be prepared and implemented. Government should assist the industry by indicating the sources from which machinery could be procured. Information regarding the availability of machinery from East European countries given in the report of the Delegation which visited these countries in 1960 may be circularised to the Mills. The Committee would also recommend that efforts should be made to increasingly manufacture machinery for woollen industry within the country.

5 18 The Committee suggest that Government may extend to the woollen industry, if considered necessary and feasible, in due course, such facilities including loan so as to ensure that the target set out in para 14 is realised within the Third Plan period.

6 19 The Committee were informed that the Textile Commissioner had no statistical data regarding the quantity of rags etc. collected by the shoddy yarn spinners from within the country. There was no formal ban on export for wool waste, tailor cuttings, old garments etc. The quantity exported was likely to be inappreciable. The Committee consider that in the face of internal demand which is met largely by imports, export of wool-waste, tailor cuttings, even if small, may be banned.

7 22 The Committee suggest that cooperatives may be encouraged to come into the field of wool top production.

8 23 The Committee feel that Government should pay special attention to the development of adequate combing capacity within the country so that foreign exchange can be utilised more gainfully for importing raw wool rather than wool tops.

9 24 The Committee would urge that experiments for manufacture of wool tops from indigenous wool and in combination with imported wool may be proceeded with speedily and the results publicised without delay. The Committee would also stress the need not only

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of stepping up wool production but also of developing wool of the requisite quality within the country by undertaking large-scale sheep shearing, grading and marketing programme. The Government should also assure supplies of the requisite quantities of imported wool so that the programme for production of wool tops does not suffer.

10 25 The Committee have not examined in detail the suggestion that the raw material for woollen industry could be ensured by exporting indigenous wool which fetched a good price in the international market and could thereby earn enough foreign exchange to import the needed finer varieties of wool. The suggestion may be gone into in all its aspects by the Government.

11 28 A Federation of woollen manufacturers represented to the Committee that there was glut in the market of hosiery yarn and that the pattern of production should be revised to 60% for weaving, 20% for hosiery and 20% for knitting in place of the present percentage of 47.5, 32.5 and 20. The Committee have not examined the matter in detail for want of time but they feel that since the pattern of production affects intimately the whole industry the matter should receive the careful attention of the Government, who should make sure that the pattern prescribed is such that it meets equitably the requirements of all sectors of the industry.

12 30 The Committee are of the opinion that distribution of yarn to hand knitting processors needs to be placed on a sound footing. Every attempt should be made by the Textile Commissioner to collect necessary data and to draw up a scheme early for equitable distribution of yarn to obviate difficulties caused to the processors.

13 31 The Committee suggest that the procedure for issue of entitlements may be reviewed and streamlined and delays eliminated.

14 32 The Committee regret that mal-practices prevail in the export of woollen goods. They suggest that the scheme for introducing compulsory preshipment inspection may be examined early.

15 33 The Committee feel that it has taken unduly long even to decide whether there should be a testing laboratory for wool or a full fledged research institution. Now that a decision has been taken, the Committee hope ✓ that the Research Institution will be set up early.

APPENDIX III

Analysis of recommendations contained in the Report

I. CLASSIFICATION OF RECOMMENDATIONS

A. Recommendations for improving the organisation and working :

S. Nos. 1, 12, 13 and 14.

B. Recommendations for effecting economy :

S. No. 8

C. Recommendations relating to the developmental functions :

S. Nos. 2, 3, 4, 5, 6, 7, 9, 10 and 11.

D. Miscellaneous :

S. No. 15.

II. ANALYSIS OF THE MORE IMPORTANT RECOMMENDATIONS DIRECTED TOWARDS ECONOMY

Serial No.	No. as per summary of recommendation	Particulars
1	8	Special attention should be paid for development of adequate combing capacity so that foreign exchange can be utilised more gainfully for import of raw wool rather than wool tops.