

**STANDING COMMITTEE ON LABOUR
(2004-05)**

FOURTEENTH LOK SABHA

MINISTRY OF TEXTILES

**DEMANDS FOR GRANTS
(2004-2005)**

SECOND REPORT

Presented to Lok Sabha on 19.08.2004

Laid in Rajya Sabha on 19.08.2004

**LOK SABHA SECRETARIAT
NEW DELHI
August 2004/Sravana 1926 (Saka)**

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**COMPOSITION OF THE COMMITTEE ON LABOUR
(2004)**

Shri P.K. Vasudevan Nair-CHAIRMAN

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3. Shri Joachim Baxla
4. Shri Santasri Chatterjee
5. Shri Munawwar Hassan Chaudhary
6. Smt. Anuradha Choudhary
7. Shri Sukhdev Singh Dhindsa
8. Shri Thawar Chand Gehlot
9. Dr. Satyanarayan Jatiya
10. Shri Virendra Kumar
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12. Shri Rajesh Kumar Manjhi
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RAJYA SABHA

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25. Ms. Pramila Bohidar
26. Shri B.S. Gnanadesikan
27. Shri Rudra Narayan Pany
28. Shri K. Chandran Pillai
29. Shri Dilip Ray

SECRETARIAT

1. Shri John Joseph	-	Additional Secretary
2. Shri J.P. Sharma	-	Director
3. Shri R.K. Saxena	-	Deputy Secretary
4. Shri C. Kalayanasundaram	-	Committee Officer

INTRODUCTION

I, the Chairman of the Standing Committee on Labour 2004-05 having been authorised by the Committee to submit the Report on their behalf, present this Second Report of the Ministry of Textiles on Demands for Grants, 2004-2005.

2. Departmentally Related Standing Committee system has been restructured in July 2004. Subsequently, the erstwhile Standing Committee on Labour and Welfare has been bifurcated – as Standing Committee on Labour and the other one is Standing Committee on Social Justice & Empowerment. Under the restructured Standing Committee on Labour, there are two Ministries, namely, the Ministry of Labour & Employment and the Ministry of Textiles. The Ministry of Textiles has been transferred to this Committee from Rajya Sabha from Standing Committee on Commerce.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Textiles for the current year i.e. 2004-2005 which were laid on the Table of the House on 16 July, 2004. Thereafter, the Committee took evidence of the representatives of the Ministry of Textiles on 9 August 2004. The Committee considered and adopted the Report at their sitting held on --- August 2004.

4. The Committee wish to express their thanks to the officers of the Ministry of Textiles for placing before them the detailed written notes on the subject and furnishing the information as desired by the Committee in connection with the examination of the Demands for Grants and tendering evidence before the Committee.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Annexure-II of the Report.

NEW DELHI:

August , 2004
Sravana 1926 (Saka)

P.K. Vasudevan Nair
Chairman,
Standing Committee on Labour

REPORT
CHAPTER-I
INTRODUCTORY

1.1 The functions and activities of the Ministry of Textiles can be broadly classified into four categories - policy formulation, planning, development, export promotion and trade regulation of the textile industry. It is the responsibility of the Ministry to formulate the policies regarding production, distribution (for domestic consumption and exports) and development of all textiles including cotton, woolen, jute, silk, synthetics etc. produced on handlooms, powerlooms and in mills. It is also responsible for readymade garments, handicrafts and industries related to production of silk and cellulosic fibers. However, the Ministry does not deal with non-cellulosic synthetic fibers such as nylon, polyester, acrylic etc.

1.2 The developmental activities of the Ministry are oriented towards making adequate quantities of raw material available to all sectors of textile Industry and augmented the production of fibers at reasonable prices from the organized and decentralised sectors of the industry. To achieve this objective, the Ministry lays down guidelines for a planned and harmonious growth of various sectors of the industry.

1.3 It has further been stated that the Ministry monitors the techno economic status of the industry and provides the requisite policy framework for modernization and rehabilitation. It also co-ordinates the activities of Textile Research Association and lends financial support to them for undertaking research and development. The Ministry exercises administrative control over various organizations and public sector undertakings under its charge.

1.4 The principal functional areas of the Ministry cover the following: -

- Textile Policy & Coordination
- Man-made Fiber/Filament Yarn Industry
- Cotton Textile Industry
- Jute Industry
- Silk and Silk Textile Industry
- Wool & Woolen Industry
- Decentralised Powerloom Sector
- Export Promotion
- Planning & Economic Analysis
- Integrated Finance Matters
- Information Technology

1.5 The Demands for Grants of Ministry of Textiles for 2004-05 are given under Demand No. 92.

CHAPTER-II

GENERAL PERFORMANCE

2.1 The Ministry have furnished the following statement showing Budgetary Estimates/Revised Estimates and expenditure for the year 2003-2004 and Budget Estimates for the year 2004-05 :-

Plan			(Rs. in crores)					
Sl. No.	Scheme Head	Actual Expenditure 2000-01 2001-02 2002-03	2003 -04			Likely Actual	% over BE	BE 2004-05
			BE	RE	BE			
1.	Secretariat Service	0.48 0.91 0.30	1.00	1.00	0.49	49.00	1.00	
2.	Handloom	70.06 112.70 130.66	156.77	137.31	128.46	81.94	154.56	
3.	Handicrafts	10.62 11.35 12.33	60.03	59.81	57.34	55.37	103.00	
4.	Wool	4.25 6.15 6.29	13.00	10.00	10.00	76.92	12.00	
5.	Sericulture	79.60 104.82 90.59	92.68	89.68	89.68	96.76	102.46	
6.	Powerloom Industries	4.18 4.98 4.52	14.00	9.75	8.26	59.00	12.28	
7.	Textiles	124.7 293.83 296.49	362.02	327.74	329.32	90.97	479.99	
8.	Jute	9.82 8.59 9.56	19.69	10.97	8.32	49.00	13.71	
		Grand Total	343.93	606.12	603.39	762.71	676.00	862.04
								90.95 879.00
Non-Plan								
Sl. No.	Scheme Head	Actual Expenditure 2000-01 2001-02 2002-03	2003 -04			Likely Actual	% over BE	BE 2004-05
			BE	RE	BE			
1.	Secretariat Services	5.05 5.61 5.75	1.00	1.00	5.61	77.38	7.20	
2.	Handloom	40.29 18.94 39.63	125.91	84.06	75.08	59.63	132.37	
3.	Handicrafts	10.62 11.35 12.33	60.03	59.81	44.96	74.90	69.09	
4.	Wool	----- 0.64	0.80	0.80	10.00	0.64	80.00	
5.	Sericulture	16.80 21.15 57.45	57.86	58.32	56.36	100.0 0	62.43	
6.	Powerloom Industries	4.18 4.98 4.52	14.00	9.75	179.70	73.11	12.28	
7.	Textiles	568.68 579.32 509.62	516.13	501.90	491.72	95.27	442.47	
		Grand Total	767.85	788.60	820.22	947.84	900.00	862.04
								90.95 902.31

Plan outlay and expenditure

2.2 During the year 2002-2003, the total expenditure incurred was Rs. 602.38 crores as against the Budget (RE) provision of Rs.660.00 crore which is 91.27% of the revised estimate. The anticipated expenditure for the year 2003-2004 was Rs. 663.64 crore as against the Revised Estimate 2003-2004 of Rs. 675.00 crore which was 98.32%. The Budge provision for the year 2004-2005 is 878.00 crore.

Non-Plan

2.3 During the year 2002-2003, the total expenditure incurred was Rs. 820.26 crore against the Budget RE provision of Rs. 947.00 crore which is 86.62% of the revised estimate. The anticipated expenditure for the year 2003-2004 was Rs. 887.24 crores as against the revised estimate 2003-2004 of Rs. 900.00 crore which was 98.58%. The Budget provision for the year 2004-2005 is Rs. 902.31 crore.

Review

2.4 The outlay for the 9th Five Year Plan (1997-2002) is Rs. 1414.50 crore. The actual expenditure incurred during the plan period was Rs.1721.59 crore. The outlay for the 10th Five Year Plan (2002-2007) is Rs. 3500.00 crore. The anticipated expenditure during the year 2003-2004 is Rs. 663.64 crore as against the Budget Estimates of Rs.760.00 crores. Budget for 2003-2004 is Rs.878.00 crore.

2.5 As regards the trend of plan/non-Plan Budget and Expenditure of the Ministry from the year 1993-1994 to 2003-2004, the Ministry has furnished the following statement :-

Plan Budget

(Rs. in crores)

Year	Budget	Actuals
1993-1994	521.32	265.41
1994-1995	415.00	251.11
1995-1996	324.00	287.78
1996-1997	343.85	292.62
1997-1998	260.00	238.68
1998-1999	260.00	233.36
1999-2000	266.00	257.47
2000-2001	457.00	391.29
2001-2002	650.00	605.12
2002-2003	715.00	602.38
2003-2004	760.00	663.64 (Prov)
2004-2005	878.00	

Non-Plan Budget

(Rs. in crores)

Year	Budget	Actuals
1991-1992	708.19	625.70
1992-1993	677.08	497.06
1993-1994	440.85	296.58
1994-1995	374.00	452.75
1995-1996	252.27	568.12
1996-1997	590.30	646.46
1997-1998	479.04	826.83
1998-1999	726.58	745.04
1999-2000	740.10	798.97
2000-2001	754.30	814.08
2001-2002	650.00	788.60
2002-2003	870.50	815.90
2003-2004	947.84	887.24 (Prov)
2004-2005	902.31	

2.6 The Ministry have also stated that the budgetary allocation of Rs. 769.20 crore was made during the year 2003-2004 (Plan – Rs. 521.87 crore and Non-Plan – Rs. 247.33 crore) which was reduced to Rs. 588.13 crore at RE stage. A total amount of Rs. 169.03 (Plan – Rs. 104.14 crore and Non-Plan – Rs. 64.62 crore) had been surrendered by the Ministry. Some of the plan schemes where there are

major surrenders include Design Developmeent and Training Programme(Rs.19.06 crore), Apparal Export Textiles Parks(Rs.12.36 crore) and Integrated Development Package for J&K(Rs.16.70 crore). When the Ministry were asked to explain the reasons for surrender, a representative of the Ministry during the evidence stated as follows: -

“As far as J&K package is concerned, actually, it came somewhere during the last year and the formulation of the schemes itself took some time because there is a procedure for consulting the Planning Commission and the Ministry of Finance and getting it through....So, that is one major area of concern. So, we have been reviewing it and it is also a part of the thrust area which is being reviewed at the Secretaries level and also at the higher level. In the handloom sector, we had slight difficulties because during the last year, as I mentioned, one integrated training programme was sanctioned. Actually, Design Development Training Project was the main programme under which the training was provided because the scheme which was actually on the anvil for some time, it was sanctioned only towards the end of the calendar year, around December. In spite of the fact that we had only one quarter, we have been able to achieve substantially under the ISDP and in the current year you will find that the Budget has shifted largely to the ISDP for which we have opened a separate head of account. But last year we had surrendered something from the Design and Development Programme. Now, henceforward, the entire training has been consolidated in the handloom sector....During the last year we have made a good opening and this year we will be able to achieve the target. As far as Ambedkar Hastshilp Vikas Yojana is concerned, it is also a very important flagship scheme of the handloom sector.”

2.7 The Committee are concerned to note that the actual Plan expenditure has constantly been less than the budgetary estimates since 1993-1994. During 2003-2004, the unspent balance surrendered under Plan allocation was to the tune of Rs.104.41 crore and Rs.64.62 crore under the non-Plan scheme in respect of Design Development and Training Programme, Apparel Export Textiles Parks and various other schemes of the Ministry. The reasons for surrender in most of the cases have been indicated as inaction on the part of the implementing agencies. The Committee feel that continuous unspent balances left with the Ministry year after year clearly indicate a serious flaw in the budgetary process resulting in unrealistic budgetary projections by the Ministry in each subsequent year ignoring the vital outputs of actual requirement of funds under different heads.

2.8 The Committee take further note that the Ministry is blaming the implementing agencies and the NGOs for non availing of second instalments of earmarked funds. The reasons given by the Ministry for the unspent balance viz. late receipt or incomplete nature of proposals and delay in release of State share-are of routine nature. In the opinion of the Committee, the monitoring mechanism of the Ministry is not up to the mark. The Committee, therefore, recommend that the Ministry should intensify its monitoring work and take corrective measures such as creating awareness of the schemes by holding periodical review meetings with the State Governments/users also sensitizing the NGOs in a systematic manner so that

the funds earmarked are fully utilised. The Committee trust that the budgetary allocations under different heads will be fully utilized by the Ministry at least during 2004-2005.

CHAPTER-III

TEXTILES

Major Head: 2852

Sub Head: 07

A. Rehabilitation of the workers of closed mills

3.1 The Ministry have informed that there were 1319 Cotton/Man-made Fibre Textile Mills (Non-SSI) functioning in the country as on 31.03.2004. It has further been informed that a number of these Mills are closed every year due to lack of modernization, stagnation in demand and inability of some units to expand in the export market, increase in the cost of inputs, difficulties in getting timely and adequate working capital, etc.

3.2 The details of the number of Cotton/Man-made Fibre Textile Mills (Non SSI) closed during the last three financial years are as under :-

Year	No. of Mills closed
2001-2002	45
2002-2003	43
2003-2004	46
Total	134

3.3 In addition to the above mentioned 134 Mills, according to the Ministry, 17 Mills were also closed permanently during the last 3 years and were deleted from the records of the Office of the Textile Commissioner in December, 2003. Out of these 151 Mills closed, 45 cases have been registered with BIFR as on 30.09.2003.

3.4 In regard to a query on the efforts made for the revival of the sick and closed mills, the Ministry in a written reply stated as follows :-

“In order to revive the potentially viable sick textile mills which may or may not be closed, Government has enacted the Sick Industrial Companies (Special Provisions) Act, SICA, 1985 and established the Board for Industrial & Financial Reconstruction (BIFR) with a view to arranging the timely detection of sick and potentially sick companies and for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of such companies. BIFR appoints operating agencies for preparation of rehabilitation proposals in respect of potentially viable units. The decision on rehabilitation is taken by BIFR based on its findings.”

3.5 In regard to the steps taken to rehabilitate the affected workers of the closed mills, the Ministry in a written reply stated that the Union Government has a scheme called the Textile Workers Rehabilitation Fund Scheme (TWRFS) being implemented by the Office of the Textile Commissioner, Mumbai in Co-ordination with the concerned State Governments / Workers' Unions/Official Liquidators/ Provident Fund Commissioners

etc. is applicable to the whole of India and is meant for providing an interim relief for an interim period of only 3 years on a tapering basis on to the workers who might be displaced by permanent closure of textile mills/units or entire division in case of partial closure thereof, provided such mills/units and workers fulfill the conditions prescribed under the Textile Workers Rehabilitation Fund Scheme. Since the inception of the scheme as on date, 31 units in Gujarat, 4 units in Tamil Nadu, 3 units in Maharashtra, 3 units in Madhya Pradesh and 1 unit in Delhi making a total of 42 are found eligible under the scheme. A total of 72460 workers of 41 mills have been disbursed relief of an amount of Rs. 164.84 crores till date. Financial assistance under the scheme is available to mills eligible under the scheme. Out of 134 mills closed during the last 3 years only 101 are under private sector. However, the Ministry have stated that workers of these mills have not approached the Office of the Textile Commissioner, Mumbai to avail benefit under TWRFS. Likewise, out of 17 mills permanently closed during the last 3 years and deleted in December 2003 from the records of the Office of the Textile Commissioner, Mumbai only 4 mills are under private sector and workers of such mills have not approached that Office to avail benefit under TWRFS.

3.6 During evidence, when it was asked, how the interests of the workers of these Private Mills be protected, the representative of the Ministry stated as follows :-

“Sir, we are prepared to consider improving the procedure, but basically it has to meet two criterion, on which many cases are pending. The State Government has to give permission under 25(o) of the Industrial Disputes Act for the closure of the unit, which somehow has not happened. The Unions have approached, but very few mills – out of these 101 mills that are closed – have got the 25(o) official permission for closure of mills.

Secondly, the records have to be given to us, as per the scheme, by the State Government. I think there are a lot of problems in collecting the exact figures, as to who all are on the rolls, and who all are entitled for the benefits under this scheme.”

3.7 When the Committee expressed its anxiety about the non-availability of relief to the workers of closed private mills, a representative of the Ministry of Textiles stated as under :-

“I share the anxiety of the Members about the rehabilitation scheme and we will certainly take a hard look at any possible simplification of the scheme. We can call the meeting of the relevant Ministers and try and find out a solution to this. Regarding the suggestion about the need for keeping the records, it will be more and more difficult to know about it. The two problems which we have to tackle is, we must have some basic information about the worker. Second point is, it was pointed out about the eligibility that we could certainly have a look at the possibility of simplification. I can only have a loud thinking on this. One possible solution is to go in for a normative approach so that it can be of a particular skill and a particular norm can be fixed. Since you are requesting us to give a suggestion, I may say that if some normative thing is fixed, then we need not worry about what he was getting. Some norm can be fixed and some amount can be fixed. It will then become much simpler. The third thing is about the

suggestion of holding a meeting of the State Government, Central Government and trade union leaders, we can have a combined meeting of all the three wings. We will take all these steps and convey the anxiety of the Committee. On the one hand, we have the funds in the Budget and we want to increase it, but we are having some handicaps.”

3.8 The Committee note with anguish that out of 151 textiles mills closed upto 31.3.2004, only 45 mills were registered with BIFR and the workers of 101 private mills closed did not approach the office of Textile Commissioner to avail the benefits under the Textile Workers Rehabilitation Fund Scheme (TWRFS). The reasons put forth are reluctance on the part of concerned agencies to grant closure under section 25 (O) of the Sick Industrial Companies (Special Provisions) Act, 1985 and non-availability of records of eligible workers. The Committee view this situation very seriously. They are of the view that the Ministry should address this vexatious issue with right earnest and while doing so, should convene a meeting of the representatives of State Governments and Trade Union leaders and find a solution. The Committee further recommend that, pending a satisfactory resolution of the issue some reasonable fixed amount should be given as interim relief to the workers to make both ends meet.

Major Head: 6860

Sub Head: 01

Minor Head: 01190

B. National Textile Corporation Limited (NTC)

3.9 The National Textile Corporation Ltd (NTC) has an authorised Capital of Rs.600 crore and a paid up capital of Rs.540.10 crore, which is fully owned by the Govt. of India. During 2002-03 and 2003-04, Govt. of India converted Loans amounting to Rs.28 crore into Equity in respect of NTC (TNP) Ltd. And Rs.2514.79 crore in respect of 6 subsidiaries as per the revival schemes approved by BIFR. Further the Govt. of India waived interest amounting to Rs.1454.01 crore in respect of these 7 subsidiaries during 2002-03 and 2003-04. The installed capacity of the mills under the NTC Group as on March, 2004 is 11.35 lakh spindles and 2613 looms.

3.10 The details of production and sale of yarn and cloth by NTC and profit/loss during each of the last three years are given below:

	2000-2001	2001-2002	2002-2003	2003-2004 (prov.)
Production(yarn) in lakh kgs.)	650.90	507.10	500.50	433.77
Production cloth (in lakh mtrs.)	438.40	353.40	325.90	388.15
Sales (Rs./ crore) Yarn & Cloth	656.00	497.05	439.88	434.07
Net loss (in Rs. crore)	1108.97	617.32	1596.27	1307.75

Rehabilitation

3.11 The Ministry have informed the Committee that it has sanctioned Rehabilitation Schemes for nine subsidiaries. The salient features of the scheme are given below:

Sl.No.	Particulars	
1	Total No. of Mills	119
2	No. of viable mills sanctioned/proposed for revival	53
3	No. of Mills to be closed/proposed to be closed as per the schemes approved/under consideration	66
4	Cost of revival (Rs. in crore)	3937
5	Funds expected to be mobilised including through sale of surplus land and other assets to finance the schemes	4831

3.12 In regard the above scheme of reviving only 53 viable mills, a representative of the Ministry stated during the oral evidence as follows:

“Sir, as was pointed out, regarding NTC, we had 119 Mills and the revival package that was approved by the BIFR envisages closing of 66 Mills and revival of 53 Mills. This package was worth about Rs.3,970 crore. It includes a component of about RS.1,500 crore for modernisation and close to Rs.3,900 crore and then some budgetary support from the Government towards wages. Before this matter was looked into by the BIFR, there were a number of meetings held, and the tripartite meeting that was referred to was also in this connection, where the Ministry had taken a stand that we would try to revive as many Mill as possible. It is because of such meetings that the number of Mills that ought to be revived came out to 53. Initially, in the earlier package that we had, the number of Mills to be revived were much less; their number is somewhere between 19 and 30. Then, we finally arrived at the number 53 based on case by case evaluation of the Mills by the Textile Research Association. Therefore, we took that into consideration and as a result of that we are trying to revive 53 Mills. The revival package, which basically consisted of modernisation of the Mills, was to be funded from the sale of surplus assets.”

3.13 When enquired whether the Ministry have chalked out any alternative plan to expedite the process of modernisation of NTC mills in the case of delay in sale of assets, the Ministry stated that they have no other resources except to depend on the proceeds of sale of assets for taking of the process of the modernisation. It has further been stated by the Ministry that the operational losses of the mills proposed for revival have already come down due to increased utilization. However, these mills are still incurring losses due to outdated technology.

3.14 When asked as to what was the amount that NTC realized as a percentage of wages due to modernization efforts, a representatives of the Ministry stated as under: -

“Modernisation involves about Rs.1500 crore. Despite that , we have given to the NTC mills more than Rs.72 crore towards working capital and modernization. Consequently the performance has improved, the utilization has gone up.... The NTC produced about Rs.450 crore last year but the wages itself is Rs.300 crore. This year we are targeting slightly more. Maybe we will end up close to Rs.600 crore. So, the wage component is only Rs.300 crore and the contribution of the production towards wages which was hovering between 12 and 16 is now 24 per cent. So, there has been some improvement in the functioning of the mills as far as production, sales as well as the contribution toward wages is concerned. But then, the mills would really be revived once modernization takes place and that would happen only when we are able to generate surplus from the sale of assets.”

3.15 As per the Rehabilitation Scheme, the cost of modernisation is to be met from the funds generated through sale of assets. Due to various conditions imposed by some of the State Govts in sale of assets, the process of sale of assets has been slow. As and when sufficient funds are released through sale of assets, the process of modernisation will be expedited. According to the Ministry, the total surplus land of 9 subsidiaries to be sold is 2697.53 acres. Land and Buildings valued at Rs.236.51 crore has been sold in various mills of NTC as on 31.5.2004.

3.16 Position of the Ministry in regard to sale of surplus lands was further clarified by a representative of the Ministry as given below:-

“.....there are some problems with some of the State Government, especially, Maharashtra, Gujarat and U.P. Once we are able to tie over those problems and the sale takes place, then definitely there would be some inflow into the modernisation programme.”

3.17 The Committee note that out of 119 textile mills, 66 mills have been closed and the remaining 53 mills have been sanctioned a revival package at a cost of Rs.3937 crore. The Committee further note that the revival package which basically consisted of modernisation of the mills was to be funded from the sale of surplus lands. The proposed total modernisation cost is to the tune of Rs.1500 crore and resources for modernisation are to come from the sale of surplus land. Assets worth Rs.400 crore have been mobilised through sale of surplus land whereas Rs.72 crore has been released as working capital for modernisation in pursuance of the Revival Scheme. The Committee are not satisfied with the tardy pace of modernisation of the textile mills. The Ministry should not only formulate an alternative plan to modernize the textile industry expeditiously but also intensify their efforts to sell the surplus land so that necessary funds could be mobilised for modernisation of the viable mills within a definite time frame.

3.18 The Committee note with deep concern that the issue of modernisation of mills has been linked with the process of sale of surplus land but unfortunately the sale of surplus land of Textile mills both in Mumbai and Ahmedabad has not yet materialised. The Committee, while expressing its serious concern urge the Ministry to exhibit seriousness in the matter and augment their efforts through high level meetings with the State Governments so that the Sick units could be revived at the earliest.

Major Head: 2852**C. Labour reforms**

3.19 The Textile Industry plays a significant role in Indian economy by providing employment to around 35 million people. The total employment in textiles sector is projected to increase to 40.15 millions by the terminal year of the Tenth Plan. In this regard the Ministry of Textiles have stated that potential for employment opportunities in the unorganised sector may be expected given the highly labour intensive nature of operations – that in the organised sectors will be subject to removal of certain constraints such as introduction of reforms in existing labour laws, implementation of labour reforms announced in the 2001-02 budget and a framework in which contractual labour can be employed by the industry in times of seasonal demand need to be put in place. According to this proposed labour reforms, the provisions of chapter V-B of the Industrial Disputes Act, 1947 on seeking prior permission of the appropriate Government for effecting retrenchment, lay-off and closure will be made applicable only to establishments employing 1000 and above workers in place of the existing provisions of 100 and above workers. In regard to the above proposed labour reforms, earlier the Ministry were of the opinion that the limit of 1000 workers for applicability of these reforms should also be removed, at least for the textile industry as a special case, in recognition of its status as the oldest industry saddled with large labour force which is incompatible with modern technology of equivalent capacity. This would encourage technology upgradation of the viable composite mills and finally a framework in which contractual labour can be employed by the industry in times of seasonal demand, needs to be put in place. Subsequently in a written reply furnished to the Committee, the Ministry has stated that it has endorsed the proposed Labour Reforms. The amendments proposed are under consideration of Ministry of Labour.

3.20 The Committee take note of the fact that the textile industry plays a significant role in the Indian economy as it provides employment to around 35 million people. The Committee are apprehensive that the proposed labour reform by the Second Labour Commission in the Industrial Disputes Act, would facilitate the managements of the textile industry which are employing less than 1000 workers to indulge in retrenchment, lay-off and closure of the mill without taking the permission of the appropriate authority. The ceiling at present is 100 workers. Such a situation would definitely render a number of workers jobless which would severely affect the well-being of their families. The Committee do not endorse the argument of the Ministry that the present labour environment in the Textile Industry and the existing structure of labour laws do not encourage flexibility in workers redeployment. In the opinion of the Committee textiles being the oldest industry employing a large workforce should be made more competitive by encouraging technology upgradation and modernisation. The Committee, therefore, consider the proposed labour reforms anti-labour and are not in favour of such a law for the textile industry which give blanket powers to the employers for retrenchment of employees and arbitrary closure of mills.

CHAPTER-IV

POWERLOOM INDUSTRY

Major Head: 2851
Minor Head: 00108

A. Modernisation of Powerloom Industry

4.1 According to the Ministry, during the year 2002-2003, the production of cloth in the decentralized powerloom sector was 27258 millions sq.mtrs, while employment generation was 4.23 million. The corresponding figures estimated for 2003-2004 are 27945 million sq.mtrs. and 4.59 million respectively. The powerloom industry produces a wide variety of cloth, both grey as well as processed with intricate designs. The contribution of powerloom sector to the total cloth production of the country was to the extent of 64% during 2003-2004. Powerloom fabric also successfully competes in the global market and contributes significantly in the export earnings of the country. The following table shows the growth of estimated number of powerlooms in the decentralised sector during the last five year: -

Year	Powerlooms
1999-2000	16,29,853
2000-2001	16,61,550
2001-2002	16,66,033
2002-2003	16,92,737
2003-2004	18,36,856

(Source : State Government and U.Ts.)

Modernisation of powerloom Industry

4.2 In a written note, the Ministry of Textiles informed the Committee that most of the powerlooms are of old vintage, with outdated technology, run at very low speed and marked by low productivity and by and large, manufacturing narrow-width, defect-prone and low-value fabrics. There are approximately 30,000 Automatic Looms and 20,000 Shuttleless Looms.

4.3 It has been informed that the Ministry of Textiles has announced a programme for Modernisation of the Decentralised Powerloom Industry by the Induction of 50,000 shuttleless looms & 2.5 lakh Semi-Automatic Looms as part of the Textile Package for revival and Modernisation of the Industry. To achieve the desired level of modernisation of the decentralized powerloom sector, TUFS has been modified to allow the beneficiary an option of either availing a 5% reimbursement of interest rate or 20% Credit linked capital subsidy for the bench marked technology-weaving machinery costing upto Rs.60 lakhs; for the decentralised powerloom sector. But the perusal of the Performance Budget of the Ministry for the year 2004-05 shows that only Rs.9.67 lakh was released under TUFS for powerloom sector.

B. Powerloom Service Centres(PSCs)

4.4 The Committee have been informed that 44 Powerloom Service Centres (PSCs) have been established and functioning under the office of the Textile Commissioner, Textile Research Associations (TRAs) and State Government agencies, to assist the decentralised powerloom sector. These centres are located in major powerloom concentration areas in different States and provide a variety of functions including training, provide testing facilities, technical consultation, design development and diversification etc., to powerloom units and weavers.

4.5 The Committee have been informed that the powerlooms in the PSCs are very old and outdated and cannot run for a long time continuously. The looms and equipments in the PSCs and the machinery existing in the industry in the area do not match. Weavers attending the training demand such training on the latest looms and equipments and not on the existing machinery available with the PSCs. In many cases, the training becomes highly the oritical, as the PSC is not able to give practical orientation and training due to lack of modern machinery. In such circumstances it became very difficult for PSCs to attract people for training. Keeping in view the above realities of the state of PSCs. An Upgradation of the Powerloom Service Centres Scheme, was implemented by the Ministry during the Ninth Plan period. Under this scheme, an amount of Rs.16.09 crore was proposed to be spent during the Ninth Five Plan period on 21 PSCs. The Ministry of Textiles had allocated Rs.12.67 crore out of which of Rs.11.78 crore have been utilized. Modern Machines and equipments such as Shuttle-less looms of types Projectile, Rapier, Air-Jet; Automatic Cop Changing looms, Drop box looms, Pirn winders, cone winders sectional warping machines, DG sets etc., have been acquired and commissioned. The Committee have been further informed that the Government has approved to modernize the remaining 23 PSCs during the Tenth Plan. Funds were released to modernize 5 PSCs during the year 2002-03 and 9 PSCs during 2003-04 at a cost of Rs.2.313 crore and Rs.2.271 crore respectively.

4.6 But in a written reply it has been stated by the Ministry that the Modernisation of only two PSCs has been completed so far. It has further been stated by the Ministry that rest of the 9 PSCs shall be taken up for modernization during 2005-06 on felt need basis. Approximate cost of modernization would be Rs.450 lakh @ Rs.50 lakh per PSC. The process shall be own by 31.03.2006.

4.7 The Committee are concerned to note that powerlooms in the country are made of outdated technology, marked by low productivity and manufacturing low-value fabrics. The Committee further note that there are 18.40 lakh powerlooms in the country employing about 45.9 lakh people but the amount released during 2003-04 for technology upgradation is only Rs.9.67 lakh. Further the Ministry have announced induction of only 50,000 shuttleless looms and 2.5 lakh semi-automatic looms for the modernization of decentralized powerloom industry. The Committee feel that this modernization package is not sufficient considering the size of the industry. The Committee, therefore, urge the Government to make serious efforts to modernize the decentralised powerloom industry by enlarging the existing Technology Upgradation Fund Scheme (TUFS). The Committee recommend that sufficient funds should be made available for strengthening the social security schemes for powerlooms workers, improving infrastructural facilities and enhancing their competitiveness in the global market.

4.8 The Committee are dismayed to note that out of 23 Poweloom Service Centers which have to be modernized during the Tenth Plan, only 2 PSCs have been modernized so far. With such a tardy pace the Committee are doubtful whether the Ministry would be able to complete the modernisation of all the remaining PSCs by 2006. The Committee recommend that a review should be conducted on the modernization programme and all the remaining PSCs should be modernised with the latest technology as per the need of the powerloom industry in a time bound manner. The Committee

further recommend that an action plan should be framed for training the powerloom workers in the effective use of equipment given.

CHAPTER-V

HANDLOOM INDUSTRY

Major Head: 2851

Minor Head: 00103

5.1 According to the Ministry, the Plan Budgetary Estimates/Revised Estimates/Actuals for 2003-2004 and Budget Estimates for 2004-2005 for the Handloom Sector is as follows: -

(Rs. in crore)

Actual Expenditure		2003-2004		BE	
2000-2001	70.06	BE	156.77	2004-2005	154.56
2001-2002	112.70	RE	137.31		
2002-2003	130.66	Likely Actual	128.46		
		% over BE		81.94	

5.2 According to the Ministry, Textiles is the second most important economic activity in the country after agriculture and it contributes about five per cent of GDP. About 35 million people are directly employed in the Textile Sector and 90 million people are engaged in related activities.

5.3 Due to effective State intervention through financial assistance for the development and welfare of this sector, the persons engaged in handloom weaving and allied activities have been able to earn their livelihood. As a result of these measures the production of handloom fabrics has gone up to 5536 million sq. meters during 2003-2004 (Provisional) from a level of 500 million sq. meters in the early fifties. This sector accounts for about 14.22% of the total cloth produced in the country (excluding wool, silk and hand spun yarn).

A. Production of cloth in the Handloom Sector

5.4 As regards the targets and achievements of production of cloth in the Handloom Sector from the year 1997-1998 to 2003-2004, the Ministry have furnished the following statement: -

Year	Target (in million sq. metres)	Achievement (in million sq. metres)
1997-1998	6860.00	7603.00
1998-1999	7272.00	6792.00
1999-2000	7708.00	7352.00
2000-2001	8170.00	7506.00
2001-2002	8440.00	7586.00
2002-2003	7725.00	5980.00
2003-2004	7960.00	5536.00 (Provisional)

5.5. It has been noticed that from the year 1998-1999 onwards, there has been a recurring decrease in the achievements as compared to the targets set for production of cloth in the Handloom Sector. On being asked the reasons for not achieving the desired targets for production of cloth, during the last several years, the Ministry stated as under:

“The target for the handloom sector was fixed by the Working Group on Textile & Jute Industry based on the actual production during the IX Plan: when the production of janata cloth, a very low value cloth was prevailing. Subsequently the Janata Cloth Scheme was discontinued and the approach of the Ministry was changed to encourage production of value added items. The approach to encourage value added items rather than producing more low value items, may be one of the factors due to which the production has come down. The production in the handloom sector may stabilise within the range of 5000 million sq. mts. over the next few years. Keeping the above in view, the revision of target is under consideration.”

5.6 When asked as to whether any study has been conducted to ascertain the factors responsible for decline in production of handloom fabrics and what steps have been initiated to augment the production of handloom fabrics, the Ministry stated that due to the highly decentralized nature of the handloom industry, it is difficult to ascertain the exact production figure.

B. Weavers' Welfare Scheme

5.7 The Hon'ble Prime Minister, in his Independence Day address to the Nation, on 15th August 2002 announced that the Government will start a special contributory insurance scheme for One Million weavers and artisans, combining the 'Janshree Bima Yojana' with Group insurance Scheme. Accordingly, it has been proposed by the Ministry to implement the 'Bunkar Bima Yojana' and Add-on Group Insurance Scheme during the X Plan period to cover eight lakh weavers in the handloom sector. After the approval of Departmental EFC and Finance Minister, the scheme was introduced in December 2003. A sum of Rs. 150.00 lakh was released to the LIC in March, 2004 towards Central Govt. share of premium under the Bunkar Bima Yojana. It has also been informed that the Schemes which were in implementation during 2003-04 were Health Package Scheme, Thrift Fund Scheme, Group Insurance Scheme, New Insurance Scheme. A provision of Rs. 755.00 lakh was made during 2003-04 for “Weavers' Welfare Scheme”, out of which Rs. 253.00 lakh was earmarked for North Eastern States. During 2003-04, a sum of Rs. 575.88 lakh was released to various State Governments, out of which a sum of Rs. 73.88 lakh was released to North Eastern Region. In the BE 2004-2005, a Plan allocation of Rs. 600 lakh has been allocated to this scheme.

5.8 On being asked as to what facilities / amenities / incentives have been provided to promote the welfare of handloom weavers for increasing their quality of work and productivity, the Ministry have stated that the Government of India is implementing the Workshed-cum-Housing Scheme under which central assistance is provided for the construction of Workshed/Workshed-cum-Houses in both rural and urban areas to provide a better working environment. The Government of India is also implementing welfare schemes namely; Health Package scheme, Thrift Fund Scheme and the New

Insurance Scheme for Handloom weavers. The Health Package Scheme aims at ameliorating some of the health problems related to the profession of the handloom weaving, the Thrift Fund scheme is implemented as social welfare measure for creation of a fund in the nature of a Provident Fund to enable the weavers to meet expenses towards their children's education, marriage, confinement or religious ceremony in the family.

C. Deen Dayal Hathkargha Protsahan Yojana (DDHPY)

5.9 Deen Dayal Hathkargha Protsahan Yojana was launched to provide assistance to the handloom weavers in an integrated and comprehensive manner. Under this Centrally Sponsored scheme, the funding pattern between the Centre and the State under the Deen Dayal Hathkargha Protsahan Yojana is 50:50 for all the States excepting the State falling under NER, Sikkim, J&K, Uttaranchal and Himachal Pradesh where the sharing ratio is 90:10. In respect of Societies that have 100% beneficiaries as SC/ST/women/minorities the sharing pattern between the Centre and State is 75:25. However, the sharing ratio under the Marketing Incentive component of the scheme is 50:50 for all the States. The assistance under the Scheme is released to the concerned State Governments who are required to pass it on to the implementing agencies with their own matching share. In many of the projects sanctioned under the Scheme, only 1st instalment has been released and as such the projects are in various stages of implementation. Moreover, the assistance given under the Scheme only supplements the needs of the handloom weavers and does not meet their entire requirement. It would, therefore, be difficult to assess the impact of the Scheme on enhancing the commercial value of handloom products. The DDHPY envisages covering weavers both under cooperative and non-cooperative fold. In order to improve quality of finished products, financial assistance is available to the handloom agencies for infrastructure like setting up of a processing house having bleaching, dyeing, finishing and other facilities, effluent treatment plant and common facility centers.

5.10 In the year 2002-03, a sum of Rs.8429.67 lakh was released as grant from the DDHPY head consisting of release of Rs. 8120.01 lakh under the Basic Input and Marketing Incentive components of DDHPY Rs. 283.16 lakh under the Project Package Scheme (PPS) and Rs. 26.50 lakh under Integrated Handloom Village Development Scheme (IHVD). During the year 2003-04, there was a budget provision of Rs. 6757.00 lakh for disbursement of grant under the schemes covered by the DDHPY head. Out of this budget provision, a sum of Rs. 6683.80 lakh has been released consisting of release of Rs. 6363.90 lakh under Basic Input and Marketing Incentive components of DDHPY and Rs. 319.00 lakh under Project Package Scheme. During the year 2004-05, there is a budget provision of Rs. 3447.00 lakh for disbursement of grant / loan under the schemes covered under the DDHPY Head. Out of this budget provision, a sum of Rs. 521.79 lakh has been released towards Marketing Incentive till 20.05.2004.

5.11 On being asked as to whether the Ministry is facing any problem in the effective implementation of this scheme, the Ministry stated that the Deen Dayal Hathkargha Protsahan Yojana (DDHPY) is a major Scheme being implemented for promotion and development of the handloom sector. This Scheme provides assistance for basic inputs covering both the purchase of looms as well as accessories, for design development, for promotion of sale of handlooms, margin money for availing credit towards working

capital, support for setting up of infrastructure and for expending market of handloom products. Under the component “strengthening of handloom organizations” of the Scheme there is a provision to support Apex Cooperatives and Corporations at State level for restructuring their finances.

5.12 However, for want of adequate support from the banks for the components under the Scheme towards loan, the Scheme has not been fully operational. Besides, because of the stringent conditions and the requirement of the support from the State Governments for bearing 50% of the cost, this Scheme has not been very successful. There has also been considerable pressure from the State Governments for recasting the Scheme. The Scheme, therefore, needs to be comprehensively reviewed and revised.

5.13 The Ministry have further stated that the most important change that needs to be brought in the Scheme is to provide for restructuring of the Primary Cooperatives in addition to the Apex Organisations. This has become necessary, as the supply chain as well as the credit line has been choked. As such it may be necessary to restrict the scope of the Scheme only to the component relating to the strengthening of the handloom organizations including the Primary Weavers Cooperative Societies. As per the rest of the components, this could be subsumed in other Schemes and mainly in the proposed Integrated Cluster Development Scheme.

5.14 The Committee observe that budgetary allocation of Rs. 156.77 crore has been projected at BE stage for the Handloom Sector which was reduced to Rs. 137.31 crore at RE stage during the year 2003-2004. The actual expenditure for the year 2003-2004 is Rs. 128.46 crore. For the year 2004-2005, BE of Rs. 156.56 crore has been projected. The Committee also note that the actual expenditure during the years 2000-2001, 2001-2002 and 2002-2003 were Rs. 70.66 crore, Rs. 112.70 crore and Rs. 130.66 crore respectively. The Committee feel that non-utilisation of funds allocated for handloom sector would seriously affect the production of handloom cloth and workers welfare activities being undertaken by the Ministry for this Sector. The Committee desire that keeping in view the overall development of the handloom sector, budgetary support should be increased, particularly for the welfare activities being undertaken by the Government for the handloom weavers. The Committee further desire that the Government should also ensure that the funds allocated for various schemes are fully utilized.

5.15 The Committee are constrained to note that from the year 1998-99 onwards, there has been a constant decline in the production of cloth in the handloom sector as compared to the targets set for each year. The Committee take further note of the argument of the Ministry that no proper assessment study has been conducted to ascertain the factors responsible for decline in production of cloth due to highly decentralized nature of the handloom industry. The Committee feel that the factors responsible for the decline in the production of handloom cloth since 1998-1999 need to be

properly assessed as also the impact of the fiscal changes announced recently in the excise duty on hank yarn on the overall production of handloom cloth have to be properly studied. The Committee, therefore, recommend that a comprehensive study be conducted to identify the factors responsible for the decline in production of handloom cloth so that necessary corrective measures could be taken to augment the production of cloth.

5.16 The Committee observe that a provision of Rs. 755.00 lakh was made during 2003-2004 for Weavers' Welfare Scheme but the Plan allocation for the scheme has been reduced to Rs. 600 lakh in the BE 2004-2005. The Committee note that the Government of India has been implementing various welfare schemes viz. Workshed-cum-Housing Scheme, Health Package Scheme, Thrift Fund Scheme, New Insurance Scheme, etc. for handloom weavers. The Committee feel that with the reduced allocation of funds, the welfare schemes undertaken by the Government would not be implemented effectively. The Committee take further note that under the Workshed-cum-Housing Scheme, the components of Common Workshed, Separate Workshed and Community Centre are also being added. The Committee are of the view that construction of workshed/workshed-cum-houses for the weavers would enable them to increase the production of handloom for meeting the export and domestic orders. The Committee desire that the workers should be provided with suitable workplace along with the houses, with all the necessary infrastructure, in both rural and urban areas for better working environment and productivity. The Committee, therefore, recommend that increased budgetary allocations

should be made for the scheme and implementation of the relevant schemes should be properly monitored and periodically reviewed.

5.17 The Committee take note that the Deen Dayal Hathkargha Protsahan Yojana was launched to provide assistance to the handloom weavers in an integrated and comprehensive manner. The Committee further note that under this Centrally sponsored scheme, the funding pattern between the Centre and States is 50:50 for all the States, excepting the States falling under NER, Sikkim, J&K, Uttaranchal and Himachal Pradesh where the sharing ratio is 90:10. The Committee observe that the scheme is not performing well because in some cases only the first instalment has been released and the State Governments are not able to provide the matching share. The Committee, therefore, recommend that efforts should be made to persuade the State Governments to bear their responsibility of providing the matching share. The Ministry should also gear up their monitoring and coordination machinery over the schemes through periodical review meetings with the implementing agencies and NGOs and ensure timely release of funds to the implementing agencies.

CHAPTER-VI

HANDICRAFTS

Major Head: 2851
Minor Head: 00104

6.1 The Committee have been informed that handicrafts being a state subject, its development and promotion is primarily the responsibility of the State Governments. However, the Office of the Development Commissioner (Handicrafts) is responsible for implementation of various schemes for development of handicrafts in the country and supplementing the efforts of the State Governments by implementing various developmental schemes at central level for handicrafts sector. Handicrafts, encompasses a wide range of art effects made solely by hand with or without the aid of simple mechanical devices.

A. Employment Scenario

6.2 The Ministry have stated that the crafts which employ significant number of artisans are Carpets and Durry, Artistic Textiles, Embroidery and Zari, Cane, Bamboo and Straw, Hand Printed Textiles, Wood works, Stone work and metal work. Handicrafts sector assumes a special significance in the country's economy in terms of employment generated and foreign exchange earned. Employment in this sector as per the Census of Handicrafts Artisans conducted by NCAER is 48.20 lakhs artisans. On being asked about the steps being taken by the Government to generate further employment opportunities in the handicraft sector, the Ministry informed that the developmental schemes of Handicraft Sector under implementation in the 10th Plan, aim to provide enhanced income and employment opportunities. These schemes are Baba Saheb Ambedkar Hastshilp Vikas Yojana (AHVY), Design and Technology Upgradation, Marketing and Support Services, Export Promotion, Training and Extension and Special Handicrafts Training Programme (SHTP).

6.3 The Ministry has further stated that proposes to implement new component as detailed below, which, if approved is expected to create additional employment of more than one lakh in the Handicrafts Sector in rural areas:

1. Credit Guarantee Scheme
2. Margin Money Support for Raw Material Bank
3. Setting up Technology Upgradation Centre for Export Clusters.
4. Setting up of local Haat/Mini Urban Haat/Eco Haat
5. Entrepreneurship Development Programme.
6. Setting up Electronic Kiosk in CFCs being set up in potential clusters to facilitate trade through e-commerce.
7. Workshed Scheme.

B. Marketing and Market Development Support for Handicrafts

6.4 Production of handicrafts during the last three years are given below: -

(Rs. in crore)	
Year	Production
2001-2002	16300.00
2002-2003	18563.00
2003-2004	20356.73
2004-2005 (Target)	25240.50

6.5 It is informed that 52 Marketing & Service Extension Centres have been set up throughout the country. These centers undertake various market related programmes like product promotion programmes, crafts bazaars, fair and festivals, marketing workshop programmes, expos etc. through which artisans working in remote areas of the country are given opportunity to interact with buyers, exporters, marketing agencies and sell their products.

6.6 The details regarding target fixed for such programmes and the achievements made thereon since 1999-2000 are given below :-

Year	No. of Programmes	
	Target	Achievement
1999-2000	128	86
2000-2001	112	87
2001-2002	172	135
2002-2003	112	79
2003-2004	170	76 (Upto Nov.'03)

6.7 The above details show that targets were never achieved during the last five years. When enquired about the reasons for the same, the Ministry stated that the reason attributed for not achieving the target is due to paucity of funds.

6.8 The Ministry also informed that the following steps are being taken to encourage the marketing of handicrafts: -

- Setting up of more Urban Haats at prominent location in the country on the pattern of Dilli Haat, in order to provide permanent marketing outlet to the artisans on rotational basis throughout the year. At present 29 Haats have been sanctioned, out of which 4 have become operational.
- Efforts are being made to Increase the number of marketing programmes, such as Craft Bazaars/Fairs/Festivals/Expos/Marketing Workshops, etc.
- In addition to marketing events organised under Marketing Scheme, under AHVY Scheme, the Artisans and SHGs are being sanctioned

separate Craft Bazaars/Expos/Exhibitions to promote the marketing of products developed in the clusters being developed under this scheme.

- There is a proposal to set up local Haats/Mini Urban Haats in potential market areas to enhance the marketing opportunity available to the artisans at present.

C. Export of Handicrafts

6.9 According to the Ministry, the export of handicrafts including hand-knitted carpets is as follows: -

(Rs. in crore)	
Year	Export
1998-1999	7157.64
1999-2000	8105.63
2000-2001	9270.59
2001-2002	9205.63
2002-2003	10933.67
2003-2004	6881.77(upto Nov.'03)
2004-2005 (Target)	13933.00

6.10 The Ministry of Textiles provides financial assistance to Export Promotion Council/Handicrafts Development Corporation and other implementing agencies to take up export promotion activities with a view to enhance market share of handicrafts in global markets. Under this scheme assistance will be available for conducting market research, workshops and seminars in India and abroad, participation in international fairs and exhibitions, publicity for export promotion, exchange of designers / craftsperson's/ technical experts, training of artisans / officials and non officials in training institutions in abroad and implementing enforcement / welfare schemes for eradication of child labour etc.

6.11 The Ministry further informed that the following steps are proposed to be taken for sustaining the exports and to increase our share in global markets :-

“setting up Technology Upgradation Centre for Exports in 15 potential export craft clusters and setting up of Raw Material Bank for providing graded and certified raw material for production of quality Handicrafts with special focus on exports.”

6.12 In regard to explore foreign markets for the export of handicrafts, the Ministry has stated that the MDA Assistance is available for promoting exports in LAC, African, Asean and CIS countries, which are potential markets not explored fully as yet and Export Promotion Council for Handicrafts (EPCH) has plans to participate in exhibitions/fairs organised in these countries.

6.13 The Committee note that the handicrafts sector assumes special significance in the country's economy in terms of employment generation and foreign exchange earned through exports. The value of handicraft goods produced during the years 2002-2003 and 2003-2004 stood at Rs. 10933 crore and Rs.20356 crore respectively. Also the handicrafts sector provides employment to 48.20 lakh artisans. For generating further employment opportunities and developmental activities in the handicrafts sector, the Government have introduced various schemes like Baba Saheb Ambedkar Hastshilp Vikas Yojana, Design and Technology Upgradation Scheme, Special Handicrafts Training Projects (SHTP), etc. The Committee feel that for effective implementation of these schemes additional budgetary support would be required and therefore, they recommend that sufficient budgetary allocation should be made for proper implementation of the existing as well as proposed developmental and employment generating schemes under the handicrafts sector. The Committee expect that the Ministry of Textiles, being the nodal Ministry, would coordinate and supplement the efforts of State Governments in this regard.

6.14 The Committee observe that the handicraft sector has vast export potential. The Committee are of the opinion that active participation in international fairs, exhibitions, buyer-seller meets and foreign publicity will be of great help in the promotion of the handicrafts sector. The Committee have also noted that the Market Development Assistance (MDA) is available for promoting exports to Latin American, African, ASEAN and CIS countries which are potential markets and have not been fully explored yet. The Committee, therefore, recommend that the Government should identify and explore more exportable handicrafts markets, particularly in Latin American, African and ASEAN countries and assist the artisans in their marketing efforts on sound commercial lines.

6.15 The Committee are dismayed to note that targets fixed for Market Development Programmes were never achieved during the last five years. The Committee are not satisfied with the explanation given by the Ministry that paucity of funds was the reason for not achieving the targets. The Committee are of the opinion that Market Development Programmes are very essential for boosting the sales of handicrafts products in national as well as foreign markets. The Committee, therefore, recommend that the matter of providing adequate funds should be taken up with the Planning Commission with all sincerity and efforts should be made for achieving the targets fixed for the Market Development Programmes.

CHAPTER-VII

SERICULTURE

Major Head: 2851
Minor Head: 00107

7.1 Sericulture is an important labour-intensive and agro-based cottage industry, providing gainful occupation to more than five million persons in the rural and semi-urban areas in India. Of these, a sizeable number of workers belong to the economically weaker section of society. There is substantial involvement of women in this industry.

A. Production of Raw Silk

7.2 According to the Ministry the Production of raw silk since 2001-02 is as follow: -

(in metric tones)

Year	Production of raw silk
2001-02	17347
2002-03	16319
2003-04	15700

7.3 As per the statistics provided by the Ministry, the production of silk in 2003-04 was 15700 M.T., of this, mulberry accounted for 13930 M.T. (88.73%), and non-mulberry silks 1770 M.T. comprising eri 8.6%, tasar 2% and muga 0.67% of the total production of raw silk. During X plan period there is thrust on increase in production and productivity of bivoltine mulberry silk and non-mulberry silks and also enhancement in quality of cocoons.

7.4 When asked to state the reasons for reduction in low production of raw silk, the Ministry have stated as follows in a written reply:

- (i) Drought conditions which prevailed in the last two years in most of the sericulture states (mainly the southern states which produce maximum raw silk).
- (ii) Excessive import of raw silk from China at low price destabilized the domestic markets from May, 2001 and many farmers uprooted their mulberry plantations as they were not able to get remunerative prices for their produce. Hectarage under sericulture declined from 232076 ha. in 2001-02 to 188267 ha. in 2003-04. The quantum of import of raw silk which was 4738 MT in 2000-01 has increased to 9616 MT (Prov.) in 2003-04 and the price of raw silk which was at US \$ 27 per kg. in 2001 has come down to US \$ 19 per kg. as on date.

7.5 In regard to demand and supply of raw silk, the Ministry have stated that there is an estimated average demand of 25000 M.T. of raw silk in the country. The supply of raw silk during the last five years is given below:-

Year	Domestic Production	Import	Total supply
1999-2000	15214	5018	20232
2000-2001	15857	4738	20595
2001-02	17347	6797	24144
2002-03	16319	8987	25306
2003-04 (P)	15700	9616	25316

7.6 As seen from the above table there was a gap between the demand and supply of raw silk till 2001-02. However with the increasing imports every year there is no shortage of supply of raw silk since 2002-03.

7.7 The Ministry has also informed that the following measures are being taken for increasing domestic production of raw silk by taking following measures:

- Plan Budget for sericulture development during X plan period has been enhanced to Rs. 450 crore.
- Improvement of farm infrastructure,
- Evolution of additional productive races of food plant as well as silkworm,
- Popularization of technologies for rearing & reeling,
- Establishing linkages between the raw silk producers & processors to ensure supply of uniform quality of cocoons for reeling,
- Restructuring of marketing systems for introduction of IT measures and establishing Quality Certification Systems
- New schemes or revisions to existing schemes and a request for additionality to the budget out of the new fund for Regeneration of Traditional Industry announced by the Finance Minister are being processed.

B. Employment of Women in Sericulture

7.8 The Committee have been informed that out of total estimated employment of 57 lakh persons in sericulture industry, 50% are estimated to be women. It has further been informed that though there is no scheme in sericulture and silk industry specifically for women, the research institutes of Central Silk Board (CSB) focus on developing women friendly technologies in specific areas to reduce drudgery, increase productivity and efficiency of women, free them from the painful traditional method of thigh reeling and elimination of pupae smell. The following technologies are in place: -

- (i) Multiend reeling Machines in mulberry sector
- (ii) Low cost pedal cum motorized reeling cum twisting machine and motorized spinning wheel in the non-mulberry sector.
- (iii) Cooking ovens for charkha reeling
- (iv) Ushnakothis for drying of cocoons

7.9 Besides, training/skill programmes are organized in specific areas for enabling higher employability of women, their economic empowerment and leadership development.

7.10 The Committee take a serious view on the demand and supply position of raw silk in the country. The Committee are not happy to find that excessive import of raw silk from China has destabilized the domestic markets since 2001 and many farmers have uprooted their mulberry plantations as they were not able to get remunerative prices for their produce. Import of raw silk has increased by about 102% between 2000-01 and 2003-04. Hectarage under sericulture has declined by about 19% between 2001-02 and 2003-04. The Committee feel that in such a situation the domestic production of raw silk has been put to a disadvantageous position. The Committee, therefore, strongly recommend that the Government should take necessary measures to increase the production of raw silk at competitive prices and farmers may be given some incentives for restoration of mulberry plantations. The Committee are also of the view that import of raw silk should not go against the interests of Indian farmers and suitable steps should be taken in this regard.

7.11 The Committee regret to observe that about 50% of the total work force in the sericulture industry are women and yet no scheme has been formulated specifically for them. The Committee further note that the research institutes of Central Silk Board focus on developing women - friendly technologies, including freedom from the painful traditional method of thigh reeling and elimination of pupae smell. The Committee feel that mere availability of technology is not sufficient for the welfare of the poor women workers engaged in the sericulture industry. The Committee recommend that a comprehensive welfare scheme for women workers should be formulated and implemented in a time bound manner in the sericulture industry.

CHAPTER-VIII

JUTE

Major Head: 2852

Sub Head: 04

8.1 According to the Ministry, the Plan Budgetary Estimates / Revised Estimates / Actuals for 2003-2004 and Budget Estimates for 2004-2005 for the Jute Sector is as follows: -

(Rs. in crore)					
Actual Expenditure		2003-2004		BE	
2000-2001	9.82	BE	19.69	2004-2005	13.71
2001-2002	8.59	RE	10.97		
2002-2003	9.56	Likely actual	8.32		
		% over BE	49.00		

8.2 The Jute Sector plays an important role in the economy of the country in general and of the eastern region in particular. About 4 million families are dependent on cultivation of jute and mesta. The jute industry provides direct employment to about 2.61 lakh workers and supports around 1.4 lakh people engaged in tertiary sector and allied activities.

A. Production of Jute

8.3 During the year 2003-2004, (April – February) total production of jute goods was 1423.8 thousand million tones as against 1464.5 thousand million tones in the corresponding period of 2002-2003. Total domestic consumption of Jute goods during 2003-2004 (April – February) was at 1214.3 thousand tonne as against 1229.2 thousand tonne in the corresponding period of last year 2002-2003.

8.4 On being asked the reasons for reduction in production of jute goods as well as their domestic consumption during the year 2003-2004 as compared to that of 2002-2003, the Ministry have stated that though the total production of jute goods has declined from 16,21,800 MTs during 2002-2003 to 15,71,300 MTs during 2003-2004, the production of diversified jute goods has increased from 1,04,800 MTs in 2002-2003 to 1,38,600 MTs in 2003-2004.

8.5 In regard to a query as to whether any efforts have been made to increase the production of jute goods, the Ministry have stated that efforts made by National Centre for Jute Diversification (NCJD) to increase production of jute diversified goods are two-fold: (i) Non financial assistance by way of skill development, design support, technical assistance to the small and tiny sector, entrepreneurs, NGOs, women's' group in the rural areas and semi-urban areas (ii) Financial assistance through micro-finance scheme by way of loan to the extent of Rs. 1 lakh for individual entrepreneur and SHGs and matching grant up to Rs. 2 lakh for NGOs to set up training-cum-production centres and Jute Entrepreneurs(Capital Subsidy) Assistance Scheme for projects up to Rs. 5 crore.

B. Modernization of Jute Industry

8.6 As regards the measures taken to modernize the Jute industry by bringing latest technology, the Ministry, in their written reply stated as under :-

“Schemes being implemented by Ministry of Textiles for Modernisation of Jute Industry are :-

(a) JMDC incentive scheme for modernisation of jute industry

8.7 On the approval of Ministry, JMDC has launched a scheme called “Jute Manufactures Development Council Incentive Scheme for Modernization of Jute Industry” effective from 8 July 2002. The Objective of the scheme is to speed up modernization and upgradation of technology in jute mills. The scheme is operated by Jute Manufactures Development Council, Kolkata. All jute mills who pay statutory cess on manufacture of jute goods and submit to JMDC returns on payment of cess are eligible to receive subsidy under the scheme provided that the modernization and upgradation is carried out subsequent to the date of notification of the scheme. All eligible jute mills under the scheme are entitled to get subsidy for procurement of the eligible items of machinery/equipment/ancillary items for modernization and up gradation on making an application to JMDC in a format prescribed for the purpose. The subsidy is restricted to 15% of the cost of machinery/equipment procured by the jute mills. With effect from 19.09.2003, new jute mills established in new locations pertaining to jute growing areas having inadequate jute processing facilities have been made eligible to get subsidy @20% after payment of cess for at least 3 months. The eligible machinery may be purchased from approved vendors from out of the loan of any financial institution/bank/leasing company or from the available resources of the jute mill. In a separate reply, the Ministry have stated that it is early to point out the real impact of the scheme on modernization of jute industry. Modern Machinery worth Rs. 52.88 crore has been installed. It is expected that with installation of the modern machinery, there will be significant improvement in productivity, quality of products and cost of production so that the jute industry becomes internationally competitive.

(b) External Market Assistance (EMA) Scheme

8.8 The validity of the revised EMA Scheme, which came into effect from 1st April, 2002 expired on 31st March 2004.

8.9 The Non-Plan Grant to JMDC for the year 2003-04 has been budgeted at Rs.27 crore, which means that the grant has not increased due to the projected increase of Cess. The scheme has not been extended beyond 31.03.2004, though the industry as well as the Council of JMDC has recommended to extend the Scheme for one more year with effect from 1-4-2004.

8.10 (c) The JMDC also provides assistance for Market Discovery, Market Intelligence for jute products both in the domestic and international markets. It also provides assistance to Indian Jute Industries Research Association (IJIRA) and Institute of Jute Technology (IJT) for conducting R&D projects and training programmes for the jute industry.

(d) Technology Upgradation Fund Scheme (TUFS)

8.11 The Technology Upgradation Fund Scheme (TUFS) was launched with effect from 1st April, 1999 for modernisation of jute industry. This scheme provides 5% interest subsidy on the Capital (both on Rupee term loan and foreign currency loans) investment for installation of new and second-hand plant and machinery having vintage period of 10 years and for installation of captive generator. Other than term loan, a number of instruments like Deferred Payment Guarantee scheme (DPG), lease finance, non-convertible debentures, hire purchase scheme operated by NSIC etc. have also been additionally covered under the scheme. The benefits under the Technology Upgradation Fund Scheme (TUFS) for the textile sector administered by the Ministry of Textiles since April, 1999 are also applicable to the jute and jute textile sector. The scheme did not pick up so well as compared to the general textile sector, the reasons being the pervasive sickness of the jute sector and the practice of not availing bank finance by the entrepreneurs in the jute sector.”

8.12 In response to a query regarding the efforts made for developing the market and strengthening the existing marketing network for jute products, the Ministry stated that the efforts of National Centre for Jute Diversification (NCJD) for developing and strengthening the markets are multi-dimensional although the resources in this regard are limited –(i). NCJD provides exposure to the products of small units and NGOs through various national and international level exhibitions, (ii) NCJD operates Sales-Outlet Scheme under which a collaborative arrangement is made with leading sales-outlets for sale of jute diversified products manufactured by assisted units of NCJD, (iii) NCJD has ventured in to international market.

C. Closure / Revival of Jute Mills

8.13 There are 78 Jute Mills in the country, out of which 61 jute mills are located in West Bengal, 3 each in Bihar and U.P., 7 in Andhra Pradesh and 1 each in Assam, Orissa, Tripura and M.P. As on 01.01.2003, total number of looms installed in jute industry stood at 46,330 and installed spindles in jute mills other than 100% export oriented units was 6,68,318 comprising 5,75,042 fine spindles and 93,276 coarse spindles. As on 01.01.2003, installed spindles in 100% managed export-oriented units stood at 11,736, with fine spindles numbering 10,096 and coarse spindles at 1640. The maximum achievable capacity in jute mills other than 100% export oriented units (on the basis of 300 working days) is estimated to be of 21.26 lakh tones per annum.

8.14 On being asked the details regarding sick/closed mills and the action taken for revival of closed jute mills, the Ministry stated that there are 21 jute mills lying closed for varying period and the total number of Jute Mills which have been declared sick are 30. The Ministry have further stated that in Government Sector, there are 6 jute mills which are units of National Jute Manufacturing Corporation (NJMC), a Public Sector Undertaking under the aegis of the Ministry of Textiles, Government of India. The Board of Industrial Finance Reconstruction (BIFR) vide their Order dated 08.07.2004 has ordered the winding up of the NJMC. As regards to the revival of the Private mills, this Ministry is trying to elicit information regarding the feasibility of the revival of these mills. The number of workers affected due to closure of sick mills is 76,339.

8.15 The Committee pointed out that the workers and the officers of the closed/likely to be closed jute mills are not getting their wages and salary for months together. In this context, during evidence, the representatives of the Ministry explained as under: -

“The second issue was the payment of statutory dues in jute mills. Sir, we have taken up ourselves with the Ministry of Labour that the issue of PF dues and other statutory dues, which have been defaulted by the private mills towards the workers, should be taken up. We have also taken up this issue with the West Bengal Government pointing out to them from the report of EPFO, which jute mills have defaulted in the payments. It is a State subject and they have to take action. So, we have asked them to take the action. I am sure that being the welfare State, the West Bengal Government would be taking action. From our side, we regard to those who are defaulting in payments, we have taken steps which are in our control. We are discouraging them from issuing orders to such mills which are defaulters in payments or are defaulters in lifting the linkage-linked jute from the Jute Corporation of India. We have started it about three months back and we have seen some improvement in the running of the scheme of things. Those mills have started responding by lifting the MSP jute from Jute Corporation of India and they are trying not to default in order to continue to get orders from the Jute Commissioner.

Regarding NJMC, we are in a peculiar situation that the total paid up capital of NJMC is Rs.55 crore and today its accumulated losses are Rs.3,700 crore. I think, it has gone through BIFR for three to four years. Finally, the BIFR has ordered about a month back winding up of NJMC and has referred the matter to the High Court of West Bengal for appointment of Liquidator. Now, unless the BIFR’s recommendation is reversed by some higher authority, with these latest orders, our hands are bound that we cannot take any action because after all efforts were exhausted, it has gone for liquidation and some decision will have to be taken. If somebody has to go into the appeal, it is the affected parties which would go into the appeal.”

D. Development regarding dilution of Compulsory Packaging

8.16 According to the Ministry on the recommendations of Standing Advisory Committee (SAC) and Inter Ministerial Committees, the Government issued a notification dated 12th July, 2002 specifying certain percentage of packaging of foodgrain and sugar in jute packaging material. Indian Jute Mills Association (IJMA) and others challenged the said notification which provided for dilution of the level of mandatory packaging of food grains and sugar in jute packaging material from the prevailing levels of 100% and 90% respectively to 80% and 75% during the Jute Year 2002-2003 and to 60% and 50% during the Jute Year 2003-2004. In the meanwhile, the SAC held its 12th meeting to recommend fresh percentage of measures for the Jute year 2004-2005. The Government is in the process of firming up a view on the recommendation of the Standing Advisory Committee (SAC) for fresh percentage of measures with regard to compulsory jute packaging for the year 2004-2005. In a separate reply, the Ministry stated that the Inter Ministerial Committee (IMC) constituted on the basis of the recommendation of the Standing Advisory Committee (SAC) in its recommendations dated 31.08.2001 recommended a road map for progressive dilution of compulsory packaging norms for food grains and sugar under the Jute Packaging Materials (compulsory use in Packing Commodities) Act, 1987. The Cabinet Committee on Economic Affairs in its meeting dated 11.06.2002 had broadly approved the recommendations of the IMC. The rationale given for such dilution was that dilution will enable the jute industry to modernize and diversify making it cost and quality competitive in domestic and international markets.

8.17 During evidence, the Committee informed regarding the recommendation made by the Standing Committee on Commerce (Rajya Sabha) in their 52 Report which is as follows :-

“The Committee also reiterate their recommendation contained in the 52nd report that the Jute Packaging Materials (Compulsory Use in Packaging Commodities) Act, 1987 should be reviewed in such a way that it is not to the disadvantage of the jute industry.”

8.18 In this context, during evidence, the representative of the Ministry stated that the meeting of the Standing Advisory Committee was held and its recommendations would be going to the Cabinet in its next meeting to decide the mandatory norms for packaging and that the Ministry would abide by the decision of the Cabinet.

8.19 The Committee note that during the year 2003-2004, (April –March) total production of jute goods was 15713 thousand million tonnes (including 1386 thousand million tonnes of diversified production of jute goods) as against 1621.8 thousand million tonnes (including 104.8 thousand million tonnes of diversified production of jute goods) in the corresponding period of 2002-2003. The reasons put forth by the Ministry that although the total production of jute goods has declined during 2003-2004 but the production of diversified jute goods has increased during this year are not very convincing. The Committee feel that though there is an increase in the production of diversified jute goods, it constitutes a very nominal percentage of the overall total production of jute goods which has considerably gone down during the said period. The Committee recommend that the Ministry should intensify their efforts for increasing the overall production of jute goods by providing all the necessary financial as well as non-financial assistance by way of skill development, design support, etc. to the production centers. The Committee desire that steps should also be taken for intensified research and development in jute and also for providing the latest technology for increasing productivity in the manufacturing sector.

8.20 The Committee note that various schemes are being implemented by the Ministry for modernization of the jute industry. The Committee further note that a new Scheme, namely Jute Manufactures Development Council (JMDC) Incentive Scheme for the Modernization of Jute Industry has been implemented with effect from 8th July, 2002. Under the scheme, all eligible jute mills are entitled to get subsidy for procurement of the eligible items of

machinery/equipment/ancillary items for modernization and upgradation. The machinery can be purchased from approved vendors using the loan from financial institutions. The Committee has been further apprised that so far modern machinery worth Rs. 52.88 crore has been installed in the jute sector. The Committee recommend that the process of modernisation under the JMDC Incentive Scheme has to be intensified with a view to improving significantly productivity, quality of products and making the jute industry internationally competitive.

8.21 The Committee further note that another scheme namely, Technology Upgradation Fund Scheme (TUFS) for modernization of the jute industry is in operation since 1st April, 1999. The Committee are constrained to note that the Scheme has not picked up so well due to pervasive sickness of the jute sector and the practice of not availing bank finance by the entrepreneurs. The Committee are not happy with the performance of the Scheme. As per the guidelines of the Scheme, the entrepreneurs should have a bankable scheme and should avail loan for modernization projects. The Committee are surprised to note that a similar Scheme has received a good response in the textile sector but has a lukewarm response from entrepreneurs of the jute sector. The Committee desire that the Ministry should review and revise the Scheme and intensify their efforts for modernization of the jute industry.

8.22 The Committee are deeply concerned to note that there are 76339 number of workers who have been affected due to closure of the sick jute

mills. The Committee have been apprised that the matter regarding payment of compensation and payment of statutory dues to affected workers of closed private mills pertains to the Ministry of Labour and the concerned State Governments and the same has also been brought to their notice. The Committee regret to note that the Board of Industrial Finance and Reconstruction (BIFR) has ordered the winding up of the NJMC and has referred the matter to the High Court of Calcutta for appointment of a Liquidator. The Committee are of the firm view that it is due to mismanagement, corruption, lack of proper planning, etc. that all these mills employing large number of workmen have been closed or going to be closed and there is no fault of the workers. The Committee desire that the issue regarding payment of statutory dues in jute mills should be addressed in all earnestness. The Committee further desire that the Ministries of Labour and Finance should be approached to take urgent concrete action for payment of statutory dues and any other compensation to the affected workers in coordination with the respective State Government. The Committee may be apprised of the action taken in this regard.

8.23 The Committee note that the Inter-Ministerial Committee (IMC) constituted on the basis of the recommendation of the Standing Advisory Committee (SAC) in its recommendations dated 31.08.2001 had advocated a road map for progressive dilution of compulsory packaging norms for foodgrains and sugar under the Jute Packaging Materials (Compulsory use in Packing Commodities) Act, 1987. The Committee further note that the Government issued a notification dated 12.07.2002 specifying certain

percentage of packaging of foodgrains and sugar in jute packaging material which was challenged by the Indian Jute Mills Association (IJMA) and others in the Court, as the said notification provided for dilution of the level of mandatory jute packaging material for food grains and sugar. The Committee have been informed that the rationale given for such dilution was that dilution will enable the jute industry to modernize and diversify, making it cost and quality competitive in domestic and international markets. The Committee are given to understand that the Government is in the process of firming up a view on the recommendation of the Standing Advisory Committee (SAC) for fresh percentage of measures with regard to compulsory jute packaging for the year 2004-2005. The Committee apprehend that any such dilution might adversely affect the jute industry and also the interests of the workers. The Committee, therefore, strongly recommend that the Jute Packaging Materials (Compulsory Use in Packaging Commodities) Act, 1987 should be reviewed in such a manner so that the Jute Industry is able to sustain itself in the competitive economy and interests of the workers are protected.

NEW DELHI:

August , 2004
Sravana 1926 (Saka)

P.K. Vasudevan Nair
Chairman,
Standing Committee on Labour

**MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON LABOUR
HELD ON MONDAY, 9th AUGUST 2004.**

The Committee met from 14.30 hrs. to 16.30 hrs. in Committee Room No. 'D' Parliament House Annexe, New Delhi.

PRESENT

Shri P.K. Vasudevan Nair- Chairman

**MEMBERS
LOK SABHA**

1. Shri Joachim Baxla
2. Shri Santasri Chatterjee
1. Dr. Satyanarayan Jatiya
2. Shri Virendra Kumar
3. Shri Rajesh Kumar Manjhi
4. Shri Lal Mani Prasad
5. Shri Chandradev Prasad Rajbhar
6. Shri Chandra Pratap Singh
7. Smt. C.S. Sujatha

RAJYA SABHA

1. Shri Lekhraj Bachani
2. Shri K. Chandran Pillai

SECRETARIAT

1. Shri R.C. Ahuja	-	Joint Secretary
2. Shri J.P. Sharma	-	Director
3. Shri R.K. Saxena	-	Deputy Secretary

Contd...2/-

LIST OF THE REPRESENTATIVES OF THE MINISTRY OF TEXTILES

Sl.No	Name of the Officer	Designation
1.	Dr. Subas C. Pani	Development Commissioner (Handlooms)
2.	Mrs. Asha Swarup	Additional Secretary & Financial Advisor
3.	Shri Sudhir Bhargava	Joint Secretary
4.	Smt. Kiran Dhingra	Joint Secretary
5.	Shri J.K. Sharma	Joint Secretary
6.	Shri Atul Chaturvedi	Joint Secretary
7.	Smt. T.Joshi	Development Commissioner (Handicrafts)
9.	Shri Subodh Kumar	Textile Commissioner
10.	Shri P. Joy Oommen	Member Secretary (CSB)
11.	Shri S.K. Das	Deputy Jute Commissioner
12.	Shri Sudhir Bhandari	C.C.A.
13.	Smt. C. Malviya	AEA
14.	Shri Ajoy Kumar	Director
15.	Shri R. Subramaniyan	Director
16.	Shri C. Roul	Director
17	Shri Shashi Bhushan	Director
18.	Shri Vivek Joshi	Director
19.	Shri Prem Sagar	Deputy Secretary

2. At the outset, the Chairman informed the Committee that Shri Dipak Chatterjee, Secretary, Ministry of Textiles sought the leave of absence in writing as he left for Pakistan as the leader of Indian Delegation to hold trade tales with that country. Then the Chairman welcomed Shri Dr. Subas C. Pani, Development Commissioner (Handlooms) who led the team of officials of the Ministry and other officials accompanying him.

3. The Committee then took up evidence of the representatives of the Ministry of Textiles on the budgetary allocations for the year 2004-05 and the expenditure incurred on various schemes/programmes undertaken by them for implementation. The important topics discussed in the meeting include (a) General Performance of the Ministry, (b) National Textile Corporation, (c) National Jute Manufacturing Corporation, (d) Textile Workers' Rehabilitation Fund Scheme, (e) Withdrawal of mandatory CENVAT on Cotton, Silk and Wool.

4. The Secretary and other officials of the Ministry replied to the queries raised by the Members. The Chairman directed the Secretary to send written replies to the queries of the Members on which ready information was not available with them during the evidence.

5. The Chairman thanked the Additional Secretary and other officials for giving valuable information to the Committee on the subject in a candid manner.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON
LABOUR HELD ON WEDNESDAY 18th AUGUST 2004.**

The Committee met from 15.00 hrs. to 17.30 hrs. in Committee Room 'E' Parliament House Annexe, New Delhi.

Shri P.K. Vasudevan Nair- Chairman

**MEMBERS
LOK SABHA**

2. Shri Joachim Baxla
3. Shri Santasri Chatterjee
4. Shri Sukhdev Singh Dhindsa
5. Shri Thawar Chand Gehlot
6. Dr. Satyanarayan Jatiya
7. Shri Virendra Kumar
8. Shri Rajesh Kumar Manjhi
9. Shri Ananta Nayak
10. Shri Bassangouda Patil(Yatnal)
11. Shri Lal Mani Prasad
12. Shri Chandradev Prasad Rajbhar
13. Dr. Dhan Singh Rawat
14. Shri Chandra Pratap Singh
15. Smt. C.S. Sujatha

RAJYA SABHA

16. Shri Debabrata Biswas
17. Ms. Pramila Bohidar
18. Shri K. Chandran Pillai

SECRETARIAT

1. Shri J.P. Sharma	-	Director
2. Shri R.K. Saxena	-	Deputy Secretary

Contd...2/-

2. At the outset, Hon'ble Chairman apprised the Committee that the Departmentally Related Standing Committee were constituted very late, as such, only one week was available for the assigned work. The Committee held its discussions with the representatives of the Ministries on 9th August, 2004. Within the short time available to the Committee only recommendations/observations on important issues could be formulated. Hon'ble Chairman also informed that if any Hon'ble Member feels that any specific issue/subject has not been included in these reports, the same can be taken up when subjects are selected for detailed examination.

3. XXX XXXX

4. Thereafter the Committee took up the draft Second Report on Demands for Grants relating to the Ministry of Textiles for the year 2004-05 and adopted the same without any amendment.

5. The Committee authorised the Chairman to finalise the Reports and present the same to Parliament on their behalf.

6. The Committee then placed on record their deep appreciation and thanks to the officers and staff of the Lok Sabha Secretariat for their hard work and valuable assistance rendered by them to facilitate the work of the Committee in preparing their draft reports within the limited time.

The Committee then adjourned.

STATEMENT OF RECOMMENDATIONS/OBSERVATIONS

Sl. No.	Para No.	Recommendations/Observations
1.	2.7	The Committee are concerned to note that the actual Plan expenditure has constantly been less than the budgetary estimates since 1993-1994. During 2003-2004, the unspent balance surrendered under Plan allocation was to the tune of Rs.104.41 crore and Rs.64.62 crore under the non-Plan scheme in respect of Design Development and Training Programme, Apparel Export Textiles Parks and various other schemes of the Ministry. The reasons for surrender in most of the cases have been indicated as inaction on the part of the implementing agencies. The Committee feel that continuous unspent balances left with the Ministry year after year clearly indicate a serious flaw in the budgetary process resulting in unrealistic budgetary projections by the Ministry in each subsequent year ignoring the vital outputs of actual requirement of funds under different heads.
2.	2.8	The Committee take further note that the Ministry is blaming the implementing agencies and the NGOs for non availing of second instalments of earmarked funds. The reasons given by the Ministry for the unspent balance viz. late receipt or incomplete nature of proposals and delay in release of State share-are of routine nature. In the opinion of the Committee, the monitoring mechanism of the Ministry is not up to the mark. The Committee, therefore, recommend that the Ministry should intensify its monitoring work and take corrective measures such as creating awareness of the schemes by holding periodical review meetings with the State Governments/users also sensitizing the NGOs in a systematic manner so that the funds earmarked are fully utilised. The Committee trust that the budgetary allocations under different heads will be fully utilized by the Ministry at least during 2004-2005.
3.	3.8	The Committee note with anguish that out of 151 textiles mills closed upto 31.3.2004, only 45 mills were registered with BIFR and the workers of 101 private mills closed did not approach the office of Textile Commissioner to avail the benefits under the Textile Workers Rehabilitation Fund Scheme (TWRFS). The reasons put forth are reluctance on the part of concerned agencies to grant closure under section 25 (O) of the Sick Industrial Companies (Special Provisions) Act, 1985 and non-availability of records of eligible workers. The Committee view this situation very seriously. They are of the view that the Ministry should address this vexatious issue with right earnest and while doing so, should convene a meeting of the representatives of State Governments and Trade Union leaders and find a solution. The Committee further recommend that, pending a satisfactory resolution of the issue some reasonable fixed amount should be given as interim relief to the workers to make both ends meet.
4.	3.17	The Committee note that out of 119 textile mills, 66 mills have been closed and the remaining 53 mills have been sanctioned a revival package at a cost of Rs.3937 crore. The Committee further note that the revival package which basically consisted of modernisation of the mills was to be funded from the sale of surplus lands. The proposed total modernisation cost is to the tune of Rs.1500 crore and resources for modernisation are to come from the sale of surplus land. Assets worth Rs.400 crore have been mobilised through sale of surplus land whereas Rs.72 crore has been released as working capital for modernisation in pursuance of the Revival Scheme. The Committee are not satisfied with the tardy pace of modernisation of the textile mills. The Ministry should not only formulate an alternative plan to modernize the textile industry expeditiously but also intensify their efforts to sell the surplus land so that necessary funds could be mobilised for modernisation of the viable mills within a definite time frame.

5.	3.18	The Committee note with deep concern that the issue of modernisation of mills has been linked with the process of sale of surplus land but unfortunately the sale of surplus land of Textile mills both in Mumbai and Ahmedabad has not yet materialised. The Committee, while expressing its serious concern urge the Ministry to exhibit seriousness in the matter and augment their efforts through high level meetings with the State Governments so that the Sick units could be revived at the earliest.
6.	3.20	The Committee take note of the fact that the textile industry plays a significant role in the Indian economy as it provides employment to around 35 million people. The Committee are apprehensive that the proposed labour reform by the Second Labour Commission in the Industrial Disputes Act, would facilitate the managements of the textile industry which are employing less than 1000 workers to indulge in retrenchment, lay-off and closure of the mill without taking the permission of the appropriate authority. The ceiling at present is 100 workers. Such a situation would definitely render a number of workers jobless which would severely affect the well-being of their families. The Committee do not endorse the argument of the Ministry that the present labour environment in the Textile Industry and the existing structure of labour laws do not encourage flexibility in workers redeployment. In the opinion of the Committee textiles being the oldest industry employing a large workforce should be made more competitive by encouraging technology upgradation and modernisation. The Committee, therefore, consider the proposed labour reforms anti-labour and are not in favour of such a law for the textile industry which give blanket powers to the employers for retrenchment of employees and arbitrary closure of mills.
7.	4.7	The Committee are concerned to note that powerlooms in the country are made of outdated technology, marked by low productivity and manufacturing low-value fabrics. The Committee further note that there are 18.40 lakh powerlooms in the country employing about 45.9 lakh people but the amount released during 2003-04 for technology upgradation is only Rs.9.67 lakh. Further the Ministry have announced induction of only 50,000 shuttleless looms and 2.5 lakh semi-automatic looms for the modernization of decentralized powerloom industry. The Committee feel that this modernization package is not sufficient considering the size of the industry. The Committee, therefore, urge the Government to make serious efforts to modernize the decentralised powerloom industry by enlarging the existing Technology Upgradation Fund Scheme (TUFS). The Committee recommend that sufficient funds should be made available for strengthening the social security schemes for powerlooms workers, improving infrastructural facilities and enhancing their competitiveness in the global market.
8.	4.8	The Committee are dismayed to note that out of 23 Poweloom Service Centers which have to be modernized during the Tenth Plan, only 2 PSCs have been modernized so far. With such a tardy pace the Committee are doubtful whether the Ministry would be able to complete the modernisation of all the remaining PSCs by 2006. The Committee recommend that a review should be conducted on the modernization programme and all the remaining PSCs should be modernised with the latest technology as per the need of the powerloom industry in a time bound manner. The Committee further recommend that an action plan should be framed for training the powerloom workers in the effective use of equipment given.
9.	5.14	The Committee observe that budgetary allocation of Rs. 156.77 crore has been projected at BE stage for the Handloom Sector which was reduced to Rs. 137.31 crore at RE stage during the year 2003-2004. The actual expenditure for the year 2003-2004 is Rs. 128.46 crore. For the year 2004-2005, BE of Rs. 156.56 crore has

		been projected. The Committee also note that the actual expenditure during the years 2000-2001, 2001-2002 and 2002-2003 were Rs. 70.66 crore, Rs. 112.70 crore and Rs. 130.66 crore respectively. The Committee feel that non-utilisation of funds allocated for handloom sector would seriously affect the production of handloom cloth and workers welfare activities being undertaken by the Ministry for this Sector. The Committee desire that keeping in view the overall development of the handloom sector, budgetary support should be increased, particularly for the welfare activities being undertaken by the Government for the handloom weavers. The Committee further desire that the Government should also ensure that the funds allocated for various schemes are fully utilized.
10.	5.15	The Committee are constrained to note that from the year 1998-99 onwards, there has been a constant decline in the production of cloth in the handloom sector as compared to the targets set for each year. The Committee take further note of the argument of the Ministry that no proper assessment study has been conducted to ascertain the factors responsible for decline in production of cloth due to highly decentralized nature of the handloom industry. The Committee feel that the factors responsible for the decline in the production of handloom cloth since 1998-1999 need to be properly assessed as also the impact of the fiscal changes announced recently in the excise duty on hank yarn on the overall production of handloom cloth have to be properly studied. The Committee, therefore, recommend that a comprehensive study be conducted to identify the factors responsible for the decline in production of handloom cloth so that necessary corrective measures could be taken to augment the production of cloth.
11.	5.16	The Committee observe that a provision of Rs. 755.00 lakh was made during 2003-2004 for Weavers' Welfare Scheme but the Plan allocation for the scheme has been reduced to Rs. 600 lakh in the BE 2004-2005. The Committee note that the Government of India has been implementing various welfare schemes viz. Workshed-cum-Housing Scheme, Health Package Scheme, Thrift Fund Scheme, New Insurance Scheme, etc. for handloom weavers. The Committee feel that with the reduced allocation of funds, the welfare schemes undertaken by the Government would not be implemented effectively. The Committee take further note that under the Workshed-cum-Housing Scheme, the components of Common Workshed, Separate Workshed and Community Centre are also being added. The Committee are of the view that construction of workshed/workshed-cum-houses for the weavers would enable them to increase the production of handloom for meeting the export and domestic orders. The Committee desire that the workers should be provided with suitable workplace along with the houses, with all the necessary infrastructure, in both rural and urban areas for better working environment and productivity. The Committee, therefore, recommend that increased budgetary allocations should be made for the scheme and implementation of the relevant schemes should be properly monitored and periodically reviewed.
12.	5.17	The Committee take note that the Deen Dayal Hathkargha Protsahan Yojana was launched to provide assistance to the handloom weavers in an integrated and comprehensive manner. The Committee further note that under this Centrally sponsored scheme, the funding pattern between the Centre and States is 50:50 for all the States, excepting the States falling under NER, Sikkim, J&K, Uttaranchal and Himachal Pradesh where the sharing ratio is 90:10. The Committee observe that the scheme is not performing well because in some cases only the first instalment has been released and the State Governments are not able to provide the matching share. The Committee, therefore, recommend that efforts should be made to persuade the State Governments to bear their responsibility of providing the matching share. The Ministry should also gear up their monitoring and coordination machinery over the schemes through periodical review meetings with the implementing agencies and NGOs and ensure timely release of funds to the implementing agencies.

13.	6.13	<p>The Committee note that the handicrafts sector assumes special significance in the country's economy in terms of employment generation and foreign exchange earned through exports. The value of handicraft goods produced during the years 2002-2003 and 2003-2004 stood at Rs. 10933 crore and Rs.20356 crore respectively. Also the handicrafts sector provides employment to 48.20 lakh artisans. For generating further employment opportunities and developmental activities in the handicrafts sector, the Government have introduced various schemes like Baba Saheb Ambedkar Hastshilp Vikas Yojana, Design and Technology Upgradation Scheme, Special Handicrafts Training Projects (SHTP), etc. The Committee feel that for effective implementation of these schemes additional budgetary support would be required and therefore, they recommend that sufficient budgetary allocation should be made for proper implementation of the existing as well as proposed developmental and employment generating schemes under the handicrafts sector. The Committee expect that the Ministry of Textiles, being the nodal Ministry, would coordinate and supplement the efforts of State Governments in this regard.</p>
14.	6.14	<p>The Committee observe that the handicraft sector has vast export potential. The Committee are of the opinion that active participation in international fairs, exhibitions, buyer-seller meets and foreign publicity will be of great help in the promotion of the handicrafts sector. The Committee have also noted that the Market Development Assistance (MDA) is available for promoting exports to Latin American, African, ASEAN and CIS countries which are potential markets and have not been fully explored yet. The Committee, therefore, recommend that the Government should identify and explore more exportable handicrafts markets, particularly in Latin American, African and ASEAN countries and assist the artisans in their marketing efforts on sound commercial lines.</p>
15.	6.15	<p>The Committee are dismayed to note that targets fixed for Market Development Programmes were never achieved during the last five years. The Committee are not satisfied with the explanation given by the Ministry that paucity of funds was the reason for not achieving the targets. The Committee are of the opinion that Market Development Programmes are very essential for boosting the sales of handicrafts products in national as well as foreign markets. The Committee, therefore, recommend that the matter of providing adequate funds should be taken up with the Planning Commission with all sincerity and efforts should be made for achieving the targets fixed for the Market Development Programmes.</p>
16.	7.10	<p>The Committee take a serious view on the demand and supply position of raw silk in the country. The Committee are not happy to find that excessive import of raw silk from China has destabilized the domestic markets since 2001 and many farmers have uprooted their mulberry plantations as they were not able to get remunerative prices for their produce. Import of raw silk has increased by about 102% between 2000-01 and 2003-04. Hectarage under sericulture has declined by about 19% between 2001-02 and 2003-04. The Committee feel that in such a situation the domestic production of raw silk has been put to a disadvantageous position. The Committee, therefore, strongly recommend that the Government should take necessary measures to increase the production of raw silk at competitive prices and farmers may be given some incentives for restoration of mulberry plantations. The Committee are also of the view that import of raw silk should not go against the interests of Indian farmers and suitable steps should be taken in this regard.</p>
17.	7.11	<p>The Committee regret to observe that about 50% of the total work force in the sericulture industry are women and yet no scheme has been formulated specifically for them. The Committee further note that the research institutes of Central Silk Board focus on developing women-friendly technologies, including freedom from the painful traditional method of thigh reeling and elimination of pupae smell. The Committee feel that mere availability of technology is not sufficient for the welfare</p>

		of the poor women workers engaged in the sericulture industry. The Committee recommend that a comprehensive welfare scheme for women workers should be formulated and implemented in a time bound manner in the sericulture industry.
18.	8.19	The Committee note that during the year 2003-2004, (April –March) total production of jute goods was 15713 thousand million tonnes (including 1386 thousand million tonnes of diversified production of jute goods) as against 1621.8 thousand million tonnes (including 104.8 thousand million tonnes of diversified production of jute goods) in the corresponding period of 2002-2003. The reasons put forth by the Ministry that although the total production of jute goods has declined during 2003-2004 but the production of diversified jute goods has increased during this year are not very convincing. The Committee feel that though there is an increase in the production of diversified jute goods, it constitutes a very nominal percentage of the overall total production of jute goods which has considerably gone down during the said period. The Committee recommend that the Ministry should intensify their efforts for increasing the overall production of jute goods by providing all the necessary financial as well as non-financial assistance by way of skill development, design support, etc. to the production centers. The Committee desire that steps should also be taken for intensified research and development in jute and also for providing the latest technology for increasing productivity in the manufacturing sector.
19.	8.20	The Committee note that various schemes are being implemented by the Ministry for modernization of the jute industry. The Committee further note that a new Scheme, namely Jute Manufactures Development Council (JMDC) Incentive Scheme for the Modernization of Jute Industry has been implemented with effect from 8 th July, 2002. Under the scheme, all eligible jute mills are entitled to get subsidy for procurement of the eligible items of machinery/equipment/ancillary items for modernization and upgradation. The machinery can be purchased from approved vendors using the loan from financial institutions. The Committee has been further apprised that so far modern machinery worth Rs. 52.88 crore has been installed in the jute sector. The Committee recommend that the process of modernisation under the JMDC Incentive Scheme has to be intensified with a view to improving significantly productivity, quality of products and making the jute industry internationally competitive.
20.	8.21	The Committee further note that another scheme namely, Technology Upgradation Fund Scheme (TUFS) for modernization of the jute industry is in operation since 1 st April, 1999. The Committee are constrained to note that the Scheme has not picked up so well due to pervasive sickness of the jute sector and the practice of not availing bank finance by the entrepreneurs. The Committee are not happy with the performance of the Scheme. As per the guidelines of the Scheme, the entrepreneurs should have a bankable scheme and should avail loan for modernization projects. The Committee are surprised to note that a similar Scheme has received a good response in the textile sector but has a lukewarm response from entrepreneurs of the jute sector. The Committee desire that the Ministry should review and revise the Scheme and intensify their efforts for modernization of the jute industry.
21.	8.22	The Committee are deeply concerned to note that there are 76339 number of workers who have been affected due to closure of the sick jute mills. The Committee have been apprised that the matter regarding payment of compensation and payment of statutory dues to affected workers of closed private mills pertains to the Ministry of Labour and the concerned State Governments and the same has also been brought to their notice. The Committee regret to note that the Board of Industrial Finance and Reconstruction (BIFR) has ordered the winding up of the NJMC and has referred the matter to the High Court of Calcutta for appointment of a Liquidator. The Committee are of the firm view that it is due to mismanagement, corruption, lack of proper planning, etc. that all these mills employing large number of workmen have

		been closed or going to be closed and there is no fault of the workers. The Committee desire that the issue regarding payment of statutory dues in jute mills should be addressed in all earnestness. The Committee further desire that the Ministries of Labour and Finance should be approached to take urgent concrete action for payment of statutory dues and any other compensation to the affected workers in coordination with the respective State Government. The Committee may be apprised of the action taken in this regard.
22.	8.23	The Committee note that the Inter-Ministerial Committee (IMC) constituted on the basis of the recommendation of the Standing Advisory Committee (SAC) in its recommendations dated 31.08.2001 had advocated a road map for progressive dilution of compulsory packaging norms for foodgrains and sugar under the Jute Packaging Materials (Compulsory use in Packing Commodities) Act, 1987. The Committee further note that the Government issued a notification dated 12.07.2002 specifying certain percentage of packaging of foodgrains and sugar in jute packaging material which was challenged by the Indian Jute Mills Association (IJMA) and others in the Court, as the said notification provided for dilution of the level of mandatory jute packaging material for food grains and sugar. The Committee have been informed that the rationale given for such dilution was that dilution will enable the jute industry to modernize and diversify, making it cost and quality competitive in domestic and international markets. The Committee are given to understand that the Government is in the process of firming up a view on the recommendation of the Standing Advisory Committee (SAC) for fresh percentage of measures with regard to compulsory jute packaging for the year 2004-2005. The Committee apprehend that any such dilution might adversely affect the jute industry and also the interests of the workers. The Committee, therefore, strongly recommend that the Jute Packaging Materials (Compulsory Use in Packaging Commodities) Act, 1987 should be reviewed in such a manner so that the Jute Industry is able to sustain itself in the competitive economy and interests of the workers are protected.